



London Borough of Lewisham Pension Fund

2021/22 Annual Report

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2021/22 Pension Fund Statement of Accounts

1. FOREWORD BY THE EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

- 1.1. Welcome to the 2021/22 Annual Report for the Lewisham Pension Fund. The requirement for, and contents of, the annual report is set out in Regulation 57 of the Local Government Pension Scheme Regulations 2013.
- 1.2. The Pension Fund Annual Report details the financial position of the Fund and the performance of the managers appointed to administer the investment portfolio. It brings together a number of separate reporting strands into one comprehensive document that enables the public and employees to see how the Fund is managed and how it is performing.
- 1.3. Much of the current investment strategy to diversifying the Fund away from fossil fuels to low-carbon mandates has been achieved. This has been achieved by moving funds away from passive growth funds and investing into funds such as Passive Equity Progressive Paris Aligned Fund (PEPPA) and London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund and the proposed investment into Storebrand Global Plus Fund in 2022/23. Members and officers continue to work with the Fund's advisers and LCIV to develop suitable mandates and a clear plan for the transition of assets into these mandates. The new investment strategy will be developed once the results of the March 2022 triennial valuation has been completed.
- 1.4. The London Borough of Lewisham, as administering authority, runs the Fund on behalf of its members, with the overriding objective of ensuring its assets are sufficient to pay the benefits owing to members. To achieve this, it must ensure:
 - The proper receipt of contributions from employers and employees;
 - The appropriate investment of those contributions to achieve both investment income and capital growth; and
 - The timely payment of benefits as and when members retire, for the rest of their lives, and their dependents where relevant.
- 1.5. To achieve these objectives the Fund operates within a framework of strategies, aligned with investment beliefs, which meet the requirements of the Regulations and clearly set out a route to achieve full funding of the Fund's obligations within a set timeframe. These take the form of the Funding Strategy Statement and Investment Strategy Statement and a Statement of Investment Beliefs formed by the Pensions Investment Committee, which is responsible for exercising all functions of the administering authority in relation to local government pensions. The Statement of Investment Beliefs sets out a list of high level overriding principles by which the Committee make investment decisions, including governance, investment strategy and structure, responsible investment, and climate change; the full statement is available on the Fund's website at www.lewishampensions.org.
- 1.6. Lewisham has also invested in pooling its assets with the London LGPS CIV (LCIV). Lewisham took action in 2021/22 to make our first direct investment with the pool which included investment into the LCIV Passive Equity Progressive Paris Aligned Fund (PEPPA) and the LCIV Renewable Infrastructure Fund. There are further pooling investments planned for 2022/23.

- 1.7. The results of the most recent triennial valuation, based on the Fund's position as at 31 March 2022, showed an improved funding level of 97% of its liabilities, compared to a funding level of 90% as at the 2019 valuation. The resulting deficit as at the 2022 valuation was £56m (£154m in 2019). The improved funding level and reduced deficit are predominantly the result of a large increase in the value of the Fund's assets since the previous valuation (£1.387bn at 31 March 2019 to £1.750bn at 31 March 2022). The next triennial valuation will take place as at 31 March 2025.
- 1.8. 2021/22 was the year following the global Covid pandemic and we saw signs of recovery from the large fall in global markets and the full recovery was expected to take several years. During the year the fund also saw a small recovery during the second and third quarters before the invasion of Ukraine. In 2021/22 the net asset value of the Fund rose by £133m, or 8.0%, from £1.617bn to £1.750bn (compared to an increase of £265m, or 19.6%, in 2020/21). The effects of the war in Ukraine were only just having an effect on the global markets at 31 March 2022 so we expect to see a fall in valuation during 2022/23. We expect global energy and food costs to increase and this will drive inflation up and interest rates as the Bank of England try to control inflation. However, performance for the year was over benchmark by 2.8% (compared to 1.14% under benchmark in 2020/21), which may be due to the bounce back from the effect of the global markets crash following Covid.
- 1.9. Disruption caused by the coronavirus outbreak and now the war in Ukraine will have a mixed and uncertain impact on the underlying assumptions and required performance to meet the target for a fully funded position. Officers and Members will continue to monitor the impact of the pandemic on funding levels, including working with employers to review their contribution rates if necessary following amendments to the LGPS regulations which now allow employer contributions to be reviewed outside of formal valuations.
- 1.10. The Pensions Investment Committee agreed a revised investment strategy which moved from the carbon foot-printing of the Fund's equity holdings, to agreeing a separate set of climate objectives. In doing so, ESG issues will remain a key consideration for the Fund going forward, which will continue to position itself to prioritise the interests and benefits of its members.

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

2. FOREWORD BY THE CHAIR OF THE PENSIONS INVESTMENT COMMITTEE

- 2.1. 2021/22 was a year of uncertainty in not knowing how the world economies and financial markets would come out of the Covid pandemic. Restrictions were being removed and the economy was trying to get back to normal and the financial markets were starting to look ahead with renewed optimism. The focus was on a recovery, which was reaffirmed by the modest growth of 1.3% in GDP for the quarter ending December 2021, and measures including other financial support packages for people and businesses.
- 2.2. In February 2022 Russia invaded Ukraine and we saw dramatic falls in the global markets however, by the end of March 2022 global equities partially recovered from the initial Russian sell-offs but still ended the quarter 4.6% down. Markets reacted to a variety of headwinds, including increasing inflation, hawkish monetary policy shifts and geopolitical uncertainty. UK equities significantly outperformed developed market peers given their above average weighting to energy, basic materials, and financial stocks. Europe was the worst performing region over the quarter, falling to the bottom of the rankings made worse by the high reliance on Russian energy imports and stronger trade links.
- 2.3. The Fund continues to perform broadly in line with its strategic benchmark over longer periods, with relative outperformance over the 1 and 3-year periods, and just behind its benchmark performance of 7.6% per annum since inception.
- 2.4. The war in Ukraine has had an impact on the cost of energy and food prices which has given rise to inflation and an increase in the cost of living. Lewisham's Pension Fund assets saw strong growth over the previous seven years, rising from £1.041bn in 2015/16 to £1.750bn in 2021/22. Despite the uncertainty and volatility in the market as a result of coronavirus, the Fund saw a healthy rise of £133m (8%) in the value of assets between 1 April 2021 and 31 March 2022. However, as the war in Ukraine started near the year end it is likely to have a detrimental affect on the Fund in the medium-term, not just in terms of asset values but the funding assumptions underlying the strategic direction of the Fund, remains uncertain.
- 2.5. Approximately 60% of the Fund at March 2022 was invested in growth assets, 20% in income assets and 20% in protection assets including passive bonds and cash. The last triennial valuation took place on 31 March 2022 with the next one taking place as at 31 March 2025. The Committee continues to plan for a fully-funded position, the Fund having risen from 90% to 97% funded in the last three years, largely on the crest of equity investment returns.
- 2.6. The Fund's new Investment Strategy will see the transfer of existing passive equities into low-carbon rules-based ESG passive equity mandates, as well as new investments in low-carbon income generating assets. 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. These investments will include some diversification into a build-to-rent residential property mandate as a more illiquid and less volatile asset class with steady bond-like returns.
- 2.7. During the year Lewisham made its first investments into the London Collective Investment Vehicle (LCIV) low carbon passive equity fund PEPPA (Passive Equity Progressive Paris Aligned Fund) and the LCIV Renewable Infrastructure Fund. As a voluntary founding

member of LCIV, the Fund remains committed to pooling our assets onto the platform. We are actively engaging with LCIV to identify mandates which are aligned with the beliefs of the Committee and the overall Fund strategy. Alongside most of the other 32 London Borough shareholders, we hope to see LCIV taking the opportunities of scale afforded to it to make significant and profitable investments in alternative asset classes which are already being successfully pursued by other UK Local Government Pension Funds in 'pools' and collaborations across the UK at present, and to develop closer and more informed working relationships with borough shareholders.

- 2.8. 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, and would like to thank the outgoing Chair in particular for his 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 her 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 2022, the London Borough of Lewisham Pension Fund had £484m invested in pooled assets with the LCIV. 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. Mark Ingleby – Chair (April 2021 – July 2021)
	Cllr. Louise Krupski - Vice Chair
	Cllr James Royston (Chair from September 2021)
	Cllr. Chris Best
	Cllr. Patrick Codd
	Cllr. Caroline Kalu
	Cllr. John Muldoon
	Cllr. Stephen Penfold
Local Pension Board:	Stephen Warren - Chair
	Rowann Limond - Employer Representative - Lewisham Homes
	Gary Cummins - Scheme Representative - LB Lewisham
Administrator:	Kathy Freeman - Executive Director of Corporate Resources
Responsible Officers:	Shida Ashrafi - Group Manager for Pensions & Payroll
	David Austin – Director of Finance
Advisers:	Hymans Robertson LLP
Actuary:	Hymans Robertson LLP
Asset Pool:	The London Collective Investment Vehicle (LCIV)
Custodian:	Northern Trust
Legal Advisers:	LB Lewisham Legal Services
Bank:	Barclays Bank
Performance Measurement:	Northern Trust, Hymans Robertson, PIRC
AVC Providers:	Clerical Medical and Utmost
External Auditors:	Grant Thornton UK LLP
Asset Managers:	BlackRock (Passive Equities and Bonds)
	HarbourVest (Private Equity)
	J.P. Morgan (Infrastructure)
	Legal & General Investment Management (Property)
	London Collective Investment Vehicle (LCIV) (Pooling)

	Partners Group (Multi Asset Credit)
	Pemberton (Multi Asset Credit)
	Schroders (Property)
	UBS (Passive Equities and Bonds)

B. RISK MANAGEMENT

- 4.2. The legal responsibility for the prudent and effective stewardship of the Fund’s assets rests with the PIC. This Committee has full delegated authority to make investment decisions, the terms of which are set out in its terms of reference in the Council’s constitution. It receives advice from the Chief Finance Officer and, as necessary, from the Fund’s appointed actuary, investment managers, custodian and investment adviser.
- 4.3. The Committee has regard to the Myners Principles which codify best practice in investment decision-making, as updated and consolidated post 2008 by the Government and set out in the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) Principles for Investment Decision Making and Disclosure in the LGPS (2012). The Committee manages the Pension Fund’s assets in accordance with the relevant Regulations.
- 4.4. The Fund maintains a Risk Management Policy which sets out the risk philosophy for the management of the Fund, the Fund’s attitudes to risk, and how risk management is implemented and monitored. The risk management process is consistent with the Regulations and guidance issued by CIPFA, Managing Risk in the Local Government Pension Scheme (2018), and is a continuous process as outlined in the table below.



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

4.5. The risk register is incorporated within the annual business plan which is approved by Pension Investment Committee and reviewed periodically to ensure that risks are updated and the relevant mitigations are put in place to manage them. The Local Pension Board (PB) is also expected to consider risk at their meetings, and 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 an annual 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 2021/22 internal audit were reported to the Pension Investment Committee. The Fund achieved a satisfactory assurance level.
- 4.9. Areas that were identified by internal audit as working well include the segregation of duties as transfer calculations were completed by one officer and checked by a second officer for accuracy. Finally, employee contribution bandings and rates on Oracle matched those published on the LGPS website which shows payroll input was accurate.

C. FINANCIAL PERFORMANCE

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

	2021/22 Actuals	2020/21 Actuals	Year on Year Variance	
	£'000	£'000	£'000	%
Administration Expenses	1,161	1,018	143	14.0
Oversight and Governance Expenses	420	509	(89)	(17.5)
	1,581	1,527	54	3.5
Investment Management Expenses:				
Transaction Costs	220	15	205	1366.7
Management Fees	1,954	2,332	(378)	(16.2)
Custody Fees	112	36	76	211.1
	2,286	2,383	(97)	(4.1)
Total Expenses	3,867	3,910	(43)	(1.1)

4.11. Administration expenses consist of all expenses the administering authority must incur in performing its duties to administer entitlements and provide benefit information. This includes staff costs, IT costs, general costs such as stationary and postage, membership fees, and costs associated with the provision of additional voluntary contributions. Oversight and governance expenses can include the cost of selection, appointment and performance monitoring of fund managers, investment advisory services, legal and actuarial services, and audit fees.

4.12. The large increase in transaction costs and custody fees in 2021/22 is the result of the appointment of Northern Trust as Transition Manager to undertake the transition of the Fund's passive equities out of Blackrock and UBS and into LCIV PEPPA and Storebrand Global ESG Plus funds which commenced in the second half of the financial year, concluding in the second quarter of the financial year 2022/23.

5. INVESTMENT STRATEGY AND PERFORMANCE

A. INVESTMENT STRATEGY

5.1. The Council's investment policy statement was reviewed and updated in February 2022 and it encompasses its approach to funding its liabilities as per the Funding Strategy Statement (FSS) and is outlined in its Investment Strategy Statement (ISS) 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 main outcomes of the 2019 triennial valuation (2019 – 2022) incorporated into the strategy include:

- Divesting from over £650m of current passive equity mandates and reinvesting into a single low carbon index 'passive like' tracking fund;

- Divesting over £75m from the current diversified growth fund mandate which has not performed in line with expectations;
- Identifying one or two new low carbon income mandates, most likely in the infrastructure and/or multi asset credit space which also deliver the necessary cash flows for the fund;
- Considering divestment from the current property fund over the next investment period and directing the fund's property investment to a more low carbon orientated mandate; and
- Rebalancing the other existing mandates where necessary in-line with the agreed investment strategy allocations.
- The main outcomes have not been updated as they are still valid and true. The outcomes of the 2022 triennial valuation (2022 – 2025) will be incorporated into future strategies.

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

B. UK STEWARDSHIP CODE

5.4. In 2019 the Financial Reporting Council consulted on a new UK Stewardship Code that sets substantially higher expectations for investor stewardship policy and practice than the 2012 Code. The result of that consultation was the UK Stewardship Code 2020, which came into force on 1 January 2020.

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

5.6. Although not currently a direct signatory to the new Code, the Fund will consider its impact and align its expectations of asset managers and service providers accordingly. The Fund will use the revised Code as a basis for reviewing and strengthening its approach to responsible investment, and fully endorses the principles embedded within the Code. It expects its external fund managers to be signatories to the Code, and to seek to transition from the old 2012 Code to the new 2020 Code, reaching Tier One level of compliance or seeking to achieve it within a reasonable timeframe. The Pensions Committee believes that investor stewardship is a key component of the CIPFA Good Governance Framework and is committed to exercising this responsibility.

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

Category	Code Principle	Examples of Compliance
Purpose and Governance	<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 clients and beneficiaries first. 4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system. 5. Signatories review their policies, assure their processes and assess the effectiveness of their activities. 	<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 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, annually. 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	<ol style="list-style-type: none"> 6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them. 7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate 	<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</p>

Category	Code Principle	Examples of Compliance
	change, to fulfil their responsibilities. 8. Signatories monitor and hold to account managers and/or service providers.	wider ESG issues such as climate change and decarbonisation. 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.
Engagement, Exercising Rights and Responsibilities	9. Signatories engage with issuers to maintain or enhance the value of assets. 10. Signatories, where necessary, participate in collaborative engagement to influence issuers. 11. Signatories, where necessary, escalate stewardship activities to influence issuers. 12. Signatories actively exercise their rights and responsibilities.	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. 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.

- 5.8. The Fund is also a member/subscriber of the following bodies:
- a. Pensions and Lifetime Savings Association (PLSA);
 - b. Local Authority Pension Fund Forum (LAPFF);
 - c. Local Government Pension Committee (LGPC).

C. APPLICATION OF CIPFA PRINCIPLES FOR INVESTMENT DECISION MAKING

- 5.9. The Fund is required to demonstrate compliance with CIPFA's Principles for Investment Decision Making and Disclosure, which reflect principles of good investment practice issued by government in response to the Myners review. Actions taken to comply with the principles are set out in the Investment Strategy Statement.
- 5.10. The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. Following good practice in terms of social, environmental and ethical issues is likely to have a favourable effect on the long-term financial performance and improve investment returns to shareholders.

D. INVESTMENT PERFORMANCE

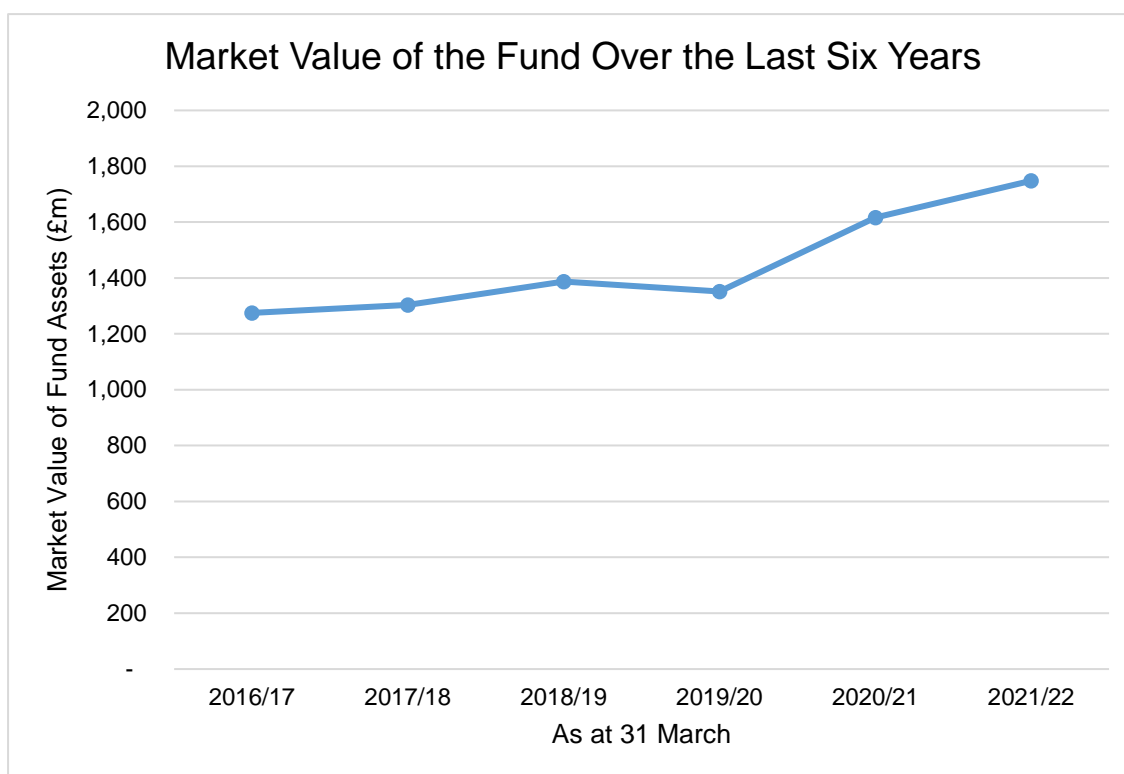
- 5.11. The overriding investment objective is to ensure that the Fund's investments increase the likelihood that benefits will be paid to members as they fall due, by maximising investment returns over the long term within acceptable risk tolerances. It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.
- 5.12. Since November 2012, the majority of the Fund has been under passive management (70.8% as at 31 March 2022). 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 2022 approximately 60% of the Fund was invested in growth assets, 20% in income assets and 20% in protection assets including passive bonds and cash.
- 5.13. The Fund's asset allocation as at 31 March 2022 has nine active managers with six mandates, as below.

D1. STRATEGIC ASSET ALLOCATION AT 31 MARCH 2022:

Mandate	2021/22			2020/21
	Asset Value £'000	Target Allocation %	Actual Allocation %	Actual Allocation %
Passive Equities and Bonds	1,237,725	70.0	70.8	72.2
Property	163,871	10.0	9.5	6.9
Infrastructure	86,561	5.0	8.1	4.6
Private Equity	124,224	3.0	5.7	5.3
Multi-Asset Credit	72,720	6.0	4.2	4.4
Renewable Infrastructure	24,900	6.0	1.4	0.0
Cash and Net Current Assets	40,282	0.0	2.3	6.6
Total	1,750,283	100%	100%	100%

- 5.14. The differing short term performances of asset classes and fund managers inevitably results in the actual asset allocations deviating from their strategic targets over time. Periodically the Fund undertakes a re-balancing exercise to return to the agreed strategic allocation, whilst separate re-balancing arrangements are in place within the passive mandates as outlined within the ISS.
- 5.15. The graph below depicts the changing value of the Fund's assets as at 31 March over the last six years. The Fund has steadily increased in value over the period, from £1,041bn at 31

March 2016 to a high of £1,750bn at 31 March 2022. The Fund rose by approximately £133m in 2021/22.



5.16. The annualised return of the Fund's investments over the last 12 months was 9.41%, which was 2.78% above the benchmark return (a composite of the benchmarks employed by each mandate). Over the last five years, the Fund's absolute return on its investments is 7.07%, which is approximately 0.29% above the benchmark return of 6.78% as depicted in the below table.

D2. AGGREGATE FUND – COMPARATIVE PERFORMANCE:

As at 31 March 2022	One Year %	Three Year %	Five Years %
Fund Performance	9.41	8.43	7.07
Benchmark	6.63	7.64	6.78
Relative performance	2.78	0.79	0.29

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

D3. INDIVIDUAL MANAGER PERFORMANCE:

		Blackrock	UBS	Schroders	J.P. Morgan	LCIV	HarbourVest	Partners Group	Pemberton	LGIM
		(Passive Equities & Bonds)	(Passive Equities & Bonds)	(Property)	(Infrastructure)	(Passive Equity)	(Private Equity)	(Multi-Asset Credit)	(Multi-Asset Credit)	(Property)
		%	%	%	%	%	%	%	%	%
1 year	Absolute	(14.3)	20.3	20.9	8.5	N/A	54.7	3.5	4.7	N/A
	Benchmark	(14.6)	13.0	23.7	7.0	N/A	16.6	4.5	8.0	N/A
	Relative	0.3	7.3	(2.8)	1.5	N/A	38.1	(1.0)	(3.3)	N/A
3 years	Absolute	8.3	24.4	7.4	N/A	N/A	23.9	N/A	N/A	N/A
	Benchmark	8.2	5.3	8.4	N/A	N/A	15.8	N/A	N/A	N/A
	Relative	0.1	19.1	(1.0)	N/A	N/A	8.1	N/A	N/A	N/A
Since Inception*	Absolute	29.0	0	5.4	5.0	(6.8)	17.6	3.9	6.0	0.0
	Benchmark	29.2	0	6.2	7.0	(7.0)	12.2	4.7	8.0	0.2
	Relative	(0.2)	0.0	(0.8)	(2.0)	(0.2)	5.4	(0.8)	(2.0)	(0.2)

*Blackrock Nov 2012; UBS Nov 2012; Schroders Oct 2004; J.P. Morgan Jan 2019; LCIV Dec 2021; HarbourVest Dec 2006; Partners Group Apr 2018; Pemberton Jan 2018; LGIM Mar 2022.

5.18. The table above shows that there has been a varied performance over time. It is to be noted that Blackrock, UBS 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 J.P. Morgan, 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 and LCIV and LGIM were new funds this year (2021/22), 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. In addition, whilst suspended during the Covid pandemic, as of September 2022 PIC has recommended the practice of ensuring that each manager is invited to discuss their performance at Committee meetings annually, and where necessary explain strategies for improvement.

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

D4. FUND MANAGER BENCHMARKS:

Manager	Mandate	Benchmark / Performance Target
BlackRock	Mixed Passive Mandate	Composite benchmark. Index Tracker Funds depending on market and asset class; performance should correspond to the average return.
UBS	Mixed Passive Mandate	Composite benchmark. Index Tracker Funds depending on market and asset class; performance should correspond to the average return.
Schroders	Property	To outperform the MSCI/AREF UK Quarterly Property Fund Index All Balanced Funds Weighted Average by 0.75% on a three year rolling basis net of fees.
J.P. Morgan	Infrastructure	Hurdle rate of 7%. The fund targets a return of 8-12% per annum net of fees.
LCIV	Passive Equity	The objective of the Fund is to track the performance of the S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris-Aligned ESG Index
LCIV	Renewable Infrastructure	focuses on renewable energy infrastructure assets, investing in greenfield and brownfield assets
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	Multi-Asset Credit	The fund targets a return of LIBOR +4-6% net of fees, with a 5% cash yield
Pemberton	Multi-Asset Credit	The fund targets a gross Internal Rate of Return (IRR) of 7-8%.
LGIM	Property	UK Build To Rent Fund. The target annualised return for the fund is 4.1%.

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

5.21. The Pension Fund’s top equity and unit trust holdings are also shown in the Pension Fund Accounts in Appendix A, under Section 5 - Investment Analysis.

6. SCHEME ADMINISTRATION

A. SCHEME ADMINISTRATION / PENSIONS ADMINISTRATION AND ASSURANCE

6.1. As at 31 March 2022 there were 26,095 members of the Fund; 6,617 of these were active, 11,139 deferred (undecided, deferred and frozen) and 8,339 retired. Besides the administering authority, the Fund also comprised 10 active scheduled bodies and 17 active admitted bodies, along with 1 admitted body that left the fund in 2021/22.

6.2. 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. Scheme administration is audited annually and a short summary of the 2021/22 audit findings can be found in sections 4.8 and 4.9 of this report.

6.3. Pension transactions are completed monthly as they fall due, the in-house team also work through queries and respond to members and bodies as appropriate. Membership is updated regularly to ensure it is accurate.

6.4. The number of key administrative activities carried out in 2021/22 and across the previous four years are shown in the table below.

A1. KEY ADMINISTRATIVE ACTIVITIES:

	2021/22	2020/21	2019/20	2018/19	2017/18
New scheme members	279	638	1,072	1,181	1,157
Estimate of benefits	901	794	1,393	1,839	1,801
Responding to correspondence	1,143	1,714	1,472	557	557
Deferred benefits	296	290	298	330	186
Calculation of quotations and actuals relating to transfers into the Local Government Pension scheme	390	335	420	304	246
Retirements	381	322	410	410	335
Death cases (with dependants)	368	376	292	264	192
Calculation of quotations and actuals relating to transfers out of the Local Government Pension scheme	418	335	262	247	246
Additional contributions	23	25	50	46	40
Refunds of contributions	266	170	434	507	187
Overall Performance	4,465	4,999	6,103	5,685	4,947

6.5. The role of the pensions section in the administering authority during 2021/22 was carried out by five Full Time Equivalent (FTE) staff serving just over 26,000 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:	2021/22	2020/21	2019/20	2018/19	2017/18
Lewisham	7.5	7.5	7.5	7.5	7.5
Made up of:					
Work for other schemes	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other work	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Administration of LGPS	5.0	5.0	5.0	5.0	5.0

Scheme Membership:	2021/22	2020/21	2019/20	2018/19	2017/18
Number of contributors	6,617	6,928	6,754	6,726	6,821
Number of deferred members	11,139	11,865	11,860	11,469	10,950
Number of pensioners	8,339	8,089	8,024	7,779	7,622
Total	26,095	26,882	26,638	25,964	25,393

Staff Performance:	2021/22	2020/21	2019/20	2018/19	2017/18
Ratio of members to 1 FTE staff	5,228	5,376	5,328	5,193	5,079
Transactions per member of staff	893	1,000	1,221	1,137	989

6.6. The age profile of the membership calculated as at 31 March 2022 is show in the table below.

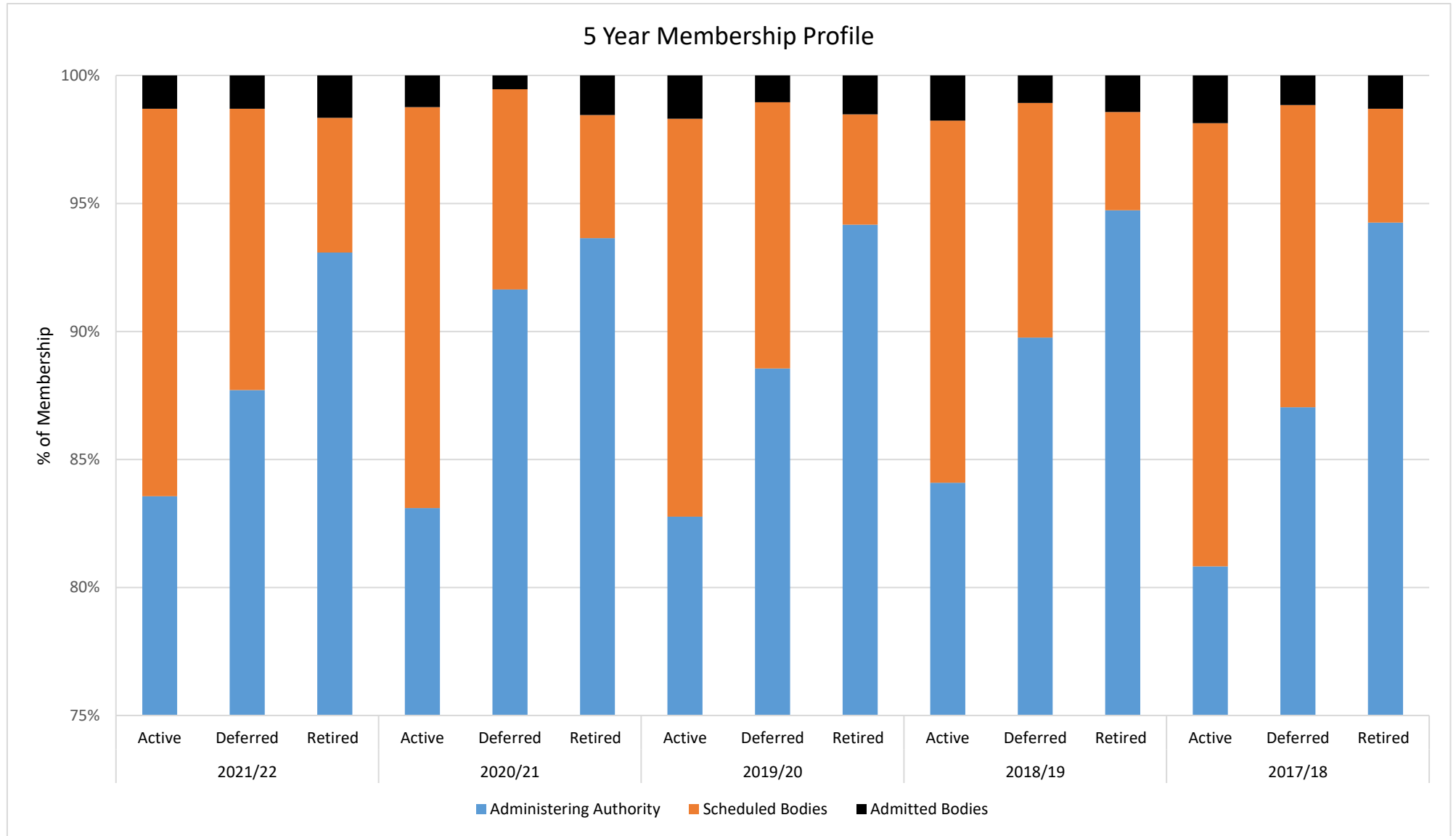
A3. AGE PROFILE OF MEMBERSHIP:

A	Contributing	Deferred	Pensioners/ Dependents
0-4	0	0	3
5-9	0	0	2
10-14	0	0	18
15-19	17	0	28
20-24	225	9	22
25-29	445	116	3
30-34	546	429	1
35-39	657	687	5
40-44	734	844	10
45-49	814	902	16
50-54	1025	1415	46
55-59	1166	1772	411
60-64	716	964	1363
65-69	234	179	1841
70-74	38	41	1657
75-79		7	1262
80-84		4	840
85-89			532
90-94			224
95-99			47
100-104			8
Total	6617	7369*	8339

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

6.7. A five year analysis of the Fund's membership (active, deferred, and retired) is shown in the next graph and table. The table also provides the unit costs per active, deferred and retired member in terms of both administrative and investment management expenses. Administrative expenses in this context include oversight and governance expenses as outlined in section 4.11, whilst management expenses relate to fund manager fees, transaction costs and custody fees.

A4. 5 YEAR MEMBERSHIP PROFILE:



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

	2021/22			2020/21			2019/20			2018/19			2017/18		
Membership	Active	Deferred	Retired	Active	Active	Active	Active	Deferred	Retired	Active	Deferred	Retired	Active	Deferred	Retired
Administering Authority	5,403	9,853	7,824	5,757	10,873	7,575	5,590	10,502	7,556	5,656	10,295	7,360	5,513	9,531	7,184
Scheduled Bodies	1,140	1,224	435	1,085	928	389	1,050	1,234	346	951	1,051	298	1,181	1,292	339
Admitted Bodies	74	62	80	86	64	125	114	124	122	119	123	111	127	127	99
Total	6,617	11,139	8,339	6,928	11,865	8,089	6,754	11,860	8,024	6,726	11,469	7,769	6,821	10,950	7,622
Unit Costs	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Administrative Unit Cost (£)	164	29	19	121	20	15	114	19	14	90	15	11	98	17	13
Investment Management Unit Cost (£)	237	42	27	241	40	29	258	42	31	205	34	25	100	18	13
Total Unit Cost (£)	401	70	46	362	60	44	372	61	45	295	49	36	198	35	26

6.8. A list of contributing employers and the amounts contributed by the employers in 2021/22 is shown below:

A6. EMPLOYER CONTRIBUTIONS:

Employer	Contributions Paid £'000	Comments
Administering Authority		
Lewisham Council	30,352	
Scheduled Bodies		
Lewisham Homes	3,817	
Haberdashers' Aske's Knights Academy	1,033	
Christ The King Sixth Form College	460	
St Matthew's Academy	190	
Childeric	165	
Tidemill Academy	170	
St George's	81	
Rushey Green	214	Started 01/04/2021
Rathfern	137	Started 01/07/2021
Sedgehill Academy	168	
Admitted Bodies		
Youth First Ltd	129	
Phoenix Agency Services	101	
Phoenix	116	
Lewisham Music	14	
Skanska	1	Ceased 30/04/2021
Change Grow Live	13	
NSL	9	
Quality Heating	N/A	Ceased
Housing 21	4	
Pre-School Learning Alliance	3	
Tower Services	2	
3 C's Support	0	
City West Services	2	
Greenwich Leisure Ltd (GLL)	11	
Harrison Catering Crayford	3	Started 18/07/2019
Harrison Catering Hatcham	88	Started 18/07/2019
Harrison Catering Knights	36	Started 18/07/2019
M Group	22	Started 01/05/2021

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

6.10. The Fund has a number of bodies which participate in the Fund either as scheduled or admitted bodies. Scheduled bodies are organisations which have a statutory entitlement to be members of the scheme. Admitted bodies are those which have applied to join the scheme and the Council has formally approved their admission.

A7. TOTAL CONTRIBUTIONS RECEIVED FROM EMPLOYEES AND EMPLOYERS:

Employer	Total Contributions Received £'000	% Returns Received by Due Date
Administering Authority		
Lewisham Council	39,150	100%
Scheduled Bodies		
Lewisham Homes	5,173	100%
Haberdashers' Aske's Knights Academy	1,381	100%
Christ The King Sixth Form College	598	100%
St Matthew's Academy	256	92%
Childeric	207	100%
Tidemill Academy	218	100%
St George's	102	100%
Rushey Green	270	92%
Rathfern	172	78%
Sedgehill Academy	200	100%
Admitted Bodies		
Youth First Ltd	167	100%
Phoenix	177	8%
Phoenix Agency Services	135	50%
Lewisham Music	15	8%
Skanska	2	50%
Change Grow Live	18	100%
NSL	11	100%
Quality Heating	N/A	N/A
3 C's Support	4	0%
Housing 21	6	100%
Pre-School Learning Alliance	4	100%
Tower Services	2	100%
City West Services	2	0%
Greenwich Leisure Ltd (GLL)	13	100%
Harrison Catering Crayford	3	100%
Harrison Catering Hatcham	105	100%
Harrison Catering Knights	42	100%
M Group	28	55%

6.11. Although the LGPS is a national scheme, it is administered locally. Lewisham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. The following table outlines benefits payable in 2021/22.

Benefits Payable	Employer	Amount Payable £'000
Pensions	Administering Authority	43,104
	Scheduled Bodies	2,717

	Admitted Bodies	1,121
Lump Sums: Retirement Allowances	Administering Authority	8,156
	Scheduled Bodies	1,247
	Admitted Bodies	488
Lump Sums: Death Grant	Administering Authority	930
	Scheduled Bodies	380
	Admitted Bodies	0

B. INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

- 6.12. The Local Government Pensions Scheme Regulations 2013 set out a two-stage 'Internal Dispute Resolution Procedure' (IDRP). The Fund's internal dispute resolution procedure is shown below:
- 6.13. Stage one: the member's complaint is referred to the 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.
- 6.14. If the member is dissatisfied with the stage one decision, they can take the matter to stage two of the IDRP.
- 6.15. Stage two: the stage one decision is reviewed by the Director of Law, Governance and HR who is nominated by the London Borough of Lewisham to act as an independent referee.
- 6.16. There are time limits associated with each stage of the procedure, both for the applicant and the adjudicator. Appeals must normally be made within six months of the date of the decision that is being challenged and the adjudicator must normally give written notice of their decision within two months of the receipt of the appeal.
- 6.17. At any stage of the process, or before the process begins, the member can seek help and advice from The Pensions Advisory Service (TPAS). The Pensions Advisory Service is an independent non-profit organisation that provides free information and guidance to members of the public on pension matters generally. They can also help to resolve disputes and complaints about private pension arrangements (workplace pensions, personal pensions and stakeholder pensions).
- 6.18. The member has the right to refer the complaint to the The Pensions Ombudsman (TPO) free of charge. Before the complaint is put to the TPO the member should first have tried to resolve the complaint through the IDRP and consulted with TPAS. The TPO is completely independent and acts as an impartial adjudicator. Its role and powers have been decided by Parliament. The TPO cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.
- 6.19. Lewisham Pension Fund had one IDRP case in 2021/22, this represents 0.0002% of complaints against caseload in the financial year.

7. ACTUARIAL REPORT ON FUND

- 7.1. 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.
- 7.2. 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 previous valuation in 2019, from 90% funded.
- 7.3. 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 2023/24 through to 2025/26, plus a lump sum component increasing year on year. The equivalent rate for the London Borough of Lewisham Pool is 22.0% of pensionable pay.
- 7.4. Lewisham, as the administering authority for the Fund, set an employer contribution rate of 22.5% for 2021/22, which remains unchanged for 2021/22 as per the actuarial Rates and Adjustment certificate. No lump sum was paid as an employer contribution in 2021/22 (£240,000 was paid in 2020/21) to ensure that total contributions paid into the Fund across the valuation period remained in line with the actuarial recommendation.
- 7.5. The next triennial valuation will take place as at March 2025 but the final results are not expected before December 2025.

8. FUND GOVERNANCE

A. GOVERNANCE STRUCTURE

- 8.1. Lewisham's Annual Governance Statement has been adopted by the PIC on behalf of the Fund.
- 8.2. 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.

- 8.3. 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.
- 8.4. 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
- 8.5. 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

- 8.6. 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.
- 8.7. The following table sets out attendance by the eight Councillors who were Members of the Pensions Investment Committee for the scheduled meetings in 2021/22. Note four meetings are scheduled in each financial year and each Councillor has one vote with the Chair having the casting vote.

Member	28 April 2021	24 June 2021	22 Sept 2021	10 Feb 2022
Cllr. Ingleby – Chair (April-Sept)	✓	✓	✓	✓
Cllr. Krupski - Vice Chair	✓	✓	✓	✓
Cllr Royston – Chair for Feb 2022 meeting	N/A	✓	✓	✓
Cllr. Best	✓	✓	Apologies	✓
Cllr. Codd	✓	Apologies	✓	✓
Cllr. Kalu	✓	Apologies	Apologies	✓
Cllr. Muldoon	Apologies	✓	Apologies	✓
Cllr. Penfold	✓	✓	✓	✓

C. MEMBER TRAINING

- 8.8. 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

8.9. During 2021/22 Members notified officers of their attendance at the following training sessions and events:

Date	Description	Provider	Members
Ongoing	Each week Cllr Muldoon undertakes at least one hour's unstructured CPD when he reads Citywire publications on market conditions, investment reports and pensions news.		Cllr Muldoon
28/04/2021	Low carbon equity training.	Hymans Robertson	Councillor Ingleby, Councillor Krupski, Councillor Best Councillor Codd, Councillor Kalu, Councillor Muldoon and Councillor Penfold.
29/07/2021	Three hour briefing on Thursday 29 July held by the European Pension Fund Investment Forum in Barber-Surgeons Hall discussing recovery from the effects of the COVID-19 pandemic.	European Pension Fund Investment Forum	Cllr Muldoon
22/09/2021	Hymans Robertson presentation on the Collective Investment Vehicle (LCIV) Passive Equity Progressive Paris Aligned Fund ("PEPPA")	Hymans Robertson	Councillor Ingleby, Councillor Krupski, Councillor Codd, Councillor Penfold, Councillor Royston
06/10/2021	SPS Conferences, Piccadilly: Property, Infrastructure & Real Asset Investing Strategies.	SPS Conferences	Cllr. Ingleby
28/10/2021 And 29/10/2021	London Collective Investment Vehicle Conference, Teddington.	LCIV	Cllr. Ingleby
10/02/2022	SPS Conferences, Piccadilly: Climate Change Investing.	SPS Conferences	Cllr. Ingleby
17/02/2022	TCFD training	Hymans Robertson	Councillor Royston, Councillor Krupski, Councillor Codd, Councillor Ingleby, Councillor Muldoon, Councillor Best, Councillor Kalu and Councillor Penfold

8.10. 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.

- 8.11. 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.
- 8.12. 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.
- 8.13. Members are recommended, where they have not already, to make use of and complete the Pension Regulator's online toolkit for Trustees.

9. REPORT FROM THE LOCAL PENSION BOARD

A. INTRODUCTION

- 9.1. The 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.
- 9.2. The 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. The Board only met once in the 2021/22 financial year because of Covid and other staffing problems. New members have been appointed to make up the full board and quarterly meetings are planned for 2022/23.
- 9.3. A new Board has been established with planned quarterly meetings in 2022/23. The Board's focus has been on:
 - Enhancing its understanding of the arrangements put in place by the administering authority, including through consideration of minutes and agendas of the Pensions Investment Committee and receipt of documentation by management;
 - Reviewing the strategies and other reporting requirements to meet the administering authority's compliance with legislation and best practice. The Board has agreed its own work programme and plans to review this at each meeting; and
 - Ensuring that appropriate arrangements are put in place for developing and maintaining the knowledge and understanding of members of the Board.

Further information about the Board and its operation, including its terms of reference, is available on the Council's website at:

<https://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CId=353&Year=0> and on the Fund's website at the following link:

<https://www.lewishampensions.org/resources/>

B. MEMBERSHIP OF THE BOARD

9.4. The Board consists of five members; two employer representatives, two scheme (member) representatives, and an Independent Chair. Since 1 April 2022 two new members have been appointed to complete the board requirements.

Name	Capacity	Role	Meetings attended in 2021/22
Stephen Warren	Independent Chair (Non-Voting)		1/1
Rowann Limond	Employer Representative	Director of Finance and Technology, Lewisham Homes	1/1
Gary Cummins	Scheme Representative	Housing Partnership and Contract Manager	1/1

C. KNOWLEDGE AND UNDERSTANDING

9.5. Relevant training via attendance at external events is made available to members of the Board, officers also schedule relevant training sessions at the start of each meeting on the Board. A record of training, including completion of the Pension Regulator's Toolkit, is maintained.

D. WORK PROGRAMME FOR THE FUTURE

9.6. The Board only met once in 2021/22 due to the impact of Covid-19 along with members leaving. New members have been appointed for 2022/23 and quarterly meetings have resumed.

9.7. 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 to external review commissioned to measure the Fund's compliance to the Pension Regulator's Code of Practice and the Local Government Pension Scheme Advisory Board's guidance;
- It will receive and review the administering authority's risk register and risk management policy for the Fund; and,
- It will evaluate the robustness of the administering authority's arrangements for obtaining assurance about the operation of pooled funds, specifically the London CIV, the collective investment vehicle for London Local Authorities' Pension Funds, as the Fund's levels of pooled investments has increased in recent years.

10. ASSET POOLING

A. FINANCIAL YEAR 2021/22

- 10.1. 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).
- 10.2. 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.
- 10.3. As at 31 March 2022 the Fund has invested into two funds with LCIV £25m invested into the Renewable Infrastructure Fund and £459m invested into Passive Equity Progressive Paris Aligned Fund (PEPPA).
- 10.4. 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 has increased the levels of funds pooled in 2021/22 and Fund officers and Members maintain a close relationship with the LCIV, and the PIC considers pooling obligations in all investment decisions.
- 10.5. 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

- 10.6. In respect of asset pooling, it is noted that at the time of writing the annual report (October 2022) the Fund had a further £7m investment into the LCIV Renewable Infrastructure Fund of the commitment of £90m; In investment of £48m, of the commitment of £85m into the LCIV Private Debt Fund. There has also been investment of £35m, of the commitment of £45m into LGIM Build to Rent and Storebrand Global Plus of £260m and Storebrand Emerging Markets £67m.

11. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

- 11.1 The Pension Fund accounts, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, were approved by Council on 18 January 2023 and have been audited by the Council's external auditors Grant Thornton. The Accounts are set out in Appendix A.

12 FUNDING STRATEGY STATEMENT

- 12.1 The Fund has a Funding Strategy Statement (FSS) which details the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuation, and was last updated in November 2019, effective from 1 April 2020; it can be found on the Fund's website at the following link: www.lewishampensions.org/resources The Funding Strategy is updated after each Triennial Valuation so the new funding strategy it will be effective from April 2023.
- 12.2 The FSS is developed by the Council in conjunction with the Fund's actuary, Hymans Robertson, and after consultation with employers. The FSS sets out any changes in the Fund's liabilities and obligations to pay pensions in the coming years, and how those liabilities are funded by investments and contributions. The FSS has links to the Investment Strategy Statement.
- 12.3 The purpose of the FSS is to:
- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
 - Support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer-term view of funding those liabilities.
- 12.4 The statement sets out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
- 12.5 The administering authority normally targets the recovery of any deficit over a period not exceeding 20 years. The funding basis adopts an asset outperformance assumption of 2.0% per annum over and above long-term government bond yields at the time of the 2019 valuation.
- 12.6 The Fund has an active risk management programme in place. The measures that the administering authority has in place to mitigate key risks are summarised in the FSS under the following headings:
- Financial;
 - Demographic
 - Regulatory; and
 - Governance
- 12.7 The 2022 valuation specified the minimum employer contributions, expressed as a percentage of pensionable pay and shown in the Rates and Adjustment certificate, as follows:

Employer/Pool Name	Total Contribution Rate (%/£)		
	2023/24	2024/25	2025/26
LB Lewisham	17.6% plus £5,750,000	17.6% plus £5,750,000	17.6% plus £5,750,000
Haberdashers' Aske's Knights Academy	20.1%	19.8%	19.8%
Christ The King Sixth Form College	21.4%	21.4%	21.4%

Employer/Pool Name	Total Contribution Rate (%/£)		
	2023/24	2024/25	2025/26
Lewisham Homes	19.0%	19.0%	19.0%
St Matthew's Academy	17.6%	17.6%	17.6%
Tidemill Academy	22.0%	22.0%	22.0%
Childeric	24.6%	25.6%	26.4%
St George's	23.7%	23.7%	23.7%
Sedgehill Academy	33.4%	33.4%	33.4%
NSL	0.0%	0.0%	0.0%
Phoenix	16.2%	16.2%	16.2%
3 C's Support	0.0%	0.0%	0.0%
Pre-School Learning Alliance	0.0%	0.0%	0.0%
Change Grow Live Ltd (2014)	18.0%	18.0%	18.0%
Inspace (Phoenix 2 formerly Wilmott)	16.2%	15.9%	15.5%
Lewisham Music	0.0%	0.0%	0.0%
City West	33.7%	32.7%	31.7%
Change Grow Live Ltd (2017)	31.2%	30.2%	29.2%
Greenwich Leisure Limited	29.2%	28.8%	28.8%
Kier Housing	29.8%	29.8%	29.8%
M Group	25.6%	25.6%	25.6%
KGB Cleaning South West Ltd	25.0%	25.0%	25.0%
Youth First	23.2%	23.2%	23.2%
Harrison Catering Knights	30.4%	30.4%	30.4%
Harrison Catering Crayford	30.4%	30.4%	30.4%
Harrison Catering Hatchams	30.4%	30.4%	30.4%

13. INVESTMENT STRATEGY STATEMENT

13.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that administering authorities prepare, maintain and publish an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State. The Statement must include the following:

- A requirement to invest money in a wide variety of investments;

- The authority's assessment of the suitability of particular investments and types of investments;
 - The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 13.2 The latest ISS for the Fund as at June 2022, which as well as the considerations above includes the Fund asset allocation, rebalancing policy, and compliance with CIPFA's Principles for Investment Decision Making. At the time of writing the annual report, our advisors have confirmed that the ISS will be updated to reflect the triennial valuation due in 2022 and the new strategy will be adopted by the Fund once it has been approved. Once complete, it will be available on the Fund's website at the following link:
www.lewishampensions.org/resources

14. COMMUNICATIONS POLICY STATEMENT

- 14.1 Pension Funds are required to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. Lewisham's most recently published Communications Statement is available on the Fund's website at the following link: www.lewishampensions.org/resources
- 14.2 The statement has been prepared to meet the provisions of Regulation 61 of The Local Government Pension Scheme Regulations (2013), as well as the Public Service Pensions Act (2013) and the Pensions Regulator's Code of Practice No.14, in particular by setting out the following:
- How scheme information is provided to members, their representatives, prospective members, employers (including admitted and schedules bodies), the Pension Investment Committee, the Pension Board and to other bodies.
 - In what format it is presented, how frequently it is presented, and the method of distributing information, and;
 - The steps the Fund has taken to promote scheme membership to prospective members and their employers.

15. ADDITIONAL DATA

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

- 15.2 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	10	0
Admitted Bodies	17	1
Total	27	1

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

Asset Class	UK £m	Non-UK £m	Total £m
Bonds	113	0	113
Equities	108	0	108
Fixed income unit trust	105	107	212
Equity unit trust	730	102	832
Pooled property investments	147	0	147
Hedge fund	0	72	72
Venture capital	56	117	173
Cash	93	0	93
Net Current Assets	0	0	0
Total	1352	398	1,750

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

Asset Class	UK £000	Non-UK £000	Total £000
Equities	267	215	482
Bonds	323	159	482
Property	11,514	0	11,514
Alternatives	6,324	0	6,324
Cash	20	(47)	(27)
Total	18,448	327	18,775

- 15.5 The non-investment assets and liabilities are made up of cash at bank, trade debtors and trade creditors. Current assets as at 31 March 2022 are £2.1m (2021 £4.3m) current liabilities are £2.2m (2021 £4.0m). Net current assets/(liabilities) as at 31 March 2022 are (£0.1m) (2021 £0.3m).

16. INDEPENDENT AUDITOR'S CONSISTENCY REPORT

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

17. GOVERNANCE COMPLIANCE STATEMENT

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

Principle	Fully Compliant
A - Structure	
The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A
B - Representation	
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee (the Local Pensions Board) structure. These include: <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers (e.g. admitted bodies)) • Scheme members (including deferred and pensioner scheme members) • Independent professional observers (where appropriate) • Expert advisers (on an ad hoc basis) 	✓
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	✓
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.	✓

Appendix: 2021/22 Pension Fund Statement of Accounts

SECTION 8 – PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2022.

The Pension Fund's value increased over the year by £133m (8%), £1.617bn to £1.750bn. The Fund value increased as global markets recovered from the effects of Covid pandemic (any changes in the valuation caused by the war in Ukraine will affect the accounts for 2022/23).

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 have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Investment Strategy Statement and published online (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation or codes of practice relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found online at the web address below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teachers compensation.

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

www.lewishampensions.org

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

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

	2021/22 £000	2020/21 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u>			
<u>DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(37,341)	(35,439)	5
- from Employees	(11,120)	(10,822)	5
Transfer Values In	(8,096)	(3,605)	
Other Income	(37)	(347)	
Sub-Total: Income	(56,594)	(50,213)	
Benefits Payable:			
- Pensions	46,942	45,729	6
- Lump Sums: Retirement allowances	9,891	5,905	6
- Lump Sums: Death grants	1,310	1,983	6
Payments to and on account of leavers:			
- Refunds of Contributions	105	51	
- Transfer Values Out	5,515	5,351	
Sub-Total: Expenses	63,763	59,019	
Sub-Total: Net (Additions)/ Withdrawals from dealings with members	7,169	8,806	
Management Expenses	3,867	3,910	7
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	11,036	12,716	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(18,776)	(18,254)	9
Change in market value of investments (Realised & Unrealised)	(125,203)	(259,794)	14b
Taxes on Income	9	191	
Total Net Returns on Investments	(143,970)	(277,857)	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(132,934)	(265,141)	
OPENING NET ASSETS OF THE FUND	(1,617,349)	(1,352,208)	
CLOSING NET ASSETS OF THE FUND	(1,750,283)	(1,617,349)	

NET ASSETS STATEMENT AS AT 31 MARCH 2022

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2022.

	31/03/22 £000	31/03/21 Re-stated £000	See note
INVESTMENT ASSETS			
Equities			
Equities	107,822	95,341	10 - 14
	107,822	95,341	
Managed Funds			
Property	147,265	112,036	10 - 14
Equities	832,033	776,855	10 - 14
Fixed Interest	212,999	207,213	10 - 14
Index Linked	112,822	107,210	10 - 14
Venture capital	172,834	138,480	
Hedge funds	71,610	71,529	
	1,657,385	1,508,664	
Cash Held with Custodian	92,992	105,524	18
Other Investment Balances	42	2,787	17a
TOTAL INVESTMENTS	1,750,419	1,616,975	
Current Assets	2,100	4,340	17b
Current Liabilities	(2,236)	(3,966)	17b
TOTAL NET ASSETS	1,750,283	1,617,349	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2022. 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 2021/22 and its position at year end as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2021/22 ('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.

Pension Fund Accounts

- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) **Equities:** Equities are valued at published market prices.
- (d) **Bonds:** Bonds are valued at the published bid market price on the final day of the accounting period.
- (e) **Pooled Investments - Equity Unit Trusts and market quoted investments;** are valued are valued at published bid market prices on the final day of the accounting period.
- (f) **Pooled Investments - UK Fixed Income Managed Funds;** are valued at the average of broker prices.
- (g) **Pooled Investments – Hedge Funds;** are valued by the investing managers on a fair value basis each year using PRAG guidance.
- (h) **Pooled Property Investments:** The Property Funds do not have any direct investments in property but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (i) **Venture Capital: The Private Equity and Private Debt;** are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement.
- (j) **Hedge Funds:** Hedge Funds are valued by investing managers on a fair value basis using PRAG guidance.
- (k) **Fixed Income Unit Trust:** Fixed income earned from fixed income unit trusts. Interest income is recognised in the Fund as it accrues.
- (l) **Contributions** – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2021 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2021/22	
	Main Section	50/50 Section
Up to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%
£109,501 to £164,200	11.40%	5.70%
More than £164,201	12.50%	6.25%

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. *The employer's contribution rate for the administering authority in 2021/22 is 22.5%, unchanged from 2019/20.*

Pension Fund Accounts

- (m) **Benefits** – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (n) **Transfer Values** – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (o) **Taxation** – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (p) **VAT** – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.
- (q) **Actuarial Present Value of Promised Retirement Benefits** – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

The longevity assumptions for current pensioners are average future life expectancies at age 65, whilst future pensioners are assumed to be aged 45 at the last formal valuation; these longevity assumptions are consistent with the previous IAS26 disclosures for year ending 31 March 2021.

For sensitivity purposes, the actuary estimates that a 1 year increase in life expectancy would increase liabilities by approximately 3-5%.

- (r) **Investment Management and Administration** - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. All investment management expenses are accounted for on an accruals' basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.
- (s) **Foreign currency**: Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
 - Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (t) **Commitments** - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.

(u) Financial Instruments

- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.
The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13

(v) Additional Voluntary Contributions (“AVCs”)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

Practices

- (w) Actuarial** – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out by the actuaries was as at 31 March 2022. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

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

* Consumer Price Index

With effect from 1 April 2017 to 31 March 2019, the actuarial review carried out for 31 March 2016 resulted in the Council's employer contribution rate being set at 22.5%.

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 (£1.387bn in 2019), 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 2021/22.

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. However, the market disruption caused by the war in Ukraine will have mixed and uncertain impacts on all of those assumptions, possibly resulting in material changes to the disclosed present value of promised retirement benefits as at 31 March 2022. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £36.5m.
Property valuations	Valuation techniques are used to determine the carrying values of freehold and leasehold property directly held by some fund managers. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2021/22, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 3.8%. This would be an increase or decrease in the value of property investments by £5.6m, on a fair value of £147m.
Venture Capital - private equity / infrastructure	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The venture capital investment in the financial statements is £172.8m. There is a risk that this investment may be under- or overstated in the accounts and is estimated to be 5.8%. This would be an increase or decrease in the value of venture capital investments by £10.0m, on a fair value of £172.8m.

Note 5: Contributions Receivable

	2021/22 £000	2020/21 £000
Employer Contributions		
Administering Authority	(30,351)	(28,556)
Scheduled Bodies	(6,436)	(6,191)
Admitted Bodies	(554)	(692)
	(37,341)	(35,439)
Employee Contributions		
Administering Authority	(8,797)	(8,566)
Scheduled Bodies	(2,141)	(2,062)
Admitted Bodies	(182)	(194)
	(11,120)	(10,822)

Contributions receivable from employers are shown below:

	2021/22 £000	2020/21 £000
Employer Contributions		
Normal	(35,548)	(34,672)
Early Retirement Strain	(1,623)	(357)
Deficit Funding	(170)	(410)
	(37,341)	(35,439)

Note 6: Benefits Payable

<u>By Category</u>	2021/22 £000	2020/21 £000
Pensions	46,942	45,729
Commutation and Lump Sum Retirement Benefits	9,891	5,905
Lump Sum Death Grants	1,310	1,983
	58,143	53,617

<u>By Authority</u>	2021/22 £000	2020/21 £000
Administering Authority	52,190	48,055
Scheduled Bodies	4,344	4,007
Admitted Bodies	1,609	1,555
	58,143	53,617

Note 7: Management Expenses

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

	2021/22 £000	2020/21 £000
Administration Expenses	1,161	1,018
Oversight and Governance Expenses	420	509
<u>Investment Management Expenses:</u>		
- Transaction Costs	220	15
- Management Fees	1,954	2,332
- Performance Fees	0	0
- Custody Fees	112	36
	3,867	3,910

Note 8: External Audit Costs

	2021/22 £000	2020/21 £000
External Audit Services	62*	36
Total	62	36

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

The Pension Fund's external auditors are Grant Thornton.

Note 9: Investment Income

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

	2021/22 £000	2020/21 £000
Cash	27	(59)
Bonds	(483)	0
Equities	(483)	0
Pooled property investments,	(3,941)	(3,233)
Pooled investments, unit trust & other managed funds	(7,572)	(9,798)
Venture Capital	(6,324)	(5,164)
	(18,776)	(18,254)

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 2022.

Fund Manager	Asset	Asset Value 31 March 2022 £000	Proportion of the Fund 31 March 2022 %	Asset Value 31 March 2021 £000
LCIV	Passive Equity	459,186	26.2%	0
UBS	Passive Equity and Bonds*	409,857	23.4%	531,236
Blackrock	Passive Equity and Bonds	368,683	21.1%	636,109
Schroders Property	Property	153,961	8.8%	112,036
HarbourVest	Private Equity	124,224	7.1%	86,452
J.P. Morgan	Infrastructure	86,561	4.9%	74,260
Pemberton	Multi-Asset Credit	40,632	2.3%	38,127
Partners Group	Multi-Asset Credit	32,087	1.8%	33,175
LCIV	Infrastructure	24,900	1.4%	0
LGIM	Property	9,910	0.6%	0
Various Managers	Cash and other Assets	40,418	2.4%	105,579
Lewisham	Net Current Assets/(Liabilities)	(136)	0.0%	375
Total Fund Assets		1,750,283	100.0%	1,617,349

*Note: as at 31 March 2022 there were no Bonds held with UBS, these had been transferred to Blackrock during the financial year.

Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 22 are as follows:

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

Pension Fund Accounts

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 21 are as follows:

Asset	Manager	31 March 2021	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	240,024	14.8
Aquila Life US Equity Index Fund	Blackrock	214,030	13.2
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	7.8
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	5.9

Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2021/22 (includes cash, debtors and creditors) is set out below:

	Re-classified* Market Value as at 31/03/2021	Purchases and derivative payments	Sales and capital receipts	Change in Market Value during the year	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000
Bonds	107,210	27,291	(28,150)	6,471	112,822
Equities	95,341	253,024	(243,782)	3,239	107,822
Fixed Income Unit Trust	207,214	24,706	(736)	(18,185)	212,999
Equity unit trust	776,855	80,988	(112,811)	87,001	832,033
Hedge fund	71,529	0	(1,266)	1,347	71,610
Pooled property Investments	112,036	13,098	(4,507)	26,638	147,265
Venture capital	138,480	49,072	(35,549)	20,831	172,834
	1,508,665	448,179	(426,801)	127,342	1,657,385
Derivative contracts:					
Forward currency contracts	0	125	(136)	11	0
Sub-total	1,508,665	448,304	(426,937)	127,353	1,657,385
Cash deposits	105,524			985	92,992
Amount receivable for sales of investments	10,800			0	0
Investment income due	2,769			0	42
Spot FX contracts	0			(5)	0
Amounts payable for purchases of Investments	(10,800)			0	0
Other investment balances	391			(3,130)	(136)
Total	1,617,349			125,203	1,750,283

- The description of the funds has been changed but there has been no change in the value of the fund.

Pension Fund Accounts

	Re-classified* Market Value as at 31/03/2020	Purchases during the year and derivative payments	Sales and capital distributions	Change in Market Value during the year	Restated Market Value as at 31/03/2021
	£000	£000	£000	£000	£000
Bonds	88,785	14,483	0	3,942	107,210
Equities	75,079	400	(7,157)	27,019	95,341
Pooled Investments	937,436	32,868	(116,119)	201,413	1,055,598
Pooled property Investments	106,328	8,552	(3,119)	275	112,036
Venture Capital	123,065	15,574	(20,404)	20,244	138,479
	1,330,693	71,877	(146,799)	252,893	1,508,665
Forward currency contracts	0	6	(3)	(3)	0
Sub-total	1,330,693	71,883	-146,802	252,890	1,508,665
Cash deposits	28,393			(832)	105,524
Amount receivable for sales of investments	17,500			0	10,800
Investment income due	37			0	2,769
Spot FX contracts	0			1	0
Amounts payable for purchases of Investments	(17,505)			(7)	(10,800)
Other investment balances	1,272				
Total as per accounts 2020/21	1,352,633				1,616,958
Other debtors/creditors	6,485				391
Total	1,359,118			252,052	1,617,349

- The description of the funds has been changed but there has been no change in the value of the fund.

Pension Fund Accounts

Note 13a: Fair Value – Basis of Valuation

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

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

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 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	5.8%	71,610	75,763	67,457
Venture Capital	5.8%	78,901	83,477	74,324
Total		150,511	159,240	141,781

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

Pension Fund Accounts

Market Value as at 31/03/2021 – Re-classified*	Quoted market price*	Using observable inputs*	With significant observable inputs*	
	Level 1	Level 2	Level 3	Total*
	£000	£000	£000	£000
Financial assets at fair value through profit and loss				
Bonds	0	107,210	0	107,210
Equities	19,271	76,070	0	95,341
Pooled investments	0	984,068	71,529	1,055,597
Pooled Property Investments	0	112,036	0	112,036
Venture Capital	0	0	138,480	138,480
Derivative Assets	0	0	0	0
Cash deposits	105,524	0	0	105,524
Investment income due	2,787	0	0	2,787
Other investment assets	374	0	0	374
Amounts Receivable for Sales	10,800	0	0	10,800
Financial Liabilities at Fair Value through Profit & Loss				
Payable for investment purchases	(10,800)	0	0	(10,800)
Net financial assets	127,956	1,279,384	210,009	1,617,349

* The description of the funds has been changed but there has been no change in the value of the fund.

Note 13d: Transfers between Levels 1 and 2

There have not been any transfers between Level 1 and Level 2 assets in 2021/22.

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

	Market Value as at 31/03/2021	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	71,529	0	0	(1,266)	1,413	(67)	71,610
Overseas Venture Capital	67,179	0	8,668	(19,092)	22,266	(120)	78,901
Total	138,709	0	8,668	(20,358)	23,679	(187)	150,511

Pension Fund Accounts

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. No financial assets were reclassified between accounting categories during the year ended 31 March 2022.

Re-classified* Market Value as at 31/03/2021 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 31/03/2022 Financial liabilities
£000	£000	£000	£000	£000	£000	£000
			Financial assets			
107,210			Bonds	112,822		
95,341			Equities	107,822		
1,055,597			Pooled investments	1,116,643		
112,036			Pooled property Investments	147,265		
138,480			Venture capital	172,833		
0	105,524		Cash deposits	0	92,992	
392	2,769		Other investment balances	0	42	
0	10,800		Debtors	0	2,100	
1,509,056	119,093	0		1,657,385	95,134	0
			Financial liabilities			
		(10,800)	Creditors			(2,236)
			Other Current Liabilities			
0	0	(10,800)		0	0	(2,236)
1,509,056	119,093	(10,800)	Total	1,657,385	95,134	(2,236)
	1,617,349		Grand Total		1,750,283	

* The description of the funds has been changed but there has been no change in the value of the fund

Note 14b: Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/22	31/03/21
	£000	£000
Financial Assets		
Fair Value through Profit and Loss	127,342	260,635
Loans and receivables	985	
Assets at Amortised Cost		(834)
Financial Liabilities		
Fair value through profit and loss	11	
Liabilities at Amortised Cost	(3,135)	(7)
	125,203	259,794

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 as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The 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 2021/22, assuming all other variables such as foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movement +/- (% p.a.)
Bonds	9.1
UK Equities	16.2
Overseas Equities	13.0
Fixed Income unit trusts	9.1
Equity unit trusts	16.2
Hedge funds	5.8
Pooled property Investments	3.8
Venture Capital	5.8
Other Investments	2.8
Cash	0.0
Total	7.9

Pension Fund Accounts

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 31/03/2022	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	92,992	0.0	92,992	92,992
Investment portfolio assets:				
Bonds	112,822	9.1	123,135	102,510
Equities	107,822	16.2	125,289	90,355
Overseas equities	102,070	13.0	115,339	88,801
Fixed Income unit trusts	212,999	9.1	232,382	193,616
Equity unit trusts	729,964	16.2	848,218	611,710
Hedge funds	71,610	5.8	75,763	67,457
Pooled property Investments	147,265	3.8	152,905	141,624
Venture capital	172,833	5.8	182,858	162,809
Other funds	(94)	2.8	(97)	(92)
Total assets * **	1,750,283		1,948,784	1,551,782

* 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 2020/21 comparator table is as follows:

Asset Type	Re-classified* Final Market Value as at 31/03/2021 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	105,524	0.0	105,524	105,524
Investment portfolio assets:				
Bonds	107,210	7.9	115,680	98,741
Equities	95,341	17.1	111,644	79,038
Overseas equities	409,426	14.7	469,612	349,240
Fixed Income unit trusts	207,214	7.9	223,583	190,843
Equity unit trusts	367,429	17.1	430,259	304,598
Hedge funds	71,529	4.2	74,533	68,525
Pooled property Investments	112,036	1.9	114,166	109,908
Venture Capital	138,480	4.2	144,296	132,664
Other funds	3,160	1.8	3,218	3,104
Total Assets	1,617,349		1,792,515	1,442,185

* The description of the funds has been changed but there has been no change in the value of the fund.

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.

Pension Fund Accounts

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

Asset type	Market Value as at 31/03/2021	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents			
Cash	105,524	0	0
Bonds			
UK public sector Index linked	107,210	(1,072)	1,072
Total change in assets available	212,734	(1,072)	1,072

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 2022:

Euro	€20.9m	(€10.6m 20/21)
US Dollars	\$84.8m	(\$230.4m 20/21)

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

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vi) Currency risk – sensitivity analysis.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2021/22 to be 7.3% (7.7% in 2020/21). This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 22 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	107,516	7.3	115,365	99,668
Overseas Equity Funds	102,070	7.3	109,521	94,619
Overseas Hedge Funds	71,610	7.3	76,838	66,382
Other Alternative Assets	117,145	7.3	125,696	108,593
Total	398,341	7.3	427,420	369,262

Asset Type (Re-stated)	Asset Value at 31 March 21 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	105,701	7.7	113,840	97,562
Overseas Equity Funds	428,184	7.7	461,154	395,214
Overseas Hedge Funds	71,529	7.7	77,037	66,022
Other Alternative Assets	86,511	7.7	93,172	79,849
Total	691,925	7.7	745,203	638,647

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 2022 £000	Balances at 31 March 2021 £000
Barclays	A +	1,386	3,877
Northern Trust	AA -	92,992	105,524
Total		94,378	109,401

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c) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2022 these assets totalled approximately £112.8m comprising of bonds (see note 15.iv), with a further £93.0m held in cash by the custodian on behalf of the Fund and fund managers.

Note 16: Derivative Contracts

As at 31 March 2022 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was £11k in 2021/22 (net loss £6k in 2020/21).

Note 17a: Other Investment Balances

These comprise the following amounts:

	31/03/22 £000	31/03/21 £000
Debtors		
Equity Dividends / Income from Managed Funds	23	1,494
Interest and Other Income	19	(10)
Pending Trades	0	12,085
Creditors		
Interest and Other Expenditure	0	(7)
Pending Trades	0	(10,793)
Net	42	2,769

Note 17b: Net Current Assets

These comprise the following amounts:

	31/03/22 £000	31/03/21 £000
Current Assets		
Contributions Due from Admitted/ Scheduled Employers/ Employees	57	341
Other Current Assets	657	122
Cash in Hand	1,386	3,877
	2,100	4,340
Current Liabilities		
Fund Manager and Custody Fees	(553)	(357)
Consultancy/ Advisory Fees	(187)	(33)
Other Current Liabilities	(1,496)	(3,576)
	(2,236)	(3,966)

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 2022 was £93.0m (£105.5m as at 31 March 2021). The table below shows how this was split between the Fund Managers.

Fund Manager	31-Mar-22	31-Mar-21
	£'000	£'000
Cash Account (Formerly Invesco)	39,851	76,471
HarbourVest	20,122	9,267
JP Morgan	14,951	6,423
Partners Group	11,246	4,263
Schroders	3,904	8,720
Pemberton	2,352	0
Cash Account	548	365
Securities Lending	15	14
UBS	1	1
BlackRock transition account	1	0
	92,991	105,524

Pension Fund Bank Account

The Lewisham cash in hand balance of £1.4m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2022. 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 2022. 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-Mar-22	31-Mar-21
	£m	£m
Present value of promised retirement benefits	(2,287)	(2,369)
Fair Value of Scheme Assets	1,750	1,601
Net Liability	(537)	(768)

Longevity assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, with a 0% 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 2022	Males	Females
Current Pensioners	21.4	24.3
Future Pensioners	22.5	25.7

Pension Fund Accounts

Financial assumptions

	31-Mar-22 (%)	31-Mar-21 (%)
Pension Increases	3.20	2.85
Salary Increases	4.20	3.55
Discount Rate	2.70	2.00

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 2022	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.1% p.a. decrease in the Real Discount Rate	2	41
1 year increase in member life expectancy	4	91
0.1% p.a. increase in the Salary Increase Rate	0	3
0.1% p.a. increase in the Pension Increase Rate	2	37

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 29 July 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. Since the 31 March 2022 the Pension Fund sold its equity investments in UBS and Blackrock and invested £260m into Storebrand Global ESG Plus and £76m Storebrand Emerging Markets ESG Plus.

Note 21: Contractual Commitments

The Pension Fund was committed to the following capital contributions as at the 31 March 2022:

Fund Manager	Fund	Contractual Commitment	Undrawn Capital
Harbourvest	Harbourvest Closed Ended Funds	£123,402,553	£36,873,150
Legal and General	LGIM Build to Rent	£45,000,000	£35,000,000
London CIV	LCIV Renewable Infrastructure	£90,000,000	£65,100,453
Pemberton	Pemberton European Mid-Market Debt Fund II	£40,000,000	£5,606,682
Total		£298,402,553	£142,580,285

*Investment into the LCIV private debt fund was approved prior to March 2022, however the commitment was not formalised until June 2022.

Note 22: Related Party Transactions

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

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

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2022.

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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted (included in Administration Expenses in Note 7). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.

Key Management Personnel Remuneration

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

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2020/21 and 2021/22.

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

	2021/22	2020/21
	£'000	£'000
Short Term Benefits	20	21
Post-Employment Benefits	4	4
Total	24	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.

Pension Fund Accounts

	2021/22			2020/21		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	356	1,106	1,462	421	986	1,407
Contributions and Transfers Received	0	181	181	0	286	286
Investment Return	16	64	80	29	156	185
Paid Out	(20)	(327)	(347)	(94)	(322)	(416)
Value at the End of the Year	352	1,024	1,376	356	1,106	1,462

Note 24a: Scheduled Bodies

The following are scheduled bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2021/22:

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

Note 24b: Admitted Bodies

The following are admitted bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2021/22

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
Skanska
Change Grow Live / CIS / Penrose
Lewisham Music
Quality Heating
GLL
City West Services
3 C's Support
Housing 21
Pre-School Learning Alliance
NSL Ltd (formerly known as National Car Parks Ltd)
Tower Services
Harrison Catering Crayford
Harrison Catering Hatcham
Harrison Catering Knights
M Group Services

Note 25: Membership

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

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

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

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

The following table summarises the membership numbers of the scheme:

	Active Members		Deferred Beneficiaries		Retired Members	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Administering Authority	5,403	5,745	9,853	10,593	7,824	7,629
Scheduled Bodies	1,140	1,083	1,224	1,323	435	389
Admitted Bodies	74	79	62	60	80	76
	6,617	6,907	11,139	11,976	8,339	8,094