

## **SECTION 8 – PENSION FUND ACCOUNTS**

### **FOREWORD**

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

The Pension Fund's value decreased over the year by £95m (5%), £1.750bn to £1.655bn. The Fund value of the fund decreased due to the changes in global markets mainly caused by the war in Ukraine.

### **INTRODUCTION**

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS). The Fund is a contributory defined benefit pension scheme administered by the London Borough of Lewisham to provide benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

### **ORGANISATION**

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also consider the PIC's views on environmental, social and governance (ESG) factors. Details of the ESG factors are contained in the Investment Strategy Statement and published online (see web address below).

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

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

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

[www.lewishampensions.org](http://www.lewishampensions.org)

## Pension Fund Accounts

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

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

	2022/23	2021/22	See note
	£000	£000	
<b><u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u></b>			
<b><u>DIRECTLY INVOLVED WITH THE SCHEME</u></b>			
<b>Contributions Receivable:</b>			
- from Employers	39,739	37,341	5
- from Employees	12,300	11,120	5
Transfer Values In	10,103	8,096	
Other Income	84	37	
<b>Sub-Total: Income</b>	<b>62,226</b>	<b>56,594</b>	
<b>Benefits Payable:</b>			
- Pensions	49,145	46,942	6
- Lump Sums: Retirement allowances	9,108	9,891	6
- Lump Sums: Death grants	1,498	1,310	6
<b>Payments to and on account of leavers:</b>			
- Refunds of Contributions	30	105	
- Transfer Values Out	6,375	5,515	
<b>Sub-Total: Expenses</b>	<b>66,156</b>	<b>63,763</b>	
<b>Sub-Total: Net Additions/ (Withdrawals) from dealings with members</b>	<b>(3,930)</b>	<b>(7,169)</b>	
Management Expenses	(4,116)	(3,867)	7
<b>Sub-Total: Net (Additions)/ Withdrawals including fund management expenses</b>	<b>(8,046)</b>	<b>(11,036)</b>	
<b><u>RETURNS ON INVESTMENTS</u></b>			
Investment Income	18,156	18,776	9
Change in market value of investments (Realised & Unrealised)	(105,215)	125,203	14b
Taxes on Income	(193)	(9)	
<b>Total Net Returns on Investments</b>	<b>(87,252)</b>	<b>143,970</b>	
<b>NET INCREASE / (DECREASE) IN THE FUND DURING YEAR</b>	<b>(95,298)</b>	<b>123,934</b>	
<b>OPENING NET ASSETS OF THE FUND</b>	<b>1,750,283</b>	<b>1,617,349</b>	
<b>CLOSING NET ASSETS OF THE FUND</b>	<b>1,654,985</b>	<b>1,750,283</b>	

## Pension Fund Accounts

## NET ASSETS STATEMENT AS AT 31 MARCH 2023

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

	31/03/23	31/03/22	See note
	£000	£000	
<b>INVESTMENT ASSETS</b>			
<b>Equities</b>			
Equities	0	107,822	10 - 14
<b>Managed Funds</b>			
Pooled Property Investments	120,409	147,265	10 - 14
Equity Unit Trust	870,160	832,033	10 - 14
Fixed Income Unit Trust	249,606	212,999	10 - 14
Index Linked	0	112,882	10 - 14
Venture capital	277,373	172,834	10 - 14
Hedge Funds	76,617	71,610	10 - 14
<b>Total Investment Funds</b>	<b>1,594,165</b>	<b>1,657,385</b>	
<b>Cash Held with Custodian</b>	<b>58,448</b>	<b>92,992</b>	18
<b>Other Investment Balances</b>	<b>241</b>	<b>42</b>	17a
<b>TOTAL INVESTMENTS</b>	<b>1,652,854</b>	<b>1,750,419</b>	
Current Assets	4,943	2,100	17b
Current Liabilities	(2,812)	(2,236)	17b
<b>TOTAL NET ASSETS</b>	<b>1,654,985</b>	<b>1,750,283</b>	

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

## NOTES TO THE PENSION FUND ACCOUNTS

### Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2022/23 and its position at year end and as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 19.

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

### Note 2: Summary of Significant Accounting Policies and Practices

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits are valued on an International Accounting Standard (IAS) 26 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

#### Accounting Policies

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

- (a) **Investments** - Investments in the Net Assets Statement are shown at Fair Value. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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**Pension Fund Accounts**


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The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) **Equities:** Equities are valued at published market prices.
- (d) **Bonds:** Bonds are valued at the published bid market price on the final day of the accounting period.
- (e) **Pooled Investments - Equity Unit Trusts and market quoted investments;** are valued are valued at published bid market prices on the final day of the accounting period.
- (f) **Pooled Investments - UK Fixed Income Managed Funds;** are valued at the average of broker prices.
- (g) **Pooled Investments – Hedge Funds;** are valued by the investing managers on a fair value basis each year using PRAG guidance.
- (h) **Pooled Property Investments:** The Property Funds do not have any direct investments in property but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (i) **Venture Capital: The Private Equity and Private Debt;** are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement.
- (j) **Hedge Funds:** Hedge Funds are valued by investing managers on a fair value basis using PRAG guidance.
- (k) **Fixed Income Unit Trust: Fixed income earned from fixed income unit trusts. Interest income is recognised in the Fund as it accrues.**
- (l) **Contributions** – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2022 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2022/23	
	Main Section	50/50 Section
Up to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%

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

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. *The employer's contribution rate for the administering authority in 2022/23 is 22.5%, unchanged from 2019/20.*

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

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

- (r) **Investment Management and Administration** - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. All investment management expenses are accounted for on an accruals' basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

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**Pension Fund Accounts**


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- (s) **Foreign currency:** Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
  - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
  - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (t) **Commitments** - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.
- (u) **Financial Instruments**
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.
- The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (v) **Additional Voluntary Contributions (“AVCs”)**  
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

**Practices**

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

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

<b>Financial Assumption</b>	<b>March 2022 (%)</b>	<b>March 2019 (%)</b>
Discount Rate	3.6	3.5
Price Inflation (CPI*)	3.0	2.3
Pay Increases	3.7	3.0
Benefit Increase	2.7	2.3
CARE Revaluation	10.1	2.3

\* Consumer Price Index

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

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**Pension Fund Accounts**


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

**Note 3: Critical Judgements in Applying Accounting Policies**

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

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

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

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

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Actuarial present value of promised retirement benefits (Note 19)	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £24.3m.
Property valuations	Valuation techniques are used to determine the carrying values of freehold and leasehold property directly held by some fund managers. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 7.7%. This would be an increase or decrease in the value of property investments by £9.2m, on a fair value of £120m.
Venture Capital - private equity / infrastructure	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The venture capital investment in the financial statements is £277.4m. There is a risk that this investment may be under or overstated in the accounts and is estimated to be 11.8%. This would be an increase or decrease in the value of venture capital investments by £32.7m, on a fair value of £277.4m.



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**Note 5: Contributions Receivable**

	2022/23 £000	2021/22 £000
<b>Employer Contributions</b>		
Administering Authority	(32,680)	(30,351)
Scheduled Bodies	(6,433)	(6,436)
Admitted Bodies	(627)	(554)
	<b>(39,740)</b>	<b>(37,341)</b>
<b>Employee Contributions</b>		
Administering Authority	(9,940)	(8,797)
Scheduled Bodies	(2,149)	(2,141)
Admitted Bodies	(210)	(182)
	<b>(12,300)</b>	<b>(11,120)</b>

Contributions receivable from employers are shown below:

	2022/23 £000	2021/22 £000
<b>Employer Contributions</b>		
Normal	(37,963)	(35,548)
Early Retirement Strain	(1,607)	(1,623)
Deficit Funding	(170)	(170)
	<b>(39,740)</b>	<b>(37,341)</b>

**Note 6: Benefits Payable**By Category

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

By Authority

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

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**Note 7: Management Expenses**

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

	2022/23 £000	2021/22 £000
Administration Expenses	861	1,161
Oversight and Governance Expenses	525	420
<u>Investment Management Expenses:</u>		
- Transaction Costs	535	220
- Management Fees	2,054	1,954
- Performance Fees	0	0
- Custody Fees	140	112
	<b>4,116</b>	<b>3,867</b>

**Note 8: External Audit Costs**

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

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

The Pension Fund's external auditors are Grant Thornton.

**Note 9: Investment Income**

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

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

## Pension Fund Accounts

## Note 10: Fund Assets

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

Fund Manager	Investment Asset	Asset Value	Proportion of the Fund	Asset Value
		31 March 2023 £000	31 March 2023 %	31 March 2022 £000
LCIV - PEPPA	Equity Unit Trust	504,922	30.5	459,186
Storebrand Global ESG	Equity Unit Trust	271,628	16.4	0
Blackrock	Fixed Income Unit Trust	249,606	15.1	368,683
Schroders Property	Property	131,970	8.0	153,961
HarbourVest	Venture Capital	99,393	6.0	124,224
J.P. Morgan	Hedge Funds	76,621	4.6	86,561
Storebrand Emerging Markets	Equity Unit Trust	74,186	4.5	0
LCIV – Private Debt	Venture Capital	59,212	3.6	0
LGIM	Venture Capital	44,457	2.7	9,910
LCIV – Renewable Infrastructure	Venture Capital	40,267	2.4	24,900
Pemberton	Venture Capital	39,544	2.4	40,632
Partners Group	Venture Capital	17,832	1.1	32,087
UBS	Equities and Equity Unit Trust	0	0	409,857
Various Managers	Cash and other Assets	43,216	2.7	40,418
Lewisham	Net Current Assets/(Liabilities)	2,131	0.2	(136)
<b>Total Fund Assets</b>		<b>1,654,985</b>	<b>100.0%</b>	<b>1,750,283</b>

## Note 11: Investment Analysis

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

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

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

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

## Note 12: Reconciliation in Movement in Investments

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

	Market Value as at 31/03/2022	Purchases and derivative payments	Sales and capital receipts	Re-Classification	Change in Market Value during the year	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000
Bonds	112,822	0	0	(97,940)	(14,883)	0
Equities	107,822	145,362	(181,831)		(71,353)	0
Fixed Income Unit Trust	212,999	0	(174)	97,940	(61,159)	249,606
Equity unit trust	832,033	82,467	(86,434)		42,094	870,160
Hedge fund	71,610	77	(2,396)		7,326	76,617
Pooled property Investments	147,265	6,142	(9,450)		(23,548)	120,409
Venture capital	172,834	124,617	(33,499)		13,421	277,373
	<b>1,657,385</b>	<b>358,665</b>	<b>(313,784)</b>		<b>(108,101)</b>	<b>1,594,165</b>
Derivative contracts:						
Forward currency contracts	0	0	(0)		0	0
<b>Sub-total</b>	<b>1,657,385</b>	<b>542,846</b>	<b>(497,964)</b>	<b>0</b>	<b>(108,101)</b>	<b>1,594,165</b>
Cash deposits	92,992				3,154	58,448
Amount receivable for sales of investments	0				0	0
Investment income due	42				0	241
Spot FX contracts	0				(268)	0
Amounts payable for purchases of Invs	0				0	0
Other investment balances	(136)					2,131
<b>Total</b>	<b>1,750,283</b>				<b>(105,215)</b>	<b>1,654,985</b>

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	Market Value as at 31/03/2021	Purchases during the year and derivative payments	Sales and capital distributions	Change in Market Value during the year	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000
Bonds	107,210	27,291	(28,150)	6,471	112,822
Equities	95,341	253,024	(243,782)	3,239	107,822
Fixed Income Unit Trust	207,214	24,706	(736)	(18,185)	212,999
Equity Unit Trust	776,855	80,988	(112,811)	87,001	832,033
Hedge Funds	71,529	0	(1,266)	1,347	71,610
Pooled property Investments	112,136	13,098	(4,507)	26,638	147,265
Venture Capital	138,480	49,072	(35,549)	20,831	172,834
	<b>1,508,665</b>	<b>448,179</b>	<b>(426,801)</b>	<b>127,342</b>	<b>1,657,385</b>
Forward currency contracts	0	125	(136)	11	0
<b>Sub-total</b>	<b>1,508,665</b>	<b>448,304</b>	<b>(426,937)</b>	<b>127,353</b>	<b>1,657,385</b>
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)
<b>Total</b>	<b>1,671,349</b>			<b>125,203</b>	<b>1,750,283</b>

## Pension Fund Accounts

**Note 13a: Fair Value – Basis of Valuation**

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

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

## Pension Fund Accounts

**Note 13b: Sensitivity of Assets Valued at Level 3**

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

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	5.8	76,617	81,061	72,173
Overseas Venture Capital	11.8	76,391	85,405	67,377
UK Venture Capital	11.8	200,982	224,698	177,266
<b>Total</b>		<b>353,990</b>	<b>391,164</b>	<b>316,816</b>

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

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

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

**Level 2** – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

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

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

Market Value as at 31/03/2023	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Pooled investments	967,024	152,742	76,617	1,196,383
Pooled Property Investments	2,823	117,586	0	120,409
Venture Capital	0	0	277,373	277,373
Cash deposits	58,448	0	0	58,448
Other investment assets	4,943	0	0	4,943
Investment income due	210	31		241
<b>Financial liabilities at fair value through profit and loss</b>				
Other investment liabilities	(2,812)	0	0	(2,812)
<b>Net financial assets</b>	<b>1,030,636</b>	<b>270,359</b>	<b>353,990</b>	<b>1,654,985</b>

## Pension Fund Accounts

Market Value as at 31/03/2022	Quoted market price*	Using observable inputs*	With significant observable inputs*	
	Level 1	Level 2	Level 3	Total*
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Bonds	0	112,822	0	112,822
Equities	107,822	0	0	107,822
Pooled investments	1,045,032	0	71,610	1,116,642
Pooled Property Investments	1,391	145,874	0	147,265
Private Equity	0	0	172,834	172,834
Cash deposits	92,992	0	0	92,992
Other Investment assets	2,100	0		2,100
Investment income due	42	0	0	42
<b>Financial Liabilities at Fair Value through Profit &amp; Loss</b>				
Other investment liabilities	(2,236)	0	0	(2,236)
<b>Net financial assets</b>	<b>1,247,143</b>	<b>258,696</b>	<b>244,444</b>	<b>1,750,283</b>

**Note 13d: Transfers between Levels 1 and 2**

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

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

	Market Value as at 31/03/2022	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	71,610	0	77	(2,396)	7,203	123	76,617
Overseas Venture Capital	117,145	0	9,341	(10,933)	26,810	6,305	148,668
UK Venture Capital	55,689	0	115,276	(22,566)	(19,694)	0	128,705
<b>Total</b>	<b>244,444</b>	<b>0</b>	<b>124,694</b>	<b>(35,895)</b>	<b>14,319</b>	<b>6,428</b>	<b>353,990</b>



## 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. Bonds of £97m were reclassified as Fixed Income Unit Trust between accounting categories during the year ended 31 March 2023.

Market Value as at 31/03/2022 Designated as fair value through profit and loss	Loans and receivables	Financial liabilities		Designated as fair value through profit and loss	Loans and receivables	Market Value as at 31/03/2023 Financial liabilities
£000	£000	£000	£000	£000	£000	£000
			<b>Financial assets</b>			
112,822			Bonds	0		
107,822			Equities	0		
212,999			Fixed Income Unit Trust	249,606		
832,033			Equity Unit Trust	870,160		
71,610			Hedge Funds	76,617		
147,265			Pooled property Investments	120,409		
172,833			Venture Capital	277,373		
0	92,992		Cash deposits	0	58,448	
0	42		Other investment balances	0	241	
0	2,100		Debtors	0	4,943	
<b>1,657,385</b>	<b>95,134</b>	<b>0</b>		<b>1,594,165</b>	<b>63,632</b>	<b>0</b>
			<b>Financial liabilities</b>			
		(2,236)	Creditors			(2,812)
			Other Current Liabilities			
<b>0</b>	<b>0</b>	<b>(2,236)</b>		<b>0</b>	<b>0</b>	<b>(2,812)</b>
<b>1,657,385</b>	<b>95,134</b>	<b>(2,236)</b>	<b>Total</b>	<b>1,594,165</b>	<b>63,632</b>	<b>(2,812)</b>
	<b>1,750,283</b>		<b>Grand Total</b>		<b>1,654,985</b>	

## Pension Fund Accounts

**Note 14b: Net Gains and Losses on Financial Instruments**

The following table shows net gains on financial instruments:

	31/03/23 £000	31/03/22 £000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	(108,101)	127,342
Loans and receivables	3,154	
Assets at Amortised Cost		
<b>Financial Liabilities</b>		
Fair value through profit and loss	0	11
Liabilities at Amortised Cost	(268)	(3,135)
	<b>(105,215)</b>	<b>125,203</b>

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

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore, the Fund holds a mix of financial instruments such as securities (equities, bonds), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise because of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

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

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

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

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long-term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

**a) Market Risk**

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and pooled investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of investments by asset class and establishing mandate guidelines with investment managers. The risk

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**Pension Fund Accounts**


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

**i) Other Price Risk – Market**

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

**ii) Other Price Risk – Sensitivity analysis**

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smooths out short term price volatility.

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

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

## 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 31/03/2023	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	58,448	0.0	58,448	58,448
<b>Investment portfolio assets:</b>				
Fixed Income unit trusts	249,606	13.0	282,055	217,157
Equity unit trusts	870,160	12.8	981,540	758,780
Hedge funds	76,618	5.8	81,061	72,173
Pooled property Investments	120,409	7.7	129,681	111,138
Venture Capital	277,373	11.8	310,103	244,643
Other funds	2,371	1.2	3,400	3,343
<b>Total assets * **</b>	<b>1,654,985</b>		<b>1,845,288</b>	<b>1,464,682</b>

\* This figure includes derivatives and other investment balances.

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

The 2021/22 comparator table is as follows:

Asset Type	Final Market Value as at 31/03/2022	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	92,992	0.0	92,992	92,992
<b>Investment portfolio assets:</b>				
Bonds	112,822	9.1	123,135	102,510
Equities	107,822	16.2	125,289	90,355
Overseas equities	102,070	13.0	115,339	88,801
Fixed Income unit trusts	212,999	9.1	232,382	193,616
Equity unit trusts	729,964	16.2	848,218	611,710
Hedge funds	71,610	5.8	75,763	67,457
Pooled property Investments	147,265	3.8	152,905	141,624
Venture Capital	172,833	5.8	182,858	162,858
Other funds	(94)	2.8	(97)	(92)
<b>Total Assets</b>	<b>1,617,349</b>		<b>1,948,784</b>	<b>1,551,782</b>

### 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.

## Pension Fund Accounts

**iv) Interest Rate Risk – Sensitivity Analysis**

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

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

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

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

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
<b>Cash and cash equivalents</b>			
Cash	92,992	0	0
<b>Bonds</b>			
UK public sector Index linked	112,822	1,128	(1,128)
<b>Fixed Interest Investments</b>			
UK Fixed Income Funds	105,483	1,055	(1,055)
Overseas Fixed Income Funds	107,516	1,075	(1,075)
<b>Total change in assets available</b>	<b>418,814</b>	<b>3,258</b>	<b>(3,258)</b>

**v) Currency Risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels at the 31 March 2023:

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

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

## Pension Fund Accounts

**vi) Currency risk – sensitivity analysis.**

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

Asset Type	Asset Value at 31 March 2023 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	96,958	8.8	105,490	88,425
Overseas Equity Funds	365,240	8.8	397,382	333,100
Overseas Hedge Funds	76,617	8.8	83,360	69,875
Overseas Venture Capital	76,391	8.8	83,113	69,669
<b>Total</b>	<b>615,206</b>	<b>8.8</b>	<b>669,345</b>	<b>561,069</b>

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

**b) Credit Risk**

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties, including; brokers, custodian and investment managers, seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

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

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**Pension Fund Accounts**


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**c) Liquidity Risk**

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds proportion of assets as cash to allow for short notice payments and capital calls. As at the 31 March 2022 these assets totalled £58.4m held in cash by the custodian on behalf of the Fund and fund managers.

**Note 16: Derivative Contracts**

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

**Note 17a: Other Investment Balances**

These comprise the following amounts:

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

**Note 17b: Net Current Assets**

These comprise the following amounts:

**Current Assets**

	31/03/23 £000	31/03/22 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	56	57
Other Current Assets	825	657
Prepayments	150	0
Cash in Hand	3,912	1,386
	<b>4,943</b>	<b>2,100</b>

## Pension Fund Accounts

## Current Liabilities

	31/03/23 £000	31/03/22 £000
Fund Manager and Custody Fees	(511)	(553)
Consultancy/ Advisory Fees	(21)	(187)
Other Current Liabilities	(2,280)	(1,496)
	<b>(2,812)</b>	<b>(2,236)</b>

## Note 18: Cash and Bank

## Cash Held With Custodian

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

Fund Manager	31/03/2023 £'000	31/03/2022 £'000
Cash Account	43,089	39,851
Schroders	11,479	3,904
HarbourVest	3,521	20,122
Partners Group	0.359	11,246
JP Morgan	0	14,951
Pemberton	0	2,352
Cash Account	0	548
Securities Lending	0	15
UBS	0	1
BlackRock transition account	0	1
	<b>58,448</b>	<b>105,524</b>

## Pension Fund Bank Account

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

## Note 19: Actuarial Present Value of Promised Retirement Benefits

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



## Pension Fund Accounts

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

**Longevity assumptions**

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

Longevity Assumptions for year ended 31 March 2023	Males	Females
Current Pensioners	21.0	24.1
Future Pensioners	22.1	25.5

**Financial assumptions**

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

**Sensitivity Analysis**

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

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

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**Pension Fund Accounts**


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**Note 20: Events after the Reporting Period**

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

**Note 21: Contractual Commitments**

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

<b>Fund Manager</b>	<b>Fund</b>	<b>Contractual Commitment £000</b>	<b>Undrawn Capital £000</b>
Harbourvest	Harbourvest Closed Ended Funds	130,955	44,641
London CIV	LCIV Renewable Infrastructure	90,000	59,335
London CIV	LCIV Private Debt	85,000	31,213
Pemberton	Pemberton European Mid-Market Debt Fund II	40,000	3,981
Schroders	Schroders Property Funds	20,658	6,228
<b>Total</b>		<b>411,613</b>	<b>145,398</b>

**Note 22: Related Party Transactions**

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

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

During the year the following declarations were made:

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

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

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

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2023.

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**Pension Fund Accounts**


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

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

### Key Management Personnel Remuneration

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

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

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

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

### Note 23: Additional Voluntary Contributions (AVC's)

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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**Pension Fund Accounts**

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**Note 24a: Scheduled Bodies**

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

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

**Note 24b: Admitted Bodies**

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

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

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**Pension Fund Accounts**


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**Note 25: Membership**

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

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

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

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

The following table summarises the membership numbers of the scheme:

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