1. INTRODUCTION

The London Borough of Southwark Pension Fund (the Fund) is one of the largest Local Government Pension Scheme (LGPS) funds in London in terms of membership and assets. The LGPS provides for the occupational pensions of employees, other than teachers, police officers and fire fighters, of local authorities. It is a contributory defined benefit (DB) scheme established by the Superannuation Act 1972. With 6.7 million members, over 21,000 employers and assets of c£390 billion as at 31 March 2024, the LGPS is one of the largest DB schemes in the world, and one of the largest DB schemes in England and Wales.

Employer and employee contributions, together with investment returns generated from the Fund's investments make up the majority of income into the Fund. Contributions and other balances not immediately required to meet pension liabilities and other benefits are invested in a diverse range of investment assets.

The Fund's primary fiduciary duty is to ensure there are sufficient resources available to meet all pension payments as they fall due. An actuarial valuation is conducted every three years to ensure there continues to be sufficient assets to cover pensions liabilities. The 2022 triennial actuarial valuation was signed off on 31 March 2023 with revised contributions coming into effect on 1 April 2023. The funding level of 109% continues to ensure stability of contributions going forward. The next actuarial valuation is due to take place in 2025.

The objectives of the Fund are to:

• Adequately fund benefits to secure the Fund's solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers; and

• Seek to maintain overall employer contribution rates as nearly constant as possible (and subject to the administering authority not taking undue risks) at reasonable cost to taxpayers, scheduled and admitted bodies; and

• Achieve net zero carbon emissions through the Fund's investments by 2030, whilst ensuring the first two objectives of the Fund are upheld.

The Fund is a mix of Final Salary benefits for service before 1 April 2014 and a Career Average Revalued Earnings (CARE) scheme for all service after 1 April 2014.

Fund Operations

Pensioner Payroll services was added to the pension fund operation in May 2022 and is now managed by a new Payroll Manager. The Payroll team deal with all pensioner enquiries, annual pension increase, HMRC, and ensure pensions are paid on time.

Investment in technology is currently at the forefront of all operational activity

The new admin system Civica UPM is now fully embedded into the team, however, there are ongoing data quality improvement exercises as the new system is different to the previous admin system. The Member Portal ("self-service") is still undergoing testing to release further functionality, and all members will be notified when the next phase goes live according to their status (e.g. active staff, former staff etc.). In 2022, a Single Payments system was set up. This means that members who are due to retire can receive their lump sum payment before the first date of their pension payment. Southwark Pensions are part of the DWP 'Tell us Once' initiative and Fraud Access Hub, which has been set up in collaboration with NFI. This gives access to previously unavailable data, such as death matching, ID checks, address checking to ensure no fraud is happening.

The Fund is also gearing up for the National Dashboard programme, where further 'ecosystem' testing will take place over 2024, in preparation for Southwark Council's 'connect-by' date of 31 October 2025.

The training team have delivered training to all admitted bodies (schools and depot staff) on Basic Pensions and Annual Benefit Statements, whilst continuing to deliver weekly training to pension fund staff to enhance their skills and knowledge. Our training extends beyond Southwark and we also train other London Boroughs and County Councils as part of a wider commitment to enhance LGPS knowledge amongst officers.

The communications team have also been proactively working on delivering an updated and fully managed in-house pension fund website to reflect changes in IT/software and an ever-evolving pensions landscape. A newly updated website will include not only admin/operational information but more information on investment management and how the pension fund is performing.

Southwark Pensions have also taken part in the Council's wider apprenticeship scheme and will have an apprentice starting shortly. They will undertake work in all areas of pensions services to obtain a broad range of skills and knowledge over a two-year period, with access to study leave and professional qualifications.

Fund Investments

As the size of the Fund grows, the number of investment mandates continues to grow too. Across 2023-2024, new investments were made in Multi-Asset Credit (MAC), sustainable infrastructure and an ESG priority fund. One of the MAC mandates is the Fund's first direct investment via the London Collective Investment Vehicle (LCIV), adding to the assets of the fund that are under the supervision of LCIV. The Pensions and Treasury Investments Team continues to focus on adding value to the management of the Fund, including by working together with other London LGPS funds and LCIV on the ongoing development of LGPS pooling, which has taken centre stage following the election of the new government.

The Fund is taking an active approach in reacting to the climate emergency, as announced by the London Borough of Southwark in 2019. Within the Pensions and Treasury Investments function, there is focus on the measurement of the carbon footprint of all investment holdings. The Fund's dedicated Environmental, Social and Governance (ESG) manager continues to develop the Fund's ESG policies in line with the Fund's fiduciary duty. The role also includes management and reporting of carbon measurement and direct engagement with fund managers on their ESG credentials.

During the financial year 2023-2024 the Fund transitioned £225 million into assets that have a lower carbon intensity than their legacy equivalents. This resulted in a reduction in the carbon footprint of the portfolio of c20% in absolute terms compared to March 2023.

Governance of the Fund

The investment strategy for the Fund is determined by the Council, as the Administering Authority of the Fund, with advice from the Pensions Advisory Panel (PAP), but individual investment decisions are delegated to externally appointed investment managers.

With effect from 1 April 2015, all authorities that administer the LGPS are required to establish a Local Pensions Board (LPB), whose role is to assist in the governance of the Fund. In many ways, the Board have the same fiduciary duties that would be associated with pension scheme trustees. In addition, there is a National Scheme Advisory Board and two cost control mechanisms which seek to monitor and contain the overall cost of the LGPS at a national level.

Current Issues

As reported last year, in 2022-2023 there were significant risks associated with ongoing high interest rates (linked to the still ongoing conflict between Russia and Ukraine and the Mini Budget of September 2022) and related inflation, which impacted on volatility in equity markets. In 2023-2024, there were also global economic and geopolitical challenges, such as the threat of war in the Middle East. While there was some normalisation of inflationary pressures, interest rate cuts were not immediately forthcoming. However, market sentiment aside, global equity markets, to which the fund has significant exposure, enjoyed an excellent year. The Fund has a diversified portfolio and officers will continue to monitor the appropriateness of the Fund's investment strategy and the extent to which more defensive assets, such as index-linked gilts, can be used to manage portfolio volatility and cashflow. This is especially important in the run-up to the 2025 actuarial valuation of the Fund, which will determine employer contribution rates from 1 April 2026.

Due to the Triple Lock safeguard on pension benefits, from 1st April 2024 there was a 10.1% uplift in pension benefits paid. In preparation for this, officers of the Fund implemented a Cash Flow Policy in 2023-2024. The policy helps to maintain and manage the pension fund bank account to mitigate liquidity risk and to enable it to meet its day-to-day obligations, including any requirement to fund private market investments such as the Fund's new commitments to sustainable infrastructure.

Finally, there are some welcome additions to this annual report in line with new annual reporting guidance. Appendix 6 includes Key Performance Indicators for pensions operations. Given the scrutiny that ongoing discussions about LGPS pooling brings, we are also including an estimate of the Fund's allocation to UK based assets, which represent around one third of the Fund's total value.

Clive Palfreyman
Strategic Director of Resources

2. REPORT FROM THE INDEPENDENT CHAIR OF THE LOCAL PENSION BOARD

Local Pension Boards were established under the 2013 Pensions Act. Each Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the scheme.

The Board is also tasked with ensuring compliance with the various legislative requirements and those of the Pensions Regulator, complementing the already well-developed governance structure which underpins the pension scheme.

The independent Chair of the Local Pension Board (the Board) attends the Pensions Advisory Panel (PAP). This provides a useful link between PAP, as the advisory body, and the Board. The link is further strengthened by attendance of the Strategic Director of Resources at the Board, attendance of other key officers and joint training sessions for the Board and PAP members. The Chair of the Board is elected annually with the incumbent leaving the meeting to avoid any conflict of interest.

The first meeting of the Board was held in July 2015, and since then it has established itself as part of Southwark's governance structure in relation to the Fund.

The Board's core functions are set out in the terms of reference.

The composition of the Local Pension Board for 2023-2024 is set out below:

Independent Chair

Mike Ellsmore

Scheme Member Representatives

Diana Lupulesc (employee representative)

Stuart Mumford (employee representative)

Tony O'Brien (retired employee representative)

Employer representatives

Dominic Cain (Vice Chair) (employer representative)

Allan Wells (employer representative) – retired in January 2024

Mike Antoniou (schools employer representative)

The Board meets quarterly and the current membership and attendance at meetings during 2023-24 is set out in the following table:

Name	Title	05-Apr-23	10-Jul-23	11-Oct-23	24-Jan-24
Mike Ellsmore	Independent Chair	✓	✓	✓	✓
Diana Lupulesc	Scheme Member Representative	✓	A	✓	A
Stuart Mumford	Scheme Member Representative	A	A	A	✓
Tony O'Brien	Retired Scheme Member Representative	✓	✓	A	✓
Dominic Cain	Employer Representative, Vice Chair	✓	✓	✓	✓
Allan Wells*	Employer Representative	✓	A	✓	
Mike Antoniou	Schools Employer Representative	✓	✓	✓	✓

✔ *Attended*
A Absent with apologies
**Retired from the Board in January 2024*

All meeting papers of the Board are available in the public domain on the Fund's website and can be accessed [here.]

Knowledge and understanding/training

As set out in the national guidance for Local Pension Boards, knowledge and understanding is a key part of being an effective Board member. Board members continuously engage in training programmes to develop and refresh their skills and knowledge and have access to the Pensions Regulator public service toolkit and the CIPFA guide for Local Pension Boards.

During 2023-24, the Board has received training on the following items, from both internal Fund officers and external trainers:

- UK Spring Budget 2023
- Guidance and regulatory updates on Equality, Diversity & Inclusion
- Cost Transparency Initiative
- Conflicts of Interest

A formal training policy and related action plan for members of the Pensions Advisory Panel and the Board was also introduced during 2023-24, to ensure they are provided training on an ongoing basis. The training covers multiple topics and regulatory developments to ensure they are well-equipped for effective decision-making in relation to strategic and operational activities of the Fund.

Work during the year

As part of the standing items at the meetings, the Board regularly receives reports on Pension Services performance, investment performance and the agendas and discussions topics at PAP.

In addition to these standing items, during 2023-24, the Board has also considered:

- 2022 Triennial Actuarial Valuation & Funding Strategy Statement
- Six-monthly review of the Fund's Risk Register
- Conflicts of Interest Policy for the Fund
- Cost Management Process relevant for Fund operations
- Detailed cyber security assessment of the Fund operations through a third-party
- Annual assessment of the Funds' managers, custodian and banking provider's cyber security
- The Pensions Regulator Annual Survey

The Head of HR Operations of Southwark Council also attended the October 2023 Board meeting to discuss a number of Southwark-specific, employer related issues, particularly in relation to contribution collection and ill-health retirements. While these are not within the Board's remit, it was agreed to keep track of progress made on these issues and engage in additional discussions in future Board meetings, if required.

The Board continues to monitor closely the performance of the Pension Administration Service. We were pleased to see that Key Performance Indicators were reinstated during the year and staff remain fully committed to resolving the system issues which have held the service back over the last few years. The Pensions Administration Service is critical to the successful delivery of employees and former employees accurate pensions entitlements.

The Board continues to be concerned over the late delivery of the Annual Benefit Statements.

Future work

As outlined earlier, during 2023-24, the Fund has implemented a formal training policy and an action plan for both the PAP and Board members, which will continue to be monitored and updated to account for ongoing training requirements to ensure continued good governance and strong decision-making by all members and officers involved.

Looking ahead, the Board will continue to monitor the Pension Administration Service. The Board will continue to seek the timely dispatch of the Annual Benefit Statements and will request an updated Action Plan should this continue to be a problem area.

As the composition of the Fund's investments continues to evolve, the Board will scrutinise updates on the progress made towards the net zero carbon emissions target.

An area of increasing concern, globally, is the issue of cyber security, and the Board will keep this under regular review.

For 2024-25, some of the key focus areas for the Board as part of the work plan include:

- Review of the risk register to assess current/potential risks and the degree of impact
- Consider Equality, Diversity & Inclusion (EDI) aspects of the Fund's internal operations, including its Governance structure, as well as in the Fund's dealings with external stakeholders like investment managers and advisors
- Review Conflicts of Interest Policy
- Review Pensions Administration Strategy
- Receive training on TPR General Code of Practice and review the outcome of an external assessment of compliance and the subsequent implementation of an action plan.
- Review Breaches Log and Cyber security aspects of the Fund operations
- Undertake cyber security assessment of the fund's external providers
- Participate in ongoing training being organised by the Fund officers and/or external third parties

The Board will continue to monitor the impact of the Scheme Advisory Board's Good Governance Project.

The Board will also monitor the resources allocated and employed in the management of the Fund in the context of an increasingly complex investment and administrative landscape, with a particular focus on progression towards the strategic target of reaching net zero carbon emissions by 2030 through the Fund's investments.

Expenses

The total expenses of £21,355 incurred by the Board are set out below:

Expense	2022-23	2023-24
Allowance – Independent Chair	3,609	6,030
Annual Insurance Fees	6,282	6,300
Training	3,999	9,025
Total	**13,891**	**21,355**

Mike Ellsmore
Independent Chair

3. GOVERNANCE POLICY AND COMPLIANCE

The Fund's Governance Compliance Statement is included at Appendix 4 of this report.

The Pensions Advisory Panel (PAP) meets quarterly and membership for 2023-24 comprised:

Councillors: Stephanie Cryan (Chair)
Rachel Bentley
Emily Hickson

Officers: Clive Palfreyman *(Strategic Director of Resources)*
Caroline Watson *(Chief Investment Officer)*
Barry Berkengoff *(Head of Pensions Operations)*

Observers: Roger Stocker *(Unison) –Retired employee representative*
Julie Timbrell *(Unison) – employee representative until July 2024*
Helen Laker *(Unison) – employee representative from July 2024*
Derrick Bennett *(GMB) – employee representative*

Advisers: Colin Cartwright *(Aon)*
David Cullinan *(Independent Adviser)*
Mike Ellsmore *(Chair of the Local Pension Board)*

Pensions Advisory Panel Meeting Attendance 2023-24				
Name	Role/Company	17 July 23	27 Sept 23	26 Feb 24
Stephanie Cryan (Chair)	Elected member	✓	✓	✓
Emily Hickson	Elected member	✓	✓	✓
Rachel Bentley	Elected member	✓	A	A
Clive Palfreyman	Strategic Director of Finance	✓	✓	✓
Caroline Watson	Chief Investment Officer	✓	✓	✓
Barry Berkengoff	Head of Pensions Operations	A	✓	✓
Roger Stocker	Unison	✓	✓	✓
Helen Laker	Unison	✓	✓	✓
Derrick Bennett	GMB	A	A	A
David Cullinan	Independent Adviser	✓	✓	✓
Colin Cartwright Marco Gonzalez	Aon	✓ ✓	✓ ✓	✓ ✓
Mike Ellsmore	Chair of the Local Pension Board	✓	✓	✓

Notes
✓ Attended
✓* Attended, acted up as Chair of the meeting in the Chair's absence
A Absent with apologies

In addition to the above, a special meeting of the voting members of the PAP took place on the 4th March 2024, when a decision was made to appoint a Multi-Asset Credit manager (LCIV-CQS). A scheduled meeting of the PAP, due to take place on the 6th December 2023, was cancelled and any matters arising were considered at the 26th February 2024 meeting.

Knowledge and skills

As an Administering Authority of the LGPS, Southwark Council recognises the importance of ensuring that officers and elected members charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills to discharge duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and it will provide training for officers and members of the PAP to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

During 2023-24, a full review of training requirements for members of PAP and the Board was carried out with reference to government requirements (under pooling consultation) that each administering authority set out a training policy for committee members and that the training should be reported on regularly. In addition, the review recognised that, under the Markets in Financial Instruments Directive (MiFiD II) regulations, those that are responsible for the management of LGPS funds need to demonstrate a high level of skills and knowledge to enable the fund to be recognised as a professional investor. Removal of professional investor status would restrict access to appropriate investment opportunities for the LBSPF.

In follow-up to a training needs assessment, a training plan was agreed which considered the CIPFA Knowledge and Skills Framework for the core requirements for working in the LGPS:

- Pensions legislation and governance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

Ongoing informal training continues to be provided in quarterly PAP meetings and PAP members are now invited to attend the mandatory training that members of the Local Pensions Board must attend.

As a minimum, PAP members and officers must now complete four hours training per financial year, in addition to any induction training. Members and officers are expected to provide information that enables a central log of training to be completed and this will be reported in the 2024-2025 annual report as follows:

Role	Event	Provider	Date	Event Type	Content	Duration

4. MANAGEMENT AND FINANCIAL PERFORMANCE

Scheme management and advisers

Senior Fund Officers	Clive Palfreyman (Strategic Director of Resources)

	Caroline Watson (Chief Investment Officer) Barry Berkengoff (Head of Pensions Operations
Investment Adviser	Aon David Cullinan (Independent Adviser)
Actuary	Aon
Performance monitoring	PIRC – Local Authority Performance Analytics
Asset Pool	London Collective Investment Vehicle (LCIV)
Investment managers	BlackRock Advisors (UK) Ltd Blackstone Brockton Capital LLP BTG Pactual Comgest Darwin Frogmore Real Estate Partners Nuveen Infrastructure (formerly known as Glennmont Partners) Invesco Real Estate Legal & General Investment Management M&G Real Estate Newton Investment Management Nuveen Real Estate Robeco Temporis Capital
Liquidity and Money Market Funds	Blackrock Legal and General Investment Management Northern Trust
Custodian	JP Morgan
Auditor	KPMG
AVC providers	AEGON
Banker	NatWest
Legal adviser	Pinsent Masons
Communications adviser	Concert Consulting UK Limited

Risk management

In line with overall council risk management procedures, the Fund maintains a register of the key financial, operational and reputational risks to the Fund and the controls in place to mitigate the impact or likelihood of these risks occurring. The Head of Pensions Operations and Chief Investment Officer are responsible for identifying and managing the risks to their respective functional areas, with external advice sought as appropriate. The risk register is updated as new risks are identified or existing risks are deemed to be less consequential. The register is reviewed twice a year by the Local Pensions Board (LPB) and, where appropriate, the LPB will provide challenge to officers' identification of risks.

As at March2024, the key risks facing the Fund were:

Risk Description	Risk Category	Risk controls (mitigation)
Failure to communicate with relevant stakeholders	Financial/ Operational	Pension fund website now under in-house control. Member information guides under review. Training material developed and exists on My Learning Source. Meetings held regularly with HR/Schools HR, employers/unions. Newsletters sent with ABS to active and deferred members. Annual report prepared in accordance with statutory guidelines is published on the website. More visible pension fund presence at All Staff Briefings each month.
Employer systems - calculation of employee pension contribution bandings on SAP	Operational/ reputational	HR created a new employee banding Policy effective from 6th April 2022. Affected members were contacted as part of a historical exercise. Any members who owed money have opportunity to enter a repayment plan over a mutually agreed period. Employer refunds made in March 2024.

Risk Description	Risk Category	Risk controls (mitigation)
The Fund's asset allocation strategy is not sufficient to meet obligations and liabilities	Financial	Reports on the funding level produced quarterly by Fund actuary and reviewed by PAP. Funding strategy statement reviewed every 3 years. Fund actuary takes liability profile into consideration when setting contribution rates at each triennial valuation. Investment strategy review conducted following each triennial actuarial valuation, to determine optimal asset allocation for the Fund. Actual asset allocation reported to PAP every quarter with variances of actual allocation to target discussed. The Fund holds investments in assets such as index-linked gilts, which have a value which is linked to inflation, a key driver of pension liabilities.
Poor investment performance of individual mandates could lead to a deficit and therefore a requirement for higher employer contributions.	Financial	Investments monitored regularly. Pensions Advisory Panel (PAP) reviews fund manager performance quarterly against benchmark. Regular reports received from investment advisers providing ratings of managers. Regular meetings with fund managers regarding performance. The Fund undertakes regular reviews of its investment strategy to ensure that the investment asset and manager allocation is appropriate to meet the future pension obligations for the fund.
Employers fail to provide information that fund requires, resulting in poor service, increased complaints and possible fines and penalties	Reputational	Employer/HR function going through business transformation exercise, with emphasis on more robust processes and better understanding of fund requirements. Admin Strategy agreed by former Strategic Director of Finance & Governance allows employers to be fined for poor performance following agreed escalation process. Revised Admin Strategy in progress pending wider consultation process will link to pension fund's Data Management and Security Policy. Considerable employer engagement work planned for 2024/25 including data workshops.

Risk Description	Risk Category	Risk controls (mitigation)
		IDRP complaints process under review .
Employer data is inaccurate or contributions are received late creating a financial or regulatory risk to the fund	Financial	Revised Admin Strategy will clearly set out roles and responsibilities and consequences of non-compliance. Communication Strategy to ensure employers reminded of information required. Regular monitoring and reconciliation of contributions from employers. Employers required to provide sufficient information for monthly returns to enable verification that the amounts due are correct. Fund can charge interest on the late payment of contributions. UPM Employer Hub allows employers to upload information to the Fund but Data/Systems team has full control over what data goes into live system. 2024 ABS Action Plan will help employers understand the year-end process and their responsibilities.

Risk Description	Risk Category	Risk controls (mitigation)
Inaccurate or incomplete member data	Financial/ Operational	Data Systems team in place, reconciliation against other Council/employer systems. Administration Strategy supports monitoring of employer compliance. Data matching through National Fraud Initiative (NFI) help to identify discrepancies. Mortality Screening and address tracing is performed frequently. Data Management Plan agreed. New pension and payroll software has been procured with greater analysis functionality. Fund participates in DWP "Tell us Once" initiative. Triennial valuation exercise helps picks up incomplete data. The fund participates in NFI Fraud Hub which provides another source of data matching. Data Team restructure and recruitment ongoing and will provide a positive impact around data.
Reliance on a smaller pool of specialist staff across LGPS impacts on ability to recruit and retain staff and increases the risk of a potential loss of knowledge and expertise	Staffing & Culture	Use of external advisers with specialist knowledge Development and implementation/roll-out of training programmes to help ensure staff are equipped with appropriate skills and knowledge. Pension Services structure agreed which moves away from former flat structure with limited development opportunities. This will mitigate against risks around staff retention and succession planning. Specific role focuses on knowledge management, development and multi-skilling. Review of the structure of the pensions investments and finance team is underway. The review will ensure that the team is sufficiently resourced and that opportunities for career progression and development are built in, thereby reducing staff turnover in the long term. The wider pension fund will create its own recruitment policy covering admin and finance and ensure succession planning needs are covered.

Risk Description	**Risk Category**	**Risk controls (mitigation)**
Inadequate controls to safeguard pension fund records.	Financial/ Operational	Cloud hosting and back up arrangements in place. Newly procured pension system will have greater audit functionality. Software regularly updated to meet LGPS requirements. Audit trails and reconciliations in place. GDPR in place. Pensions staff undertake data management training as required. Cyber Security review completed - no major issues identified.
Detrimental investment performance and reputational damage resulting from untimely or incorrect implementation of the Fund's commitment to achieve net zero carbon by 2030.	Financial	The Fund has committed to achieve net zero carbon within its investments by 2030. An updated investment strategy has been launched which sets out how this will be achieved in the short, medium and long term, whilst maintaining acceptable levels of risk and return. The Fund maintains regular contact with like-minded LGPS Funds and other advisory bodies to keep abreast of all pertinent regulatory and investment developments. The Fund will monitor the impact of any changes in investment strategy.
International conflicts and changing market conditions impact fund performance and income from investments, resulting in a reduction in fund value and impact on ability to pay pensions	Financial	Ongoing monitoring of Fund performance and investment markets. Advice obtained from investment advisers on continuing suitability of asset allocation. Review of scheme employers' financial strength and likelihood of exit. The Fund holds investments in diversified assets, reducing volatility and ensuring long term stability. Cash flow monitored on a regular basis. Investment income reinvested and not required to pay pensions. Additional reporting received on emerging market holdings to monitor impact of ongoing conflict.

Risk Description	Risk Category	Risk controls (mitigation)
Inadequate resourcing across pension fund accounting and investment functions, following recently increased complexity of investment strategy, could lead to insufficient management of investments resulting in a potential reduction in Fund value.	Financial	Restructure underway to identify additional resources required to address increased complexity and number of investment mandates introduced as a result of net zero carbon commitment. Additional support obtained from investment advisers to ensure ongoing management of increasingly complex investments. Temporary staffing resources in place until restructure is completed.
Failure of third-party providers for investment management and custodial services, including LCIV, could have a serious financial impact on the Fund.	Financial	Contracts are monitored regularly. PAP provided with quarterly information for each manager. Where there are concerns additional monitoring is put in place to ensure financial risks are kept to an acceptable level. Third parties provide Fund with an annual SAS70 (or equivalent) report which provides assurance from their auditors that adequate controls are in place and are operating effectively. Assets to be transferred to the pool only upon satisfactory business case and due diligence.
Major IT failure or data corruption/cyber-attacks results in administration function's inability to progress pension queries, and potential loss or permanent corruption of data files	Reputational	Civica UPM has been extensively tested and secured against cyber-attack. The system only allows access from pre-approved IP addresses, limited to the Southwark Council network and Aon. Maintain business continuity and disaster recovery plans. Data is stored in cloud servers hosted by Civica in a UK data centre. ISO certifications provide confidence that Civica operations meet the highest levels of information security, IT service management and has the Government’s IL3 accreditation rating, the highest security rating available. A secondary disaster recovery database is continuously running, and so in the event of cyber-attack or other downtime, the system can switch to a backup with limited loss of data. Every keystroke on the system is fully logged and audited.

Risk Description	Risk Category	Risk controls (mitigation)
Failure to comply with data protection legislation which results in reputational damage, scrutiny by the ICO and potential financial loss.	Legal & regulatory	Robust procedures are in place which are subject to audit review. Council's action plan for GDPR includes the pension fund and is on track. New training is available and all pensions staff will be required to complete this and refresher training on an annual basis.
Structural changes in Fund membership, leading to unforeseen cash flow implications and the forced sale of assets to meet pension benefits	Financial	The Fund undertakes long term cash forecasting to identify trends in cash in/outflows which is built into a strategy to ensure suitable cash inflows to support pension benefit costs. The Fund currently generates surplus cash flows through investment income, which is reinvested but could be directed to pay pension benefits if required. A formal cash flow management policy has been adopted, which ensures officers have the ability to maintain adequate liquidity to meet obligations, whilst limiting cash balances in order to maximise investment returns.
That required liquidity in investment assets is not available to allow the fund to meet pension fund obligations as they fall due.	Financial	Changes to investment strategy include consideration of split between liquid and illiquid investments. Ongoing monitoring of investments to ensure appropriate balance between liquid and illiquid investments ensuring the fund benefits from the potential for higher returns associated with illiquid investments, whilst still being able to meet obligations as they fall due. The investment strategy is split across a range of asset classes and means of implementation to allow for a variety of redemption options. Cash flow forecasting allows the Fund to predict likely cash flow requirements well in advance. A cash framework has been implemented which will achieve improved flexibility on how liquidity is managed. This includes the addition of two money market funds, and target balances on different tiers of liquidity holdings.

Risk Description	Risk Category	Risk controls (mitigation)
Impact of McCloud judgement.	Financial	Scoping level of resources in line with SAB guidance and MCHLG consultation paper. Expected to take LGPS employers 18-24 months to complete. Pension Fund website regularly provides news updates to members. Civica UPM provider testing McCloud software. McCloud remedy live from October 2023. McCloud calculations being performed for all leavers and members are being contacted if the underpin bites.
Fraud perpetrated against the fund either internally or externally resulting in a significant financial loss	Financial	The internal controls for the Fund and Council as administering authority are reviewed by internal and external audit on a regular basis. Control arrangements are in place to ensure transactions require multiple layers of authorisation. Participation in National Fraud Initiative matching exercises. Fund participates in DWP "Tell us Once" initiative Fund now participates in National Fraud Initiative Hub
Pension information to scheme members is inaccurate resulting in claims for compensation against the fund and the Pensions Ombudsman	Financial	Robust procedures including appropriate internal checking processes carried out by Senior Officers. Specialist advice is obtained from external advisers where appropriate.
Admitted/Scheduled Bodies – failure of body/deficits on termination of contracts – could lead to an increase in other scheme employers' contributions	Financial	Admission agreements for transferee admission bodies place liability for pension deficits with Southwark Council limiting the Fund's counterparty exposure risk. Funding levels for employers are monitored at each valuation. Contributions and deficit recovery periods set at appropriate level to take into account strength of covenant. Regular monitoring of amounts due from admitted/scheduled bodies. Actions taken to recover late payments. Academy pension liabilities are supported by a guarantee from the Department for Education.

Risk Description	Risk Category	Risk controls (mitigation)
Failure to comply with existing/new Scheme regulations – resulting in legal sanctions and detrimental effect on Council's reputation.	Legal & regulatory	Monitoring of compliance with regulations. Pension Services restructure now agreed and ongoing use of external advisers with specialist knowledge to advise on implementation of regulations if required. Fund breaches policy sets out clear guidance and mechanism for the reporting of breaches by those involved in management of the Fund and to the Pensions Regulator.
Inaccuracy of financial information affects organisational decision making	Reputational	Accounting data reconciled on timely basis. Fund manager valuations independently verified by Fund's custodian. Accounts prepared in accordance with relevant regulatory codes

The Fund's biggest overall risks (as identified above, and before mitigation measures were put in place) are

i) that there is a failure to communicate with relevant stakeholders.

and

ii) that employer systems lead to incorrect calculation of employee and employer contributions

The Strategic Director of Resources (SDR) has overall responsibility for all aspects of the administration and investments of the Fund. The PAP act in their role as advisers to the SDR, taking into account the advice they receive from the Fund's external advisers. They make recommendations to the SDR on matters relating to the management of the Fund. The management of risks is a key factor in all recommendations made by the Panel, thereby ensuring any risks to the Council arising from the Fund are kept to an acceptable level.

The investment adviser and performance measurement provider carry out the following evaluations that are reviewed by the PAP on a quarterly basis:

- Independent evaluation and analysis of Fund performance;
- Reviewing benchmarks and asset allocation; financial markets review; and
- Reviewing changes in the investment managers' business (through manager ratings).

Investments are monitored to ensure they are compliant with the LGPS regulations.

The Fund's assets are managed by external investment managers, who are required to provide an audited internal controls report annually to the Fund, which sets out how they ensure the Fund's assets are managed in accordance with their Investment Management Agreement. A range of investment managers have been appointed to diversify manager risk. The Fund's assets are held for safekeeping by the custodian (who also provides independent valuations of the Fund's investments).

The Funding Strategy Statement was reviewed in January 2023 and sets out the key risks (including demographic, regulatory and governance) to not achieving full funding in line with the strategy. The Actuary reports on these risks at each triennial actuarial valuation and more regularly if circumstances require. The last triennial actuarial valuation was completed as at 31 March 2022.

Financial Performance

During 2023-24, the Fund increased in value by over £175 million (+8.5%) to £2,236 million. A detailed analysis of the movement can be found in the Statement of Accounts for the Fund at Appendix 2 of this report, and is summarised below:

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Opening net assets	**1,641,986**	**1,581,541**	**1,948,624**	**2,143,749**	**2,060,487**
Contributions and joiners	65,787	69,712	71,270	65,860	73,696
Benefits and leavers	-71,384	-67,580	-72,050	-76,024	-80,947
Investment income less taxes	15,287	9,497	5,367	17,968	24,428
Management expenses	-8,881	-7,699	-8,980	-11,785	-11,122
Profit on sale and change in investment value	-61,254	363,153	199,518	-79,281	169,450
Increase/(Decrease) in Fund value	**-60,445**	**367,083**	**195,125**	**-83,262**	**175,505**
Closing net assets	**1,581,541**	**1,948,624**	**2,143,749**	**2,060,487**	**2,235,992**

During the year the net cash flow from membership (contributions and joiners, less benefits paid and leavers) was negative, with net outflows of £7.3m. Contributions in increased significantly, whilst transfers in showed a c60% increase and benefits paid increased by 4.5%. This increase hides the impact of the inflationary uplift to pensions in payment, of 10.1%, which were offset by a smaller increase in lump sum benefits payments.

Investment income was strong in 2023-24 and the overall market value of the assets held by the fund increased by over £150m. The Investment Policy and Performance section provides more detailed analysis of investment performance over the year.

Costs per Member

Costs per member	2019-20 £	2020-21 £	2021-22 £	2022-23 £	2023-24 £
Administration	154.8	147.6	78.1	142.1	133.0
Oversight and Governance	3.3	19.5	22.7	19.5*	9.3
Investment Management	63.7	140.8	269.6	306.3	279.0
Total Costs per Member	**221.8**	**307.9**	**370.4**	**467.8***	**421.2**

* Restated

Administration costs for 2023-24 have decreased due to earlier backlogs being cleared and greater functionality exploited from the pensions administration and payroll systems.

Investment management costs have decreased due to changes in investment mandates, including negotiation with existing fund managers, which have led to lower overall fund management costs.

Pension Overpayments

171 instances of overpayments to pensioners occurred during 2023-24.

£13,668.88 of overpaid pensions was 'written off' as the debt came to less than £500 or the pensions team were notified of the overpayment within a month of the death in accordance with the Southwark Pension Fund Overpayment Policy.

£13,556.05 is still currently in the process of being recovered (the majority on cases where solicitors are awaiting probate for the estate).

5. INVESTMENT POLICY AND PERFORMANCE

Investment policy

The Fund is managed with regard to a strategic asset allocation benchmark. This is reviewed every three years, following the Fund's triennial actuarial valuation. The latest Investment Strategy Statement (ISS) was published in December 2022, including an updated strategic asset allocation, shown on the following pages.

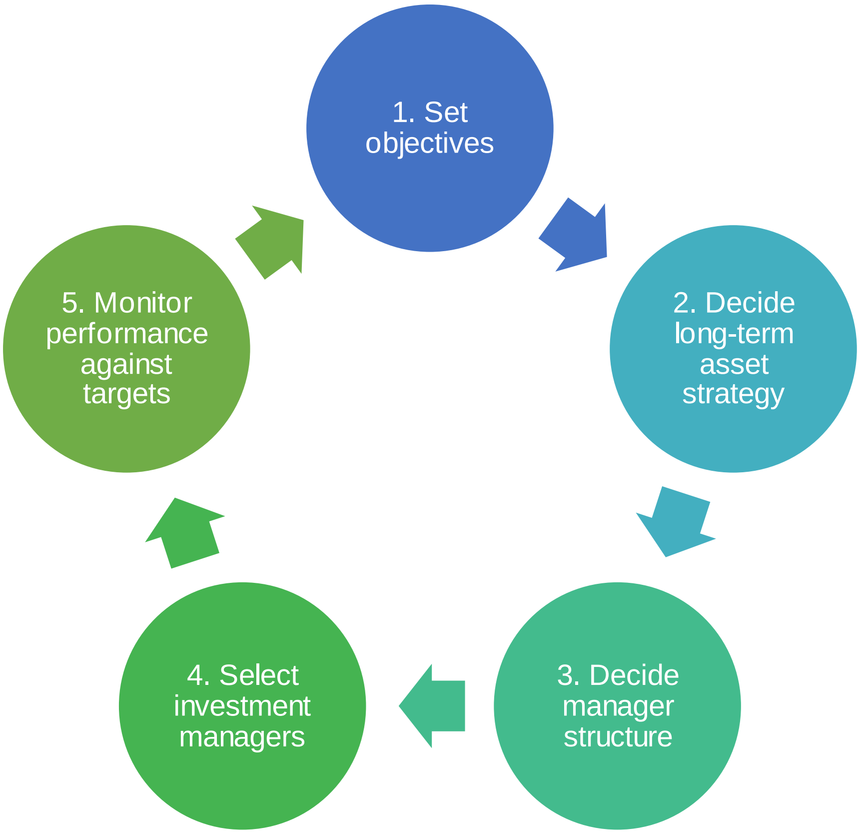
The strategic asset allocation is set to provide the required return, over the long-term, to maintain full funding within an acceptable level of risk. The actual asset allocation may differ from the strategic benchmark within tolerances that are agreed by the Pensions Advisory Panel (PAP) on the advice of the Fund's investment advisers. The distribution of investments is reported to PAP quarterly and monitored on an ongoing basis by the investments team.

The Fund's investment objective is to support an investment strategy and structure that incorporates an appropriate balance between risk and return considering the Fund's specific liabilities. In doing this, the investment strategy reviews both manager performance and long-term allocation between various asset classes as returns between these classes can vary significantly. The Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS) set out the Fund's policies on funding and investments. In producing the FSS the Authority considers the overall view of the level of risk inherent in the investment policy set out in the ISS and the funding strategy set out in the FSS. Links to the FSS and ISS can be found at Appendix 3 of this report.

The ISS sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, outlines the Fund's approach to managing risk, how environmental, social and governance (ESG) issues are taken into account and the approach with regard to pooling of investments.

The Fund is a member of the London Collective Investment Vehicle (LCIV). Effective March 2024 the Fund now holds its first direct investment with LCIV (multi-asset credit). The Fund continues to have passive investments held with Legal & General Investment Management and BlackRock, which are held in an LCIV oversight arrangement and are recognised as pooled assets. The Fund is therefore able to continue to benefit from pooled fee savings. The Fund will continue to assess new investment opportunities that are provided via the LCIV to ensure alignment with the ISS.

The investment strategy cycle



Strategic Asset Allocation

Asset Class	Target Allocation %	Investment Style %	Maximum Allocation %	Role(s) within strategy	Carbon Classification
Equity	50.0	Passive - 35.0	60.0	Expected long-term growth in capital and income in excess of inflation over the long term.	Low carbon
		Active - Direct 10.0			Reduced carbon
		Active - Indirect 5.0			Low carbon
Multi-Asset Credit	10.0	Active 10.0	20.0	Diversified approach to fixed income investing which aims to deliver equity like returns with a lower level of risk.	Low carbon
Index Linked Gilts	10.0	Passive - 10.0	20.0	Low risk (relative to the liabilities) asset that provides inflation linked income and protection from falling interest rates.	Non-low carbon
Property	20.0	Direct - 14.0	30.0	Provides diversification from equities and fixed income. Generates investment income	Reduced carbon

Asset Class	Target Allocation %	Investment Style %	Maximum Allocation %	Role(s) within strategy	Carbon Classification
		Pooled fund - 6.0		and provides some inflation protection.	Reduced carbon
Sustainable Infrastructure	5.0	Limited Partnership - 5.0	10.0	Asset class provides additional diversification from traditional asset classes. Generates sustainable, reliable income with significant linkage to inflation. Provides risk mitigation from declining fossil fuel usage.	Zero carbon
Bereavement Services	5.0	Limited Partnership - 5.0	10.0	ESG priority allocation. Focus on investments with strong ESG and, in particular, low carbon credentials.	Low carbon
Timberland					Zero carbon
Private Equity					Reduced carbon

The financial assumptions specified in the FSS are consistent with those in the ISS. The FSS documents these specific processes and:

- establishes a clear and transparent fund-specific strategy;
- supports the requirement for maintaining as nearly constant primary employer contribution rates as possible;
- sets contributions as to ensure the solvency and long-term cost efficiency of the Fund;
- ensures that regulatory requirements regarding the setting of contributions are met; and
- takes a prudent longer-term view of funding the Fund's liabilities.

The ISS and FSS are reviewed following the Fund's triennial valuation to ensure that investment objectives are aligned to the Fund's valuation. Updates are also undertaken on an ongoing basis to reflect any changes agreed by the PAP.

The actuarial valuation as at 31 March 2022 showed the Fund's assets covered 109% of liabilities compared with 103% at the previous valuation as at 31 March 2019. The discount rate for the three years commencing 1 April 2023 was set at 4.05% per year.

Investment assets

Asset Class	Manager	31 Mar 2023 £000	31 Mar 2024 £000	% of Total Fund	Strategic Benchmark %	Difference %
Global Equity	BlackRock	336.2	407.2	18.2	17.5	0.7
	Legal & General	331.8	408.2	18.2	17.5	0.7
	Newton	261.6	306.9	13.7	10.0	3.7
	Comgest	93.4	94.9	4.2	5.0	-0.8
Total Global Equity		**1,023.0**	**1,217.3**	**54.4**	**50.0**	**4.4**
Diversified Growth	BlackRock	141.5	0	0.0	0.0	n/a
Total Diversified Growth		**141.5**	**0**	**0.0**	**0.0**	**n/a**
Absolute Return Bonds	BlackRock	133.4	0	0.0	0.0	n/a
Total Absolute Return Bonds		**133.4**	**0**	**0.0**	**0.0**	**n/a**
Multi-Asset Credit	Robeco* LCIV-CQS*	n/a	105.8 100.0	4.7 4.6	5.0 5.0	-0.3 -0.4
Total Multi-Asset Credit		**0.0**	**205.8**	**9.2**	**10.0**	**-0.7**
Core Property	Nuveen	197.3	220.8	9.9	14.0	-4.1
Total Core Property		**197.3**	**220.8**	**9.9**	**14.0**	**-4.1**
Pooled Property	Darwin Leisure*	n/a	25.1	1.1	1.5	-0.4
	Invesco	33.1	46.4	2.1	1.5	0.6
	M&G	43.2	42.6	1.9	1.5	0.4
	Frogmore	6.8	5.1	0.2	0.75	-0.6
	Brockton	6.8	8.9	0.3	0.75	-0.5
Total Pooled Property		**89.9**	**128.1**	**5.7**	**6.0**	**-0.4**
Sustainable Infrastructure	Glennmont	26.4	31.2	1.4	1.1	0.3
	Temporis	86.6	119.1	5.3	3.5	1.8
	BlackRock	15.9	25.0	1.1	0.4	0.7
Total Sustainable Infrastructure		**129.0**	**175.3**	**7.8**	**5.0**	**2.8**
ESG Priority Allocation	Darwin	21.6	22.7	1.0	0.5	0.5
	Blackstone	48.2	53.3	2.4	3.5	-0.9
	BTG Pactual	35.7	36.1	1.6	1.0	0.6
Total ESG Priority Allocation		**105.5**	**112.1**	**5.0**	**5.0**	**0.2**
Index Linked Gilts	BlackRock	89.0	93.5	4.2	5.0	-0.8
	Legal & General	63.9	59.6	2.7	5.0	-2.3
Total Index Linked Gilts		**152.9**	**153.1**	**6.8**	**10.0**	**-3.1**
Cash and equivalents	See below	41.2	26.6	1.2	0.0	1.2
Total cash and equivalents		**41.2**	**26.6**	**0.0**	**0.0**	**1.2**
Total Fund		**2,013.8**	**2,238.9**	**100.0**	**100.0**	**-**

The above table is sourced from the papers prepared for the PAP meeting of 13th June 2024.The table excludes regulatory capital held within the London CIV (classed as an investment) and other minor investment balances including current assets and liabilities. The total value of the Fund at 31st March 2024 per the Statement of Accounts is £2,236 million.
**New investments in 2023-24*
Cash/cash equivalents reflect balances held by Newton and Nuveen, together with a liquidity fund managed by LGIM and Money Market Funds managed by Blackrock and Northern Trust.

As at 31 March 2024, the actual asset allocation for equities was 54.4%, overweight to benchmark by 4.4%, an increase from 2022-23 when the Fund was 0.8% overweight. Following the decision, in December 2022, to remove absolute return bonds and diversified growth from the Strategic Asset Allocation, both of these asset classes were overweight until the new allocations to Multi-Asset Credit were made in September 2023 (Robeco) and March 2024 (LCIV-CQS). Core and pooled property were underweight to their target allocations by 4.1% and 0.4%, respectively. The largest core asset class underweight (excluding property) at year-end was to Index-Linked gilts (3.1%). Collectively, sustainable infrastructure and ESG priority assets were overweight by 3%, a consequence of the managers drawing down against the Fund's commitments. All asset classes were well within the agreed tolerances from their benchmark target.

UK Allocation

Annual report guidance for 2023-2024 now requires that LGPS funds make a disclosure on the extent of UK assets held. The following table breaks down the Fund's estimated exposure to the UK across all asset classes. If a fund manager is not mentioned in the following table it means that they currently have zero exposure to the UK.

Asset class	Investment Manager	% of manager portfolio	£m	% of LBS Fund
UK listed equity	Blackrock LGIM Newton	3.7% 3.6% 7.3%	15.1 14.7 22.4	0.7 0.7 1.0
Index-Linked Gilts	Blackrock} LGIM}	100%	153.1	6.8
Multi-Asset Credit	Robeco LCIV-CQS	11.5% 19.2%	12.2 19.2	0.5 0.9
UK Residential Housing	Invesco} M&G}	100%	89.0	4.0
Direct Property	Nuveen	100%	220.8	9.9
Opportunistic Property	Brockton} Frogmore}	100%	14.0	0.6
Leisure Development	Darwin	100%	25.0	1.1
Bereavement Services	Darwin	100%	22.7	1.0
Renewable Infrastructure	Temporis Blackrock	100% 6%	119.1 1.5	5.3 0.1
Private Equity	Blackstone	5%	2.7	0.1
TOTAL			**731.5**	**32.7**

Commitment to reducing fossil fuel exposure

In December 2016, the Fund's investment strategy committed to reducing its exposure to fossil fuels within its investments over time. Southwark was one of the first LGPS funds to make such a commitment and placed the Fund at the forefront of sustainable fossil fuel aware investment.

Since then, the Fund has made significant progress towards this long-term ambition. In September 2017, the Fund agreed a long-term plan for the reduction of investment exposure to fossil fuels. This plan set out the goals and objectives for the Fund over the short, medium and long-term. The plan was refreshed over the years, with the following milestones being set in December 2022 in order to meet the revised target of achieving net zero carbon in the Fund's investments by 2030.

The Fund's implementation period for fossil fuel reduction is split into three main time horizons, encompassing short, medium and long-term objectives.

- The short term: one-four years (2022-2026);
- The medium term: five-seven years (2027–2029); and
- The long-term: year eight (2030).

The plan is separated into four key areas of focus and consideration for the Fund:

- Investment Strategy and Actuarial Valuation;
- Fund Management and Implementation;
- Local Authority Collaboration and Pooling; and
- Engagement.

The Fund has continued to make progress in its efforts to reduce its exposure to fossil fuel and to reduce the carbon footprint of its investments in order to reach net-zero in line with the public commitment made in December 2016.

The Fund has adopted the following approach in respect of its investment in equities in order to progress on its net-zero targets:

- All investments in passive developed market equities have been moved to passive low carbon equity funds.
- All investments in active emerging market equities have been moved to low carbon equity funds.
- All active equities have been fully divested from fossil fuel investments in March 2021 and a restriction has been placed on the portfolio preventing further investments in these companies or their industry peers.

Changes in line with the above approach have resulted in the Fund's 50% strategic allocation to equities now being entirely in low carbon holdings (including all direct and indirect equity investments), whilst maintaining exposure to equities in a manner that continues to achieve the required level of risk and financial return in line with the Fund's fiduciary duty of paying members' liabilities as and when they become due.

During the year ending 31 March 2024, the total funds moved from legacy to zero/ low/ reduced carbon investment categories totalled £225 million.

Below is a summary of the changes in the Fund's portfolio during the financial year 2023-2024:

Low carbon Multi-asset Credit Funds

- During Q2, the Fund fully divested from BlackRock's Diversified Growth Fund and invested £100 million in a low carbon multi-asset credit fund with Robeco
- During Q4, the Fund fully divested from BlackRock's Absolute Return Bonds and invested £100 million in a low carbon multi-asset credit fund with London Collective Investment Vehicle (LCIV)

The transition represented c. 10% of the total portfolio valuation of the Fund as at 31 March 2024. Both these multi-asset credit investments have interim and long-term decarbonisation milestones, thereby contributing to the Fund's own net-zero targets.

New Allocation to Pooled property and Sustainable Infrastructure

During the year, the Fund has made an investment of £25 million in a low-carbon leisure fund with Darwin (under pooled property). The Fund also committed €50 million to a second Glennmont Clean Energy Fund (Fund IV) although the first drawdowns into the Fund were not made until 2024-2025.

The Fund's investments in sustainable infrastructure includes investments in solar and wind power assets and technologies in the UK, which will help to drive the transition to a low carbon economy.

Reallocation to more decarbonisation-focused equity investment strategy

During the year, the Fund has moved c. £175 million from LGIM's Low Carbon Target Index Fund to LGIM's Low Carbon Transition Fund. This LGIM transition fund has a strategy to engage with underlying portfolio companies in also reducing their indirect carbon emissions (Scope 3).

This internal reallocation will contribute to reducing both direct and indirect emissions of the Fund over time.

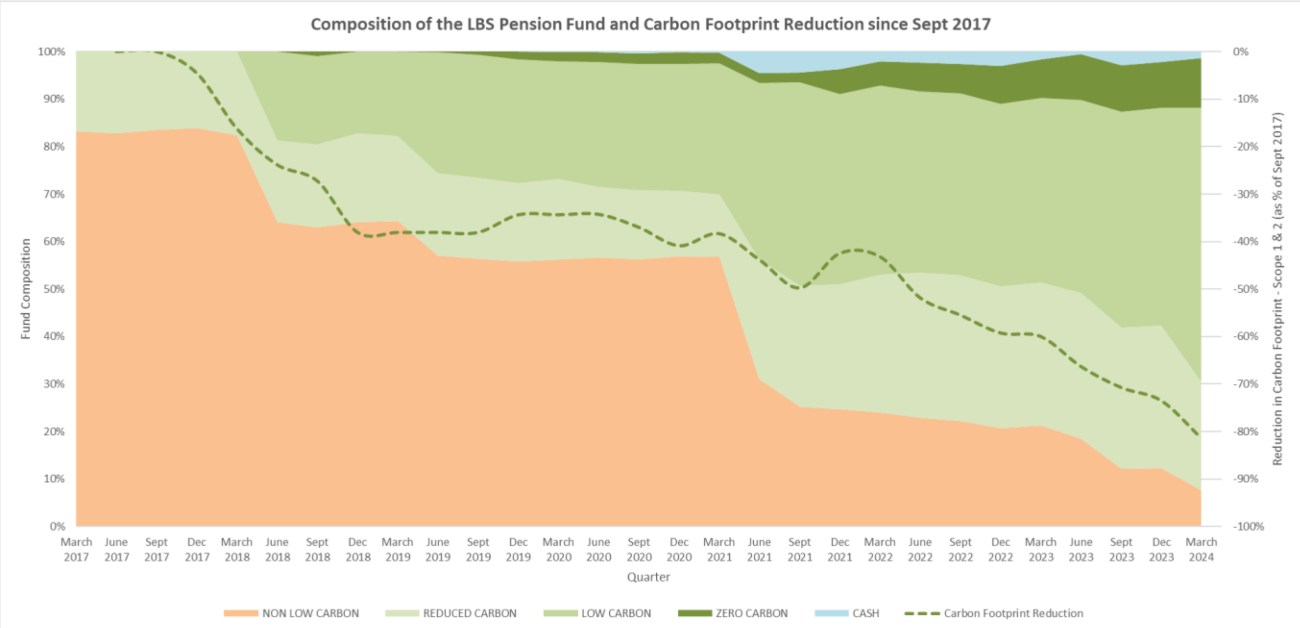
Pooling and Reducing Fossil Fuel Exposure

The Fund is fully committed to collaboration with other local authority partners and in 2015 invested in the London Collective Investment Vehicle (LCIV). The LCIV is a collaborative venture between local authorities to deliver benefits of investment scale and efficiency to the participating Funds. Southwark is committed to engaging with the LCIV to move it forward in relation to fossil fuel divestment to ensure that the fossil fuel exposure of the Pension Fund continues to reduce as assets are pooled.

As discussed above, during the financial year 2023-24, the Fund made its first direct investment of £100 million investment into a multi-asset credit Fund managed by CQS on behalf of LCIV. This investment is aligned with the upcoming pooling mandate as well as the Fund's commitment to collaborating with other LGPS and industry initiatives to advance responsible investment and overall impact.

Fund Allocation over Time

The chart below shows how the net-zero strategy has been implemented since September 2017 to date, with increasing proportions of the overall Fund now being invested in 'greener' assets.



There is currently no standardised way of measuring the relative performance of different funds; however, the Fund continues to work on its carbon footprint and investment classifications (see key below) to illustrate the progress being made.

NON-LOW CARBON (Legacy): Investment products that aren't actively targeting reduced carbon emissions.

REDUCED CARBON: Investments either in property or in funds with specific oil and gas exclusions.

LOW CARBON: Funds specifically set up as 'low carbon' funds.

ZERO CARBON: Investments in vehicles that produce zero carbon or in some cases have a measurable offsetting impact on carbon emissions. Currently this category only contains sustainable infrastructure products.

CASH: Held in the pension fund, usually pending anticipated drawdown requests or in advance of an acquisition.

As can be seen in the chart, as at 31 March 2024, 91% of the Fund's overall investment are now in 'greener' assets, comprising of reduced, low or zero carbon investments.

Carbon footprint measurement

Fund's approach to carbon footprint measurement

A comprehensive review of the carbon footprint of all assets in the Fund was undertaken as at 31 March 2024. The Fund continues to measure fossil fuel exposure through carbon footprint calculations, which is the most commonly used metric for assessment. This metric seeks to assess the carbon footprint of an underlying investment, which can be attributable to the Fund's specific investments.

For example, the greenhouse gas (GHG) emissions of a particular company can be apportioned to equity investors based upon their proportional equity share of that company. At this stage, for the purpose of the carbon footprint measurement of the portfolio, the Fund has only considered Scope 1 and Scope 2 emissions for all asset classes.

The carbon footprint assessment covers all investment classes in the Fund, including listed equities, sustainable infrastructure, property, multi-asset credit funds and index-linked gilts. Where available the Fund has obtained Scope 1 and Scope 2 emissions data from a combination of sources, including from the Fund's investment managers and third-party ESG data providers like Sustainalytics and Trucost.

In certain instances, the Fund has had to rely on proxy data and approximations in the absence of availability of data for certain sustainable infrastructure assets. The Fund recognises the challenges in availability of carbon footprint data and takes a more conservative approach to the use of proxies and estimations.

The availability of data for carbon footprint calculations will continue to increase as more and more organisations start reporting under regulatory mandates such as TCFD (Taskforce on Climate-Related Financial Disclosures) and SFDR (Sustainable Finance Disclosure Regulation) and as part of more focused engagement and stewardship activities.

Reduction in carbon footprint during the year ending 31 March 2024

The initial assessment was undertaken as at 30 September 2017 and formed the starting point and a baseline for the Fund's carbon footprint and net-zero target. Since September 2020, the Fund has been undertaking the calculations on a quarterly basis.

The results for 31 March 2024 show an ongoing improvement in the carbon footprint reduction of Scope 1 and Scope 2 emissions for the Fund. Since September 2017, the Fund's weighted carbon intensity (of Scope 1 and 2 emissions) has reduced by 81%, which is an improvement of ~20% year-on-year on an absolute basis compared to the year ending 31 March 2023.

The reduction in carbon footprint during the year ending 31 March 2024 was driven by a combination of movement of capital, both existing capital commitments and transition from legacy investments to zero and low carbon investments, an improvement in the carbon footprint of the underlying assets of the portfolio and more accurate carbon calculations available for the Fund's private assets.

The carbon footprint reduction infographic (set out in the chart above) has been produced in order to demonstrate the changes in the composition of the Fund in terms of carbon emissions against the reduction of the carbon footprint over time. The graph is intended for use as a way of easily displaying the Fund's progress towards net zero.

Future plans

The Fund is working to identify and agree low carbon replacements for the residual holdings in legacy investments and also improve the carbon footprint of the existing investments in the portfolio, including real estate and infrastructure assets. For this, the Fund is working very closely with all its investment managers.

During the financial year 2023-24, the Fund also made a commitment of €50m into the Glennmont Clean Energy Fund IV, which will be drawn down in the upcoming financial year 2024-25.

The Fund will continue to enhance the accuracy of the Fund's carbon footprint assessment over time, including inclusion of Scope 3 emissions data overtime.

The Fund will continue to work with its investment advisor and investment managers to source more reliable data and best practice in undertaking carbon footprint calculations. The development of technology-enabled alternatives for carbon footprint measurement, evolving regulatory disclosure requirements and improvement in wider ESG data management will also help in enhancing data availability and its accuracy over time.

Market and Investment Performance

Whilst across the globe there were many economic and geopolitical challenges facing the LGPS sector, it was stubbornly high inflation and the trajectory of interest rates that underpinned markets and weighed on the minds of investors.

Inflation eased markedly over the course of the year but remained above target levels, and central banks maintained rates at multi-year highs. Market sentiment, buoyed early in the year with the direction of travel on inflation, was tempered mid-year by central banks' more cautious language around the timing of rate cuts and in October, fears about potential fallout from war in the Middle East. As 2023 ended and over the remaining months, optimism returned, supported by more robust economic data suggesting an ending of rate rises and the potential for cuts later in 2024.

Notwithstanding swings in sentiment, global equity markets enjoyed an excellent year, the headline MSCI World index rose by almost a quarter, driven very much by growth oriented companies and artificial intelligence linked stocks. Regionally, North America and Japan were the best performers.

In the US, the near 30% return on the S&P500 was driven very much by high growth stocks, so much so in fact that four of the 'magnificent seven' tech stocks accounted for half of the gains! In Japan, technology stocks contributed much of the return, but market reform and a weak yen, which supported exporters, also contributed positively. European stocks also performed well but the UK lagged due to a lower exposure to technology companies and higher exposure to poorer performing energy and basic materials companies. Emerging markets and lesser Asia Pacific markets underperformed developed markets amidst concerns over growth prospects in China.

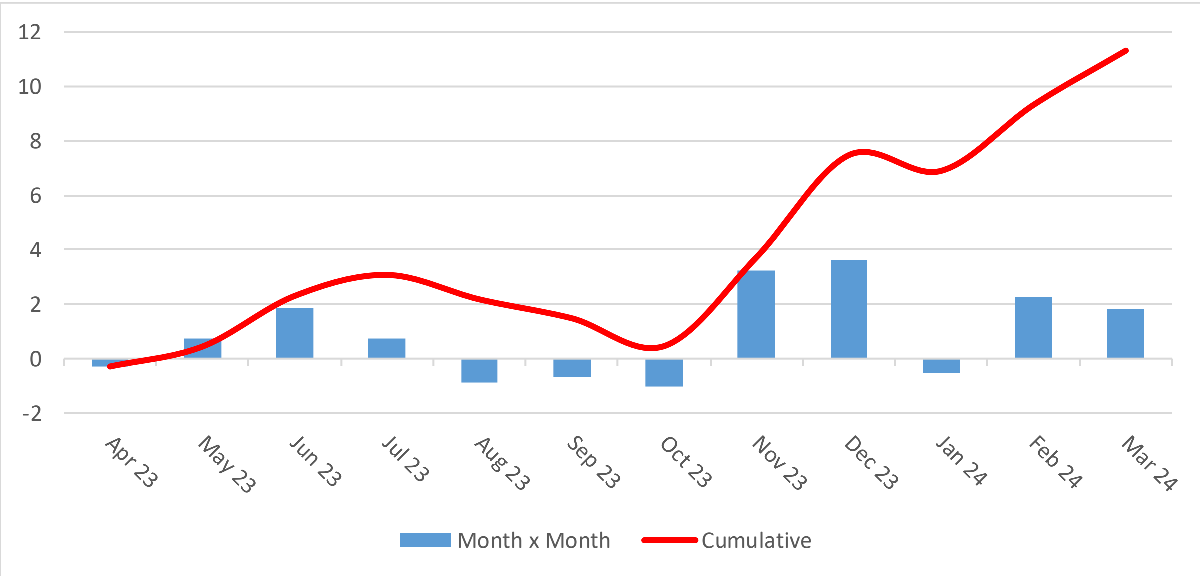
Despite inflation falling from its peak, government bond prices fell over the year as a result of rising rates. As an example, the 10-year gilt yield rose to 3.9% from 3.5% at the start of the year during a period of marked rate volatility (yields briefly pushed past the levels seen during the mini-budget hiatus in 2022). Corporate bond credit spreads narrowed over the period and credit posted modest single figure gains. Higher yield, non-investment grade issues performed best over the year.

Property was again the worst performing of the major asset classes. Heading into the year, the fall in capital values eased but resumed again as the cost of borrowing, resulting from rate rises, increased and activity slowed. Industrial real estate was the only sector that generated a positive return whilst offices continued to perform weakly.

Southwark Fund Performance

2023/2024

The Fund bounced back strongly from last year's disappointing return posting a substantial 11.3% for the year to March 2024. As can be seen from the chart below, the journey was not a smooth one



As we reported last year, the Fund does not operate in a vacuum however and it sets itself a challenging benchmark against which to measure the performance of its assets and by implication, the performance of the asset managers, members and officers managing it on a day-to-day basis.

In 2023-24, the Fund posted a return 1.7% behind this benchmark. There were two key components to the underperformance:

- The largest component of the underperformance came from the Fund's property investments. The Fund invests a significant proportion of its assets in real estate which, as discussed above, performed poorly over the course of the year. Unlike our more liquid investments such as equities or fixed interest, property is a long-term investment which performs in often multi-year cycles. As an asset class, it encompasses many characteristics which underpin the Fund's overarching investment strategy. As a result, it is very difficult to benchmark. We set notional return targets for our asset managers ranging from 7%p.a. for our core portfolio to 16.5%p.a. for one of our smaller ‘opportunistic’ portfolios. In the current climate, these benchmarks have proven extremely demanding, and our investments have fallen short

- Almost half of the Fund’s assets are committed to equities. We access equities using two approaches. 70% of our equities are with index-tracking managers and 30% using two ‘active’ managers who aim to add value by beating market indices. Both active managers failed in this endeavour during the year; Newton who run a truly global portfolio underperformed their benchmark by 4% (despite recording an excellent c17% absolute return) and Comgest, who run a portfolio covering emerging markets, lagged their benchmark by slightly more than 4%

Medium Term

Over the last three and five years, the Fund has achieved solid absolute returns of 5.6%p.a. and 7.2%p.a. respectively. Returns over both periods have been more than 1%p.a. behind the benchmark, however.

Longer Term

Over the last ten and twenty years, the Fund has delivered very strong annualised returns of between 8%p.a. and 9%p.a. Over both these periods however, returns have been behind benchmark with the underperformance largely attributable to a legacy of disappointing ‘active’ manager performance.

Whilst it is natural to focus on the impact near and medium-term events have on fund performance, we should not forget that local government pension fund investing is a long-term endeavour with obligations stretching out over many decades. The overarching aim of the pension fund is to ensure:

- The returns generated by investments outpace inflation (since pension payments increase in line with this)
- The value of its assets exceeds that of its liabilities (any surplus ensures scheme affordability)
- It achieves a return on the assets that is sufficient, over the long-term, to meet the funding objectives set every three years by the actuary

The Fund has succeeded in meeting, and exceeding, these three key measures over the long-term.

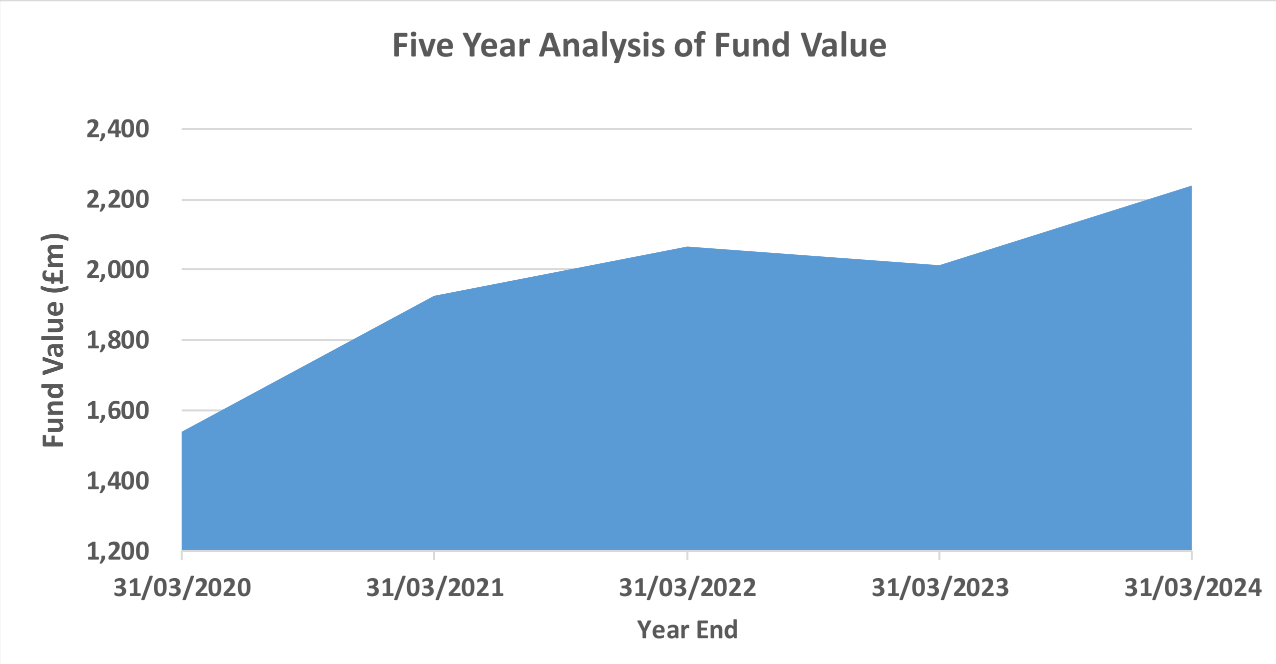
Performance Versus Peers

Whilst every fund within the LGPS has its own unique investment profile, there is nonetheless greater homogeneity within UK local authority funds than there is within other institutional investment sectors. There is some merit therefore in comparing how the Fund’s performance compares to that of other LGPS funds in the UK.

In short, Southwark’s performance compares extremely favourably against the LGPS average as the table below shows

	Fund % p.a.	Universe % p.a.	Relative % p.a.	Rank
One Year	11.3	9.2	1.9	28
Three Year	5.6	5.3	0.2	31
Five Year	7.3	6.5	0.7	16
Ten Year	8.8	7.6	1.0	5
Twenty Year	8.1	7.7	0.4	19
Thirty Year	7.8	7.4	0.4	8

Over the medium and longer-terms (five to 20 years), the Fund has ranked consistently in the top quintile of LGPS fund returns and over the longest term (30 years), the top decile.



Investment performance – fund manager performance by asset class

The benchmarks used to measure performance and the one-year performance against targets set are as follows:

Investment Manager	1 year portfolio return %	1 year benchmark return %	Relative difference %	Target return
Blackrock Absolute Return Bond Fund[3]	3.79	5.04	-1.25	3M SONIA
Blackrock Dynamic Diversified Growth Fund[2]	0.96	2.09	-1.13	3M SONIA
Blackrock Index-Linked Gilts	-2.89	-3.32	+0.43	FTSE Actuaries UK Index-Linked Gilts over 5 years
Blackrock Low Carbon Equity	24.45	24.08	0.37	BLK Equity Index
Blackrock Global Renewable Power Fund	8.85	10.03	-1.18	Absolute Return 10%
Blackrock Sterling Liquidity Fund[1]	n/a	n/a	n/a	SONIA Overnight
Blackstone Strategic Capital Holdings II	1.26	12.0	-10.74	Absolute Return 12%
Brockton Capital	-3.74	15.0	-18.74	Absolute Return 15% p.a.
BTG Pactual Open Ended Core US Timberland LP	0.9	6.0	-5.10	Absolute Return 6%
Comgest Global Emerging Markets Plus	-0.98	-5.86	-6.84	MSCI Emerging Markets - Net Return
Darwin Leisure Development Fund[1]	n/a	n/a	n/a	Absolute Return 6%
Darwin Bereavement Services Fund	4.97	6.0	-1.03	Absolute Return 6%
Frogmore	-30.11	16.5	-46.61	Absolute Return 16.5% p.a.

Investment Manager	1 year portfolio return %	1 year benchmark return %	Relative difference %	Target return
Glennmont Clean Energy Europe Fund III	-2.31	10.0	-12.31	Absolute Return 10%
Invesco Real Estate	7.85	8.0	-0.15	Absolute Return 8% p.a.
LCIV Alternative Credit Fund[1]	n/a	n/a	n/a	SONIA (30 day compounded) +4.5% NET
LGIM Index-Linked Gilts Fund	-6.84	-6.84	0.00	FTSE A Index-Linked over 5 Years Index
LGIM Low Carbon Target Index Equity Fund[4]	6.28	6.28	0.00	MSCI World Low Carbon Target
LGIM Low Carbon Transition Developed Market Equity Fund[4]	23.33	21.12	2.21	Solactive L&G Low Carbon Transition Global Index
LGIM Sterling Liquidity[1]	n/a	n/a	n/a	3M SONIA
M&G Investments	-1.39	8.0	-9.39	Absolute Return 8% p.a.
Newton Equities	16.45	24.03	-7.58	FTSE All World Index +3%
Northern Trust Money Market Fund[1]	n/a	n/a	n/a	SONIA Overnight
Nuveen Real Estate	-3.66	7.0	-10.68	Absolute Return 7%
Robeco Climate Global Credits Fund[1]	n/a	n/a	n/a	Solactive Paris Aligned Global Corporate Index (hedged)
Temporis Impact Strategy V LP	33.94	10.0	23.94	Absolute Return 10%
Temporis Operational Renewable Energy Strategy	59.20	10.0	+49.20	Absolute Return 10%
Temporis Renewable Energy Fund	7.00	7.00	0.0	Absolute Return 7%

1. Full year performance information is not available for the LCIV Alternative Credit Fund, Darwin Leisure Development Fund, Robeco Climate Global Credits Fund, Blackrock Sterling Liquidity Fund, LGIM Sterling Liquidity Fund and Northern Trust Money Market Fund since the investments were made during 2023-2024
2. Blackrock Dynamic Diversified Growth Fund was fully divested in September 2023
3. Blackrock Absolute Return Bond Fund was fully divested in March 2024
4. Assets fully transferred from LGIM Low Carbon Target Index Equity Fund to LGIM Low Carbon Transition Fund in 2023-2024

The past twelve months have produced strong overall absolute returns for the Fund for the second year in a row, adding over £170m to the value of the Fund's assets. However, it is always valuable to compare the holdings with each individual investment manager to their respective benchmarks, to better monitor their performance over time.

The following table sets out performance over one-, three- and five-year periods to 31 March 2024.

Investment performance – fund manager performance

Investment Manager		1 YEAR %	3 YEARS % p.a.	5 YEARS % p.a.
Blackrock Absolute Return Bond Fund	Portfolio	3.79	3.79	2.08
	Benchmark	5.04	5.04	3.98
	Relative	*-1.25*	*-1.25*	*-1.90*
Blackrock Dynamic Diversified Growth Fund	Portfolio	0.96	-1.36	1.91
	Benchmark	2.09	2.43	2.84
	Relative	*-1.13*	*-3.79*	*-0.93*
Blackrock Global Renewable Power Fund	Portfolio	8.85	11.64	n/a
	Benchmark	10.03	10.01	n/a
	Relative	-1.18	1.63	n/a
Blackrock Index-linked Gilts	Portfolio	-2.89	-0.55	4.53
	Benchmark	-3.32	-0.66	4.31
	Relative	0.43	0.11	0.22
Blackrock Low Carbon Equity	Portfolio	24.45	n/a	n/a
	Benchmark	24.08	n/a	n/a
	Relative	0.37	n/a	n/a
Blackrock Sterling Liquidity Fund	Portfolio	n/a	n/a	n/a
	Benchmark	n/a	n/a	n/a
	Relative	n/a	n/a	n/a
Blackstone Strategic Capital Holdings II	Portfolio	1.26	n/a	n/a
	Benchmark	12.0	n/a	n/a
	Relative	-10.74	n/a	n/a
Brockton Capital	Portfolio	-3.74	-1.21	2.47
	Benchmark	15.00	15.00	15.00
	Relative	*-18.74*	*-16.21*	*-12.53*
BTG Pactual Open Ended Core US Timberland LP	Portfolio	0.9	n/a	n/a
	Benchmark	6.0	n/a	n/a
	Relative	-5.10	n/a	n/a
Comgest Global Emerging Markets Plus	Portfolio	-0.98	n/a	n/a
	Benchmark	-5.86	n/a	n/a
	Relative	-6.84	n/a	n/a
Darwin Bereavement Services	Portfolio	4.97	n/a	n/a
	Benchmark	6.0	n/a	n/a
	Relative	-1.03	n/a	n/a
Darwin Leisure Development	Portfolio	n/a	n/a	n/a
	Benchmark	n/a	n/a	n/a
	Relative	n/a	n/a	n/a
Frogmore	Portfolio	-30.11	-14.49	-9.36
	Benchmark	16.5	16.50	16.50
	Relative	*-46.61*	*-24.37*	*-25.86*
Glennmont Clean Energy Europe Fund III	Portfolio	-2.31	15.99	n/a
	Benchmark	10.0	10.0	n/a
	Relative	-12.31	5.99	n/a
Invesco Real Estate	Portfolio	7.85	1.83	1.95
	Benchmark	8.00	8.00	8.00
	Relative	*-0.052*	*-6.17*	*-6.05*
LGIM Index-Linked Gilts Fund	Portfolio	-6.84	n/a	n/a
	Benchmark	-6.84	n/a	n/a
	Relative	0.00	n/a	n/a
LGIM Low Carbon Target Index Equity Fund	Portfolio	6.28	3.66	7.25
	Benchmark	6.28	7.38	9.07
	Relative	0.00	-3.73	-1.82

Investment Manager		1 YEAR %	3 YEARS % p.a.	5 YEARS % p.a.
LGIM Low Carbon Transition Developed Market Equity Fund	Portfolio	23.33	n/a	n/a
	Benchmark	21.12	n/a	n/a
	Relative	2.21	n/a	n/a
M&G Investments	Portfolio	1.39	0.38	0.84
	Benchmark	8.00	8.00	8.00
	Relative	*-9.39*	*-7.62*	*-7.16*
Newton Equities	Portfolio	16.45	8.85	10.95
	Benchmark	24.03	13.37	14.91
	Relative	*-7.5835*	*-4.52*	*-3.96*
Nuveen Real Estate	Portfolio	-3.66	1.70	1.69
	Benchmark	7.00	9.99	6.88
	Relative	*-10.68*	*-8.29*	*-5.19*
Temporis Operational Renewable Energy Strategy	Portfolio	59.20	11.26	n/a
	Benchmark	10.00	10.00	n/a
	Relative	*0.00*	*1.26*	*n/a*
Temporis Impact Strategy V LP	Portfolio	33.94	n/a	n/a
	Benchmark	10.00	n/a	n/a
	Relative	*23.94*	*n/a*	*n/a*
Temporis Renewable Energy Fund	Portfolio	7.00	n/a	n/a
	Benchmark	7.00	n/a	n/a
	Relative	*0.00*	*n/a*	*n/a*

Individual Investments Compared to Benchmarks

Across mainstream asset classes, 2023-2024 proved to be a far less difficult year than 2022-23, as described in the market and financial performance section of this report. For the Fund's equity allocation (which is the biggest exposure that the Fund has) in absolute terms all managers except Comgest achieved a positive return. However, with a 16.5% return in the year, Newton underperformed the benchmark by some margin (-7.6%). That said, during the year Newton implemented new investment guidelines which to align the portfolio more closely with the Fund's Net Zero objectives. Consequently, Newtons had lower, or zero, exposure to some of the companies in the benchmark which performed particularly well, which impacted on relative performance. Overall, equities were the Fund's best performing asset class.

As in 2022-2023 the Fund's direct property manager, Nuveen, continued to deliver negative absolute returns, albeit the position relative to benchmark improved slightly. The Fund's pooled property managers also delivered negative absolute returns so, overall, property was again the worst performing asset class.

The Fund's private market investments, specifically in the renewable infrastructure and ESG priority funds continued to perform well on average. However, given that allocations to a number of the ESG priority funds were made relatively recently and are not yet fully drawn down, returns are difficult to assess and are not meaningful in the short term, with many still in the investment periods of their life cycles. Over time, their returns will be monitored to ensure they can contribute to both the investment return and carbon footprint reduction targets of the overall Fund.

6. SCHEME ADMINISTRATION 2023-2024

Value for money statement

Southwark Pensions has had a busy but rewarding year; namely dealing with ongoing testing and enhancement to its new UPM pensions admin and payroll software. Although the migration took place in May 2022 and took some time for full staff training to be implemented, further work from the Data/IT team continues to ensure the system is working at its optimum level, and that statutory deadlines are met.

Upgrade work on the Southwark Pension Fund's dedicated website is underway where full control of the website will come back under in-house control. With some help from our communication partners, some website re-design will be completed to create a new look website that is more accessible, intuitive and easier to navigate. The upgraded website will also provide a wider range of online facilities to help members make informed decisions. Expected completion date is around August/September 2024

The Southwark Pensions training and development team are currently providing training to all Southwark staff, and the pension teams at Haringey and Harrow Councils. This is on a trial basis, but with the idea to expand this to other London Boroughs and LGPS employers if successful.

As part of the implementation of new enhanced payroll and admin software, a Pensions Payroll team has also been in post since May 2022. This new pension fund service has proven to be highly successful in delivering a monthly payroll and managing all taxation matters with HMRC. The team has been able, as part of software improvements, to implement a new Single Payment system which allows retirement lump sums and death grant payments to be paid weekly outside of the monthly payroll cycle.

Summary of activity

Data quality

The majority of Southwark employers (including the Council and schools) have now on-boarded for automated monthly data collection using the UPM Employer Hub. This system enables employers to submit their monthly pension returns securely online, check their employee data and allows the Pension Fund's Data team a much higher level of scrutiny to identify data gaps with schools and other employers. The pension fund has its own Data Management Strategy designed to quickly identify data gaps and put in place data improvement plans to rectify, wherever necessary. The Data team will be working closely with all employers to ensure they understand their responsibilities in providing accurate data each month, which in turn allows the pensions admin team to function at high capacity.

Cyber security

Southwark Pensions new admin and payroll software has been extensively tested and secured against cyber-attack. The system only allows access from pre-approved IP addresses, limited to the Southwark Council network. User access is controlled by the Pension Fund's Data team, who have implemented strict password and user access protocols, which are reviewed on a regular basis in line with best practice.

Data is stored in cloud servers hosted by the IT provider in a UK data centre. ISO certifications (27001, 20000, 22301, 14001 and 9001) provide confidence that software operations meet the highest levels of information security, IT service management, business continuity and environmental compliance and quality, and have the Government's Impact Level 3 accreditation rating, the highest security rating available. A secondary disaster recovery database is continuously running, so in the event of cyber-attack or other downtime, the system can switch to a backup with limited loss of data. Every keystroke on the new system is fully logged and audited.

Staffing/structure

During 2023-2024, Pension Services had a number of changes of roles in senior management and appointments into the roles of the Data team, which is now fully staffed.

There are a number of vacant roles in admin and first contact for which we are actively recruiting internally and externally.

The team structure of the Pension Operations team can be found via the following link to our website:

About us | Southwark Pension Services

Member communication

The pension fund website is designed to help members navigate their work-life journey and understand key pension events whilst on that journey. The website works in harmony with the National LGPS website and the main Southwark Council website where members can find basic information, guidance and updates.

2023-2024 Annual Benefit Statements for deferred members (i.e. former Southwark staff) were issued during June 2024, whilst statements for active members were issued in August 2024, in line with statutory deadlines.

A separate exercise for those affected by the Annual Allowance is underway where all affected members will be informed of any breach during 2023-2024, and any potential associated tax charges, later in October 2024.

The McCloud judgement

The LGPS rules changed from 1 October 2023. When public service pension schemes changed from Final Salary schemes to CARE schemes in 2014 and 2015, older members were protected from the changes.

In 2018, the Courts found that younger members had been discriminated against because the protections did not apply to them.

The 2023 changes are called the McCloud remedy. They remove the age discrimination found in the McCloud court case.

Not all LGPS members are affected by the changes.

Further information can be accessed by following this link:

The McCloud Remedy :: LGPS (lgpsmember.org)

Key performance data

Performance indicators

Although the LGPS is a national scheme, it is administered in-house by Southwark Pension Services. Southwark Council has a statutory responsibility to administer pension benefits payable from the pension fund on behalf of participating employers and past/present members and their dependants.

Pension Services work to an agreed set of statutory targets set out within the Annual Report and each of the key tasks during the period 1 April 2023 to 31 March 2024 can be found in Appendix 6 of this annual report. The source of the key performance data is the UPM administration software.

Other information

Membership of the Fund

The Fund provides pensions for:

- Employees of Southwark Council;
- Employees of a number of admitted bodies, i.e. organisations that participate in the LGPS via an admission agreement. Examples of admitted bodies are not for profit organisations with a link to the council, and contractors who have taken on the council's services and therefore staff have been transferred; and
- Employees of scheduled bodies, i.e. organisations that have the right to be a member of the LGPS under the regulations (e.g. schools/academies).

Membership has increased over the last twelve months. The number of former employees and retired staff has remained fairly stable over the past 3 years.

Membership	2019-20	2020-21	2021-22	2022-23	2023-24
Active	6,888	7,029	6,700	7,647	8,552
Pensioner	7,887	8,003	8,236	8,512	7,681
Deferred	10,932	9,276	9,209	9,032	8,969
Totals	**25,707**	**24,308**	**24,145**	**25,191**	**25,202**

During 2023-24 there were 585 new pensioners as detailed below:

Type of Retirement	2021-22	2022-23	2023-24
Early Payment	194	127	211
Ill Health	15	12	11
Normal	173	237	228
Redundancy	34	9	33
Dependents	NA	72	102
Total	**416**	**457**	**585**

Employers in the Fund

The table below summarises the number of active employers in the Fund analysed by scheduled bodies and admitted bodies during the financial year 2023-24.

There are no ceased employers with outstanding liabilities. The Fund has a policy in place which provides that all ceasing admitted bodies' liabilities are subsumed into the Council's share of the Fund. As part of this policy, each admitted employer is given a fixed employer contribution rate on commencement in the Fund. Any variances in the rate over time are either treated as a saving or a cost to the contracting department. The purpose of this policy is to ensure that the full cost of pensions is reflected in contracts and those uncertainties around pension costs do not influence the contract price quoted by providers.

	Active
Scheduled body*	33
Admitted body	19
Total**	**52**

* Includes Southwark Council **excludes Schools

Participating employers

The admitted and scheduled bodies participating in the Fund at 31 March 2024 and sets out the contributions paid by employees and employers during the year for each employer.

How the service is delivered

Key services provided

A new and improved Member Self-Service Portal is currently having additional functionality tested before being rolled out.

A newsletter for retired colleagues was sent out in April 2024, which updated members about pension increases and provided other relevant information; for example about planning ahead (system changes), the State Pension, protecting personal data and keeping personal data up-to-date. It also made members aware of greater use of electronic communications available in the future.

A number of information sessions (training via Southwark's 'My Learning Source') were provided to targeted groups of staff. Work continues to improve pension fund information across Southwark Council, making it easier for members, prospective members and employers to find relevant information. Content is regularly reviewed and updated where appropriate or needed.

Key information sources

Information type	Method of Communication	Frequency of Issue	Distribution	Stakeholder
LGPS Booklet	Electronic, paper based, intranet and website	At joining and on major LGPS changes	Emailed, posted to employees by employer, website	Active members
Retirement Presentations	Face-to-face, MS Teams	Regularly as requested	Advertised on intranet and invitations via HR team	Active members
Pension Roadshows and drop-in sessions	Face-to-face, MS Teams	On request and on major LGPS changes	Advertised on intranet and website	Active members
Pension Fund Annual Report	Southwark Council website, pensions website	Annual	On request	All members
Annual Benefit Statements	Email to all active members, via post to deferred members	Annual	Employee email address for active members, home addresses for deferred	Active and Deferred members

Information type	Method of Communication	Frequency of Issue	Distribution	Stakeholder
Website information and links, including Member Self Service (MSS)	Electronic, via pensions website	Continuously available	Advertised on communication	All members
Newsletters	Email or by post, as ‘appropriate’	Quarterly or Biannually	Electronic, via email or by post, as ‘appropriate’	All members
Member and Employer query phone calls	By telephone	Continuously available via the First Contact Centre	Telephone	All members and employers
Pensions Savings Statements	Email or by post, as ‘appropriate’	Annual	Electronic, via email or by post, as ‘appropriate’	Active members
High earner and/or Lifetime Allowance letters	Email or by post, as ‘appropriate’	Annual	Electronic, via email or by post, as ‘appropriate’	Members who may be affected in the future
Pensions Increase Newsletter	Post	Annual	Post	Pensioners
Key Horizon Projects	Southwark Council website, pensions website	As required	On the Pensions website	Affected members

Internal Dispute Resolution Procedure (IDRP)

Occasionally, a disagreement over a decision Southwark Council made about a pension will be made. The IDRP gives members the right to apply to an adjudicator who will consider their case and decide if the original decision was correct or needs to be overturned.

IDRP is a two-stage process.

Under stage one, the adjudicator will consider all the points raised in determining a decision. A member will need to carefully consider why in their view the LGPS Regulations were not applied. If a member disagrees with the stage one-decision outcome, the matter can be appealed. The stage one decision and casefile will pass to a different adjudicator approved to undertake the stage two appeal, who will assess any additional information and/or evidence afresh and make a final decision on behalf of Southwark’s Administering Authority.

The Pensions Ombudsman (TPO)

TPO deals with complaints and disputes of maladministration. Anyone using TPO’s ‘Early Resolution Service’ may not be required to have first used the LGPS’ IDRP if the parties are in agreement with that.

TPO is impartial and looks at all the facts without taking sides. It has legal powers to make decisions that are final, and binding and enforceable in a Court of law. There is no charge for using TPO's service as it is funded by grant-in-aid, paid by the DWP.

TPO can be contacted on 0800 917 4487
Address: 10 South Colonnade, Canary Wharf, E14 4PU
Website: www.pensions-ombudsman.org.uk

Money Helper

Money Helper joins up money and pensions guidance to make it quicker and easier to find the right help. **Money Helper** brings together the support and services of three government-backed financial guidance providers: the Money Advice Service the Pensions Advisory Service and Pension Wise.

Money Helper can be contacted at https://www.moneyhelper.org.uk/en

Local Government Pension Scheme (LGPS) Regulations

All LGPS Regulations are held within Pension Services, 2nd Floor, 160 Tooley Street, London, SE1 2QH and are available for inspection upon request.

FURTHER INFORMATION

Queries regarding benefits or cost of membership

lbspensions@southwark.gov.uk

Telephone: 0207 525 4924

Queries regarding pension fund investments and accounts

Mrs Caroline Watson
Chief Investment Officer – Finance
Telephone: 020 7525 4379
Email: Caroline.Watson@southwark.gov.uk

Or you can write to us at:

The London Borough of Southwark Pension Fund
Finance
Treasury and Pensions
Second Floor, Hub 1
PO BOX 64529,
London, SE1P 5LX

External sources of information
The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: 0345 600 5666
Website: www.thepensionsregulator.gov.uk

Website: www.gov.uk/contact-pension-service

To find out about State Pension eligibility, payments and complaints and to find your local pension centre.

Website: www.gov.uk/find-pension-contact-details
The Pensions Tracing Service can help ex-members of pension schemes who may have lost touch with previous employers, to trace their pension entitlements.

Telephone: 0800 731 0193

7. GLOSSARY

Absolute return fund

A fund that aims to deliver positive returns in all market conditions, with low volatility. This is achieved through the use of financial instruments such as derivatives to protect against downside risk and generate higher returns.

Actuary

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary then produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added Years

Additional service that a member of the Fund can buy by paying extra contributions to the Fund providing that HMRC limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVCs)

An option available to individual members to secure additional pension benefits by making regular payments to the Fund's AVC provider up to a maximum of 15% of total earnings.

Admitted body

An organisation whose staff can become members of the Fund by virtue of an admission made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the Fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Basis point

One hundredth of 1% (i.e. 0.01%).

Benchmark

A standard against which the performance of an investment can be compared. Asset allocation benchmarks vary from peer group to customized benchmarks tailored to a particular fund's requirements.

CARE scheme

Career Average Revalued Earnings - where pension is built up as a proportion of pensionable pay - 1/49th for each year in the LGPS 2014. Therefore, instead of calculating pension with reference to final salary on retirement, the LGPS 2014 uses the average of annual earnings over membership of the LGPS. Earlier years are revalued by inflation (CPI) to ensure that each year's salary is of equivalent real value.

Cash transfer values

The capital value of a benefit entitlement paid into or withdrawn from the Fund when an employee joins or leaves the scheme with a pension transfer.

Corporate bond

Corporate bonds are when an investor loans money to an entity for a defined period for either a fixed or a variable interest rate.

Custody

Administering of securities by a financial institution. The custodian bank keeps a record of a client's investments and may also collect income; process tax reclaims and provide other services, according to client instructions. The custodian physically holds the securities for safe-keeping

Deferred pension

The pension benefit payable from Normal Retirement Age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Diversified Growth Funds (DGF)

Investment products that utilise a variety of liquid assets, strategies and investment horizons in order to deliver real capital appreciation over the medium to long-term

Emerging markets

Stock markets in developing countries (as defined by the World Bank).

Environmental, Social & Governance (ESG)

Environmental, social and governance (ESG) factors are non-traditional metrics that can affect an investment's performance.

Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems, e.g. carbon emissions, environmental regulations, water stress and waste; Social issues relate to the rights, well-being and interests of people and communities, e.g. labour management, health and safety, and product safety; Governance issues relate to the management and oversight of companies and other investee entities, e.g. board, ownership and pay.

Equities

Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Final Pensionable Pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final salary scheme

A pension scheme that provides a pension and a lump sum benefit calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Index-linked gilts

Gilts where the principal is indexed to inflation on a daily basis in terms of the Consumer Price Index (CPI).

Mandate

The agreement between a client and investment manager laying down how the fund is to be managed. May include performance targets by reference to a benchmark.

Market value

The price at which an investment can be bought or sold at a given date.

Pensionable Pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled funds

Pooled funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Return

The value received (income plus capital) annually from an investment, usually expressed as a percentage.

Scheduled body

An organisation that has the right to become a member of the Local Government pension Scheme under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Unconstrained equity investing

Mandates where the investment manager is expected to construct and manage their portfolio of stocks in a way that reflects their judgment, without being hindered by limits sets relative to a benchmark index. The manager may also be free to invest a high proportion in cash if they have a negative view on equity markets. Generally, there would be few investment restrictions, although a mandate would rarely be totally unconstrained.

Unlisted securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

Appendix 1: Pension Contributions 2023-24

Employer	Employee Contributions £'000	Employer Contributions £'000	Total Contributions £'000
Administering Authority			
London Borough of Southwark	14,847.17	46,397.51	61,244.69
Scheduled Bodies			
Ark All Saints Academy	83.02	190.38	273.40
Ark Globe Academy	70.92	-16.08	54.84
Ark Walworth Academy	99.11	230.36	329.48
Bacons College	117.38	281.70	399.08
Charles Dickens School	52.05	162.89	214.94
The Charter School Bermondsey (Formally Compass Free School)	35.87	111.15	147.02
Dog Kennel Hill Academy (Academy from Oct 23)	14.51	47.94	62.46
Dulwich Hamlet Junior School	33.67	-5.26	28.41
Galleywall Primary	41.68	122.49	164.17
Goose Green	35.85	116.78	152.63
Harris Academy at Peckham	63.14	160.61	223.75
Harris Academy Bermondsey	59.57	152.88	212.44
Harris Boys Academy	55.15	137.05	192.20
Harris Girls Academy	54.74	137.59	192.34
Harris Peckham Free School Peckham	5.50	14.82	20.32
Harris Primary Academy Peckham Park	20.41	17.39	37.81
Harris Primary East Dulwich	24.79	66.36	91.16
John Donne	46.87	155.95	202.83
John Keats	27.04	93.25	120.29
Judith Kerr Free School	26.24	95.11	121.35
Kingsdale Foundation School	39.63	111.51	151.14
Lyndhurst Primary Academy	30.93	99.02	129.95
Newlands Academy	29.28	68.17	97.45
Redriff Primary Academy	80.57	159.10	239.67
Rotherhithe Primary School (Academy from Oct 23)	19.91	69.40	89.31
Southwark Diocesan Board of Education	23.87	65.40	89.28
Spa Education Trust (Bermondsey)	46.71	161.98	208.68
Spa Education Trust (Camberwell)	41.34	138.97	180.31
St Joseph's RC Primary School, George Row	33.38	102.23	135.61
St. Paul's CE Primary	27.76	104.33	132.10
The Angel Oak Academy (Gloucester)	22.13	76.83	98.96
The Belham School (part of Dulwich Hamlet)	42.33	139.18	181.50
The Charter School Educational Trust (ED)	92.66	130.91	223.57
The Charter School Educational Trust (ND, Central Trust)	124.57	356.05	480.62
The Park College	8.11	26.42	34.52
University Academy Engineering South Bank (UAESB)	62.23	203.47	265.70
Total Scheduled Bodies	**1,692.92**	**4,286.38**	**5,979.30**
Admitted Bodies			
AiP - Cherry Gardens	0.95	3.71	4.66
AiP - Ivydale School	1.08	4.66	5.75
Brandon Trust	8.42	19.32	27.73
Browning Tenant Management	6.09	15.75	21.84
Centre for Literacy Primary Education (CLPE)	1.37	5.70	7.07
CH and Co Ltd (fka Principal Catering)	-0.00	0.00	-0.00
D Brice & Co Ltd	0.35	1.23	1.59
Energy Kidz	1.26	5.03	6.29
KGB Cleaning (South West) - Bacons College	9.22	35.96	45.18
Leather Market AdBod	7.50	9.70	17.20
LunchTime Company(Lunchtime-Charles Dickens)	1.99	7.43	9.43
PFI VEOLIA ES	100.24	281.20	381.44
South London Gallery - SLG	10.75	17.61	28.36
Southwark Law Centre	94.81	311.51	406.32
Sports and Leisure Management (SLM)	1.29	5.05	6.34
Topmark Sports & Coaching LTD	1.17	3.98	5.16
Westgate Cleaning - Camelot	0.63	2.12	2.75
WestGate Cleaning-Goose Green - fortnightly payments	1.18	5.69	6.87
Total Admitted Bodies	**248.29**	**735.67**	**983.96**
Grand Total	**16,788.38**	**51,419.56**	**68,207.95**

Appendix 2: Pension Fund Statement of Accounts 2023-24

Independent auditor's report to the members of Southwark Council on the consistency of the pension fund financial statements of the London Borough of Southwark Pension Fund included in the Pension Fund Annual Report (the Report).

TO FOLLOW

PENSION FUND

2023-24

LONDON BOROUGH OF SOUTHWARK PENSION FUND
STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2023-24		2022-23	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(68,208)		(62,575)	
Transfers in from other pension funds	8	(5,489)		(3,285)	
Subtotal			**(73,696)**		**(65,860)**
Benefits	9	74,953		71,702	
Payments to and on account of leavers	10	5,994		4,322	
Subtotal			**80,947**		**76,024**
Net reduction/(addition) from dealing with members of the fund			**7,251**		**10,164**
Management expenses	11		11,122		11,785
Net additions including fund management expenses			**18,373**		**21,949**
Returns on investments					
Investment income	12	(23,939)		(18,488)	
Taxes on income	12	(489)		520	
Profit and losses on disposal of investments and changes in market value of investments	14a	(169,450)		79,281	
Net return on investments			**(193,878**		**61,313**
Net (increase)/decrease in the net assets available for benefits during the year			**(175,505)**		**83,262**
Opening net assets of the scheme			(2,060,487)		(2,143,749)
Net assets of the scheme available to fund benefits as at 31 March			**(2,235,992)**		**(2,060,487)**

NET ASSETS STATEMENT

	Note		31 March 2024 £000		31 March 2023 £000
Long Term Investments			150		150
Investment assets	14		2,224,722		2,039,131
Total Net Investments			**2,224,872**		**2,039,281**
Current assets	21		19,537		28,849
Current liabilities	22		(8,417)		(7,644)
Net assets of the scheme available to fund benefits as at 31 March			**2,235,992**		**2,060,487**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

NOTES TO THE PENSION FUND STATEMENTS

1. INTRODUCTION

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:
- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance and Governance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a local pension board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

b) Membership

Membership of 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 of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies 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.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

	31 March 2024	31 March 2023
Number of contributors to the fund	8,808	7,647
Number of contributors and dependants receiving allowances	8,738	8,512
Number of contributors who have deferred their pensions	8,860	9,032
Total contributors	**26,406**	**25,191**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2023-24 financial year primary employer contribution rates ranged from 18.3% to 28.9%% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

	Service pre 1 April 2008	**Service post 31 March 2008**	**From 1 April 2014**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

In August 2023, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements issued in January 2024.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2023-24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that 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 assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their **additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in employee contributions.** Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account – benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Fund account – taxation

The fund is a registered public service scheme under section 1(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 a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets 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 fair value of the asset are recognised by the fund. 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 IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 13. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

Property assets have been included in the accounts at fair value as at 31 March each year. The valuation of direct property managed by Nuveen is carried out annually by an independent valuer.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost 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.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 19).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 6).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. There were no such critical judgements made during 2023-24.

Directly Held Property

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between six months and five years. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the inception of the lease).

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The approximate impact of changing the key assumptions on the present value of retirement benefits are: - an 0.1% change in the discount rate would be +/- £51m an 0.1% change in the rate at which salaries are projected to increase would be +/- £5m an 0.1% change in the rate of pension increase would be +/- £47m a one year change in mortality assumptions would be +/- £94m
Freehold and leasehold property and pooled property	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 3.6% would be an increase or decrease in the value of property of £12m, on a fair value of £323m.

6. EVENTS AFTER THE REPORTING DATE

There have been no material adjusting events after the reporting date.

7. CONTRIBUTIONS RECEIVABLE

Contributions represent the total amount receivable from employees and employers of the scheme.

	2023-24			2022-23		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark Council	(14,847)	(46,398)	(61,245)	(13,653)	(42,216)	(55,869)
Admitted Bodies	(248)	(736)	(984)	(252)	(799)	(1,051)
Scheduled Bodies	(1,693)	(4,286)	(5,979)	(1,486)	(4,169)	(5,656)
Total	**(16,788)**	**(51,420)**	**(68,208)**	**(15,391)**	**(47,185)**	**(62,575)**

Contributions receivable from employers are shown below:

	2023-24 £000	2022-23 £000
Employee's Contributions	(16,788)	(15,391)
Employer's Contributions		
Normal	(48,554)	(39,830)
Deficit funding	(1,714)	(5,964)
Early retirement strain	(1,152)	(1,391)
Total contributions from employers		
	(51,420)	**(47,185)**
Total		

During 2023-24 employees made additional voluntary contributions (AVCs) of £0.25 million (£0.25 million in 2022-23). The value of the AVCs at 31 March 2024 was £3.5 million (£3.6 million at 31 March 2023).

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2023-24 £000	2022-23 £000
Individual transfers	(5,489)	(3,285)
Total	**(5,489)**	**(3,285)**

9. BENEFITS PAYABLE

The table below shows the types of benefit payable by category:

	2023-24 £000	2022-23 £000
Pensions	61,626	55,560
Commutation of pensions and lump sum retirement benefits	12,063	13,596
Lump sums - death benefits	1,264	2,546
Total	**74,953**	**71,702**

The table below shows the total benefits payable grouped by entities:

	2023-24 £000	2022-23 £000
Southwark Council	70,492	66,862
Admitted bodies	2,872	3,195
Scheduled bodies	1,589	1,645
Total	**74,953**	**71,702**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023-24 £000	2022-23 £000
Refund of contributions	83	132
Individual transfers out to other schemes	5,911	4,190
Total	**5,994**	**4,322**

11. MANAGEMENT EXPENSES

	2023-24 £000	2022-23 £000
Administrative costs	3,511	3,580
Investment and management expenses	7,366	7,715
Oversight and governance costs	245	490
Total	**11,122**	**11,785**

The 2023-24 fee for external audit services for the pension fund is £75K (£49k in 2022-23). The Pension Fund incurred expenses of £0.8m in relation to services provided by the council during 2023-24 (£0.9m during 2022-23).

12. INVESTMENT INCOME

	2023-24 £000	2022-23 £000
Dividends from equities	(2,689)	(6,515)
Pooled funds	(10,800)	(2,343)
Pooled property funds	(1,858)	(1,048)
Net rent from properties	(8,302)	(8,582)
Interest on cash deposits	(290)	-
Total before taxes		
	(489)	520
Taxes on income		
	(24,428)	**(17,968)**
Total after taxes	**2023-24**	**2022-23**

12a. PROPERTY INCOME

	2023-24 £000	2022-23 £000
Rental Income	(10,710)	(10,144)
Direct operating expenses	2,408	1,562
Net rent from properties	**(8,302)**	**(8,582)**

13. EXTERNAL AUDIT COSTS

	2023-24 £000	2022-23 £000
Payable in respect of external audit	75	49

14. INVESTMENT ASSETS

	31 March 2024 £000	31 March 2023 £000
Long Term Investments		
Equities	150	150
Total	**150**	**150**
Investment Assets		
Equities	313,576	267,242
Pooled Funds		
Fixed Income	-	133,397
Equities	94,974	429,580
Diversified Growth	-	130,023
Property	129,685	92,967
Infrastructure	218,256	211,991
Private Equity	56,471	50,363
Multi Asset Credits	205,828	-
Other	18,304	42,895
Unitised Insurance Policy		
Fixed Income	153,080	152,894
Equities	815,427	331,929
Property	217,383	194,310
Other investment balances	1,738	1,541
Total Investment Assets	**2,224,722**	**2,039,131**
Net Investments	**2,224,872**	**2,039,281**

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

	Opening balance	Purchases	Sales	Change in market value	31 March 2024
	£000	**£000**	**£000**	**£000**	**£000**
Equities	267,242	313,964	(310,348)	42,717	313,576
Pooled funds	619,206	228,914	(269,784)	(2,805)	575,531
Pooled property funds	92,967	50,036	(948)	(12,370)	129,685
Unitised insurance policy	820,971	761,162	(761,166)	147,539	968,505
Property	194,310	35,960	2,276	(15,162)	217,383
Liquidity Funds/Money Market Funds	42,895	149,692	(178,912)	4,629	18,304
	2,037,590	**1,539,728**	**(1,518,882)**	**164,548**	**2,222,984**
Other investment balances	1,541			4,902	1,738
Total	**2,039,131**			**169,450**	**2,224,722**

	Opening balance	Purchase	Sales	Change in market value	31 March 2023
	£000	**£000**	**£000**	**£000**	**£000**
Equities	256,900	65,969	(59,316)	3,689	267,242
Pooled funds	1,019,131	123,217	(148,586)	93,457	1,087,219
Pooled property funds	94,001	2,248	(557)	(2,726)	92,967
Unitised insurance policy	515,348	661,389	(661,392)	(119,492)	395,852
Property	230,600	7,511	(9,605)	(34,195)	194,310
	2,115,980	**860,334**	**(879,456)**	**(59,267)**	**2,037,590**
Other investment balances	4,561			(20,014)	1,541
Total	**2,120,541**			**(79,281)**	**2,039,131**

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been valued at market value.

The investment strategy statement can be accessed on the council's website.

14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets (excluding cash and other investment balances) managed by the investment managers at the balance s heet date 31 March 2024 is set out in the table below.

	31 March 2024		31 March 2023	
	£000	**%**	**£000**	**%**
BlackRock	526,168	24%	747,969	37%
Blackstone	56,471	3%	50,363	19%
Brockton Capital	8,528	0%	6,839	13%
BTG Pactual	36,665	2%	35,743	10%
Comgest	94,974	4%	93,431	5%
Darwin	47,753	2%	21,620	6%
Frogmore	5,062	0%	6,799	2%
Glennmont	30,878	1%	26,001	2%
Invesco	46,412	2%	33,068	2%
LCIV CQS	100,000	5%	-	2%
Legal and General Investment Managers	467,839	21%	395,853	1%
M&G	42,629	2%	43,231	1%
Newton Investment Management	313,561	14%	267,226	0%
Nuveen	219,378	10%	197,339	0%
Robeco	105,828	5%	-	0%
Temporis	102,532	5%	112,108	0%
Total	**2,204,678**	**100%**	**2,037,590**	**100%**

The following investments represent more than 5% of investment assets at 31 March 2024.

Name of investment	Fund manager	31 March 2024	% of investment assets	31 March 2023	% of investment assets
		£000	**%**	**£000**	**%**
World Low Carbon Target	BlackRock	407,147	18%	336,149	16%
Global Equities	Newton	313,561	14%	267,226	13%
Direct Property	Nuveen	219,378	10%	197,339	10%
Low Carbon Transition	Legal and General	408,178	18%	166,572	8%
Multi Asset Credits	LCIV CQS	100,000	5%		0%
Emerging Market	Robeco	105,828	5%		0%
Low Carbon Target	Legal and General		0%	165,357	8%
Diversified Growth Fund	BlackRock		0%	130,023	6%
Absolute Return Bond Fund	BlackRock		0%	133,397	7%

14c. PROPERTY HOLDINGS

	31 March 2024	31 March 2023
	£000	**£000**
Opening balance	**194,310**	**230,600**
Additions:		
Purchases	35,960	7,734
Subsequent expenditure		2,661
Disposals	**2,275**	(19,513)
Net increase in market value	(15,162)	(27,172)
Closing Balance	**217,383**	**194,310**

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives.

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 are those where quoted 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 are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - property unit trusts and limited partnerships	Level 3	Valued at fair value as provided by the fund manager.	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Unitised Insurance Policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,576	150	-	**313,726**
Pooled Funds				
Fixed Income	-	-	-	**-**
Equities	-	94,974	-	**94,974**
Multi Asset Credits	-	205,828	-	**205,828**
Property	-	-	129,685	**129,685**
Infrastructure	-	-	218,256	**218,256**
Private Equity	-	-	56,471	**56,471**
Other	-	18,304		**18,304**
Unitised Insurance Policy				
Fixed Income	-	153,080	-	**153,080**
Equities	-	815,427	-	**815,427**
Total Financial Assets	**313,576**	**1,287,763**	**404,412**	**2,005,751**
Non-financial assets at fair value through profit and loss				
Property	-	-	217,383	**217,383**
Grand Total	**313,576**	**1,287,763**	**621,795**	**2,223,134**

Value as at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	267,242	150	-	**267,392**
Pooled Funds				
Fixed Income	-	133,397	-	**133,397**
Equities	-	429,580	-	**429,580**
Diversified Growth	-	130,023	-	**130,023**
Property	-	-	92,967	**92,967**
Infrastructure	-	21,620	190,370	**211,991**
Private Equity	-	-	50,363	**50,363**
Other	-	42,895		**42,895**
Unitised Insurance Policy				
Fixed Income	-	152,894	-	**152,894**
Equities	-	331,929	-	**331,929**
Total Financial Assets	**267,242**	**1,242,488**	**333,700**	**1,843,430**
Non-financial assets at fair value through profit and loss				
Property	-	-	194,310	**194,310**
Total	**267,242**	**1,242,488**	**528,010**	**2,037,740**

The following table shows the reconciliation of fair value measurements within level 3.

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	92,967	50,036	(948)	(312)	(12,057)	**129,685**
Infrastructure	190,370	18,204	(1,013)	213	10,482	**218,256**
Private Equity	50,363	8,921	-	-	(2,813)	**56,471**
Non-financial assets at fair value through profit and loss						
Property	194,310	35,960	2,276	-	(15,162)	**217,383**
Total	**528,010**	**113,121**	**314**	**(99)**	**(19,550)**	**621,795**

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2023 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	94,001	2,248	(557)	(194)	(2,532)	**92,967**
Infrastructure	113,281	42,647	(2,684)	519	36,608	**190,370**
Private Equity	38,475	13,532	(6,431)	87	4,700	**50,363**
Non-financial assets at fair value through profit and loss						
Property	230,600	7,511	(9,605)	(11,910)	(22,286)	**194,310**
Total	**476,357**	**65,938**	**(19,278)**	**(11,498)**	**16,490**	**528,010**

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2024	Assessed valuation range	Valuation as at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled Funds				
Property	6.6%	129,685	138,244	121,126
Infrastructure	8.1%	218,256	235,935	200,577
Private Equity	11.8%	56,471	63,135	49,807
Property	6.6%	217,383	231,730	203,036
Total		**621,795**	**669,044**	**574,546**

17. FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

		31 March 2024 £000	31 March 2023 £000
Financial assets			
	Fair value through profit and loss		
	Equities	313,726	267,392
	Pooled Investments	593,833	998,248
	Pooled Property Investments	129,685	92,967
	Unitised Insurance Policy	968,507	484,823
	Amortised cost		
	Cash	2,658	26,432
	Other Investment Balances	1,738	1,541
	Debtors	471	3,371
Total		**2,010,618**	**1,874,774**
Financial liabilities			
	Amortised cost		
	Creditors	(5,656)	(3,471)
Net Total		**2,004,962**	**1,871,303**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Pension 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). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance and Governance advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible:

2023-24 - asset type	**31 March 2024 £000**	**Change %**	**Value on increase £000**	**Value on decrease £000**
Fixed Income	153,080	5.4%	161,346	144,814
Equities	1,224,127	7.9%	1,320,833	1,127,421
Multi Asset Credits	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,126
Infrastructure	218,256	8.1%	235,935	200,577
Private Equity	56,471	11.8%	63,135	49,807
Other	18,304	3.9%	19,018	17,590
Total	**2,005,751**		**2,156,483**	**1,855,019**

2022-23 - asset type	**31 March 2023 £000**	**Change %**	**Value on increase £000**	**Value on decrease £000**
Fixed Income	286,291	5.1%	300,896	271,686
Equities	1,028,901	12.9%	1,161,804	895,998
Diversified Growth	130,023	6.1%	137,940	122,106
Property	92,967	5.9%	98,471	87,463
Infrastructure	211,990	4.6%	221,795	202,185
Private Equity	50,363	4.6%	52,692	48,034
Other	42,895	4.6%	44,879	40,911
Total	**1,843,430**		**2,018,477**	**1,668,383**

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.
Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value	Value on 1% rate increase	Value on 1% rate decrease
	£000	£000	£000
As at 31 March 2024	**153,080**	154,611	151,549
As at 31 March 2023	**286,291**	289,154	283,428

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 6.3% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value	Change	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
	£000	%	£000	£000
As at 31 March 2024	**310,242**	6.3%	329,787	290,696
As at 31 March 2023	**372,764**	6.3%	396,248	349,280

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit 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 has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2024

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,125.4M) covering 109% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

   Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2023	21.1	-
2024	21.2	-
2025	21.2	-

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	4.05% p.a.
Discount rate for periods after leaving service	4.05% p.a.
Rate of pay increases	3.80% p.a.
Rate of increase to pension accounts *	2.30% p.a.
Rate of increases in pensions in payment * (in excess of Guaranteed Minimum Pension)	2.30% p.a.

* In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	**Women**
Current pensioners aged 65 at the valuation date	21.5	24.1
Future pensioners aged 45 at the valuation date	22.8	25.6

Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: https://southwarkpensions.co.uk/library/actuarial-valuation-report

10. The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:

- The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023, and came into effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
- The Judicial Review relating to the 2016 cost management valuation has been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). The 2020 Treasury cost management valuation has been completed by the Government Actuary's Department. The England & Wales Scheme Advisory Board announced (on 19 April 2024) that it will shortly be publishing the final report of the separate 2022 scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used. However, the Board has already seen the initial results and agreed that it is "not minded to recommend to the Secretary of State any changes to LGPS benefits through that process". This outcome (for both the 2016 and 2020 processes) is in line with the approach taken in the 2022 valuation.

Other benefit uncertainties remain as set out in the 2022 valuation report.

The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act, to ensure they are following the Regulations and to assess whether the valuations are being carried out in a broadly consistent way. The review also seeks to ensure employer contributions are set at a level to ensure solvency and long-term cost efficiency. The review for the 2022 valuations has not yet been completed and the final report is not yet available.

However, all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: https://www.lgpsboard.org/index.php/fund-valuations-2022

Aon Solutions UK Limited
May 2024

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the ‘actuarial present value of promised retirement benefits’ to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2022.

	31 March 2024 £m	31 March 2023 £m
Fair value of net assets	2,239	2,0645
Actuarial present value of promised retirement benefits	(1,901)	(1,911)
Surplus/(deficit) in the fund as measured for IAS 26	**338**	**153**

21. POST BALANCE SHEET EVENTS

No such material events have occurred.

22. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Contribution due from employers	855	191
Contributions due - employers	1,320	2,811
Sundry debtors	471	3,371
Prepayments	11	6
Total	**2,658**	**6,379**
Cash balances	16,879	22,470
Total	**19,537**	**28,849**

23. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Benefits	(1,369)	(2,347)
Professional fees	(280)	(151)
Investment fees	(5,376)	(3,320)
Taxes	(797)	(913)
Other	(594)	(913)
Total	**(8,417)**	**(7,644)**

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2023-24	Market Value 31 March 2024	Contributions Paid 2022-23	Market Value 31 March 2023
	£000	£000	£000	£000
Aegon UK	245	3,471	249	3,644
Total	**245**	**3,471**	**249**	**3,644**

AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2023-24.

25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2023-24 (£0.9m in 2022-23). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2023-24 and 2022-23.

No officers' remuneration is paid directly by the fund; costs are instead recovered as part of the costs disclosed in note 11.

The Pensions Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration at each meeting, which is then recorded in the minutes and are available on the council website.

The council is also the single largest employer of members of the Pension Fund and contributed £46.4m to the fund in 2023-24 (£42.4m in 2022-23).

26A. KEY MANAGEMENT PERSONNEL

Job Title	Increase in IAS 19 Liability to 31st March 2024 £000	Increase in IAS 19 Liability to 31st March 2023 £000
Strategic Director of Finance (new)	22	-
Strategic Director of Finance and Governance (former)	23	30
Departmental Finance Manager - Corporate	-	11
Chief Investment Officer	9	10
Head of Pensions Operations	4	13
Total	**38**	**64**

27. CONTINGENT LIABILITIES AND CONTRACTUAL ARRANGEMENTS

Outstanding capital commitments (investments) at 31 March 2024 totalled £110.4m (31 March 2023: £86.3m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

APPENDIX 3 – Link to Key Fund Documents

The Funding Strategy Statement and Investment Strategy Statement for the Fund can be accessed via the following link:

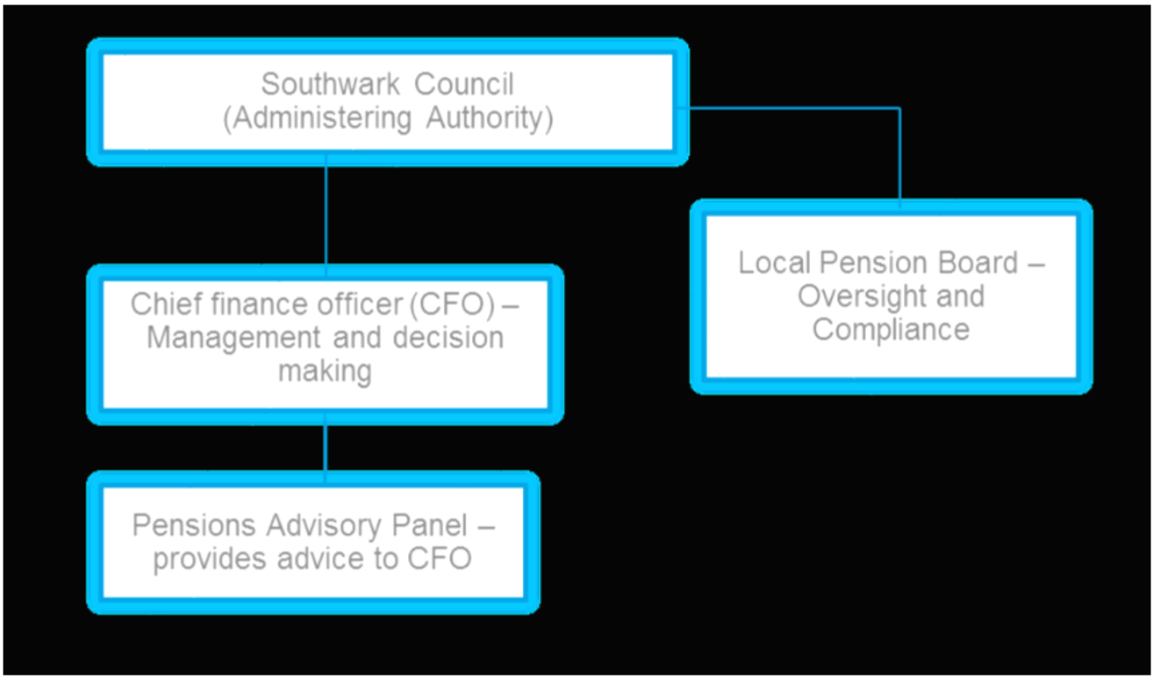
Finance & Investment documents | Southwark Pension Services

The communications and administration strategies for the Fund can be accessed via the following link:

Member documents | Southwark Pension Services

APPENDIX 4 – Governance compliance statement

Background



Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires that an Administering Authority must prepare, maintain and publish a written statement setting out:

- Whether the Administering Authority delegates the function in relation to maintaining a pension fund to a committee, a sub-committee or an officer;
- The frequency of any committee or sub-committee meetings;
- The terms of reference, structure and operational procedures of the delegation; and
- Whether the committee or sub-committee includes representatives of employing authorities or members.

The London Borough of Southwark Pension Fund covers each of these in the following ways:

Arrangements for maintaining a pension fund committee

Since 2004 this function has been delegated to the Pensions Advisory Panel (PAP), whose primary objective is to assist the Strategic Director of Resources (the Chief Finance Officer or CFO) in the management of the pensions function within the Council.

Frequency of meetings

The PAP meets once every quarter. Additional meetings are held where issues requiring urgent attention arise.

Terms of reference, structure and operational procedures

The primary objective of the PAP is to provide advice to the Strategic Director of Resources in the management of the Fund. This will include the provision of advice on the following:
INVESTMENTS

1. Establishing and reviewing the strategic investment objectives;

2. Reviewing the definition of the investment return target most likely to satisfy this investment objective;

3. Considering what constraints, if any, should apply to the invested assets and monitor compliance;

4. Establishing and reviewing the strategic asset allocation (benchmark) that is likely to meet the investment return target;

5. Considering and reviewing the appropriateness of the Fund structure i.e. the delegation of powers to managers, setting boundaries for the managers' discretion and considering which manager return targets are likely to achieve the investment return target;

6. Monitoring the performance of the investment managers at least once every three months, and from time to time consider the desirability of continuing or terminating the appointment of investment managers. In monitoring performance of investment managers, the PAP should consider:

i. The investments made by the managers;
ii. Their input to the process and the value of their advice;
iii. Investment returns and risk against established targets;
iv. Manager compliance with the Fund's requirements; and
v. Discussion of results with managers.

7. Monitoring risks;

8. Developing a responsible investment strategy;

FUNDING

9. Carrying out duties set out in the Regulations, in relation to actuarial valuations of the Fund;

10. Ensuring employer contributions are set accordingly and other relevant regulations are adhered to;

11. Considering applications, from external bodies, for membership of the Council's pension scheme;

GOVERNANCE

12. Monitoring of governance arrangements including regulatory compliance and implementation of audit recommendations;

13. Monitoring costs incurred in administering the Fund, including:

i. Management and other direct costs; and
ii. Transaction (dealing) costs.

BENEFITS ADMINISTRATION

14. Considering policy matters in relation to the Fund and the Council's early retirement policy;

15. Monitoring early retirements; and

16. Considering the effectiveness of the administering authorities' management of pension administration.

i. Three members (two members from the majority group and one member of the majority opposition) who have received the appropriate training; one of those members will chair the Panel (voting);
ii. Three officers (the Chief Finance Officer (CFO) (non-voting), an officer with specialist knowledge on finance and investments (voting) and an officer with specialist knowledge of pension administration (voting);
iii. Two independent advisers (non-voting); and
iv. A representative appointed by the constituent trade unions representing beneficiaries (non-voting).

Constitution of the Pensions Advisory Panel (PAP)

The PAP will be constituted as follows:
• Decisions should aim to be reached by consensus. Where agreement cannot be reached, then a majority vote will apply. Voting rights are restricted to members and officers (excluding the CFO), with the Chair having the casting vote if required.

• Decisions of the Panel will be treated as advice to the CFO.
• To be quorate, at least three voting members of the Panel must be present, plus at least one independent adviser. At least one of the voting members must be an officer.

Local Pension Board

1. The Panel will work closely with the Local Pension Board (the Board) to ensure the Fund is administered efficiently and effectively and will share with the Board reports and documents to enable the Board to meet its remit; and

2. The Panel will consider any reports the Board may produce in the course of their duties and respond accordingly within a reasonable period of time.

Conflicts of interest

1. All members of the PAP must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Panel;

2. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Panel. It does not include a financial or other interest arising merely by virtue of that person being a member of the Fund; and

3. On appointment to the Panel and following any subsequent declaration of potential conflict by a Panel member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Panel's conflicts policy and the requirements of the Code.

    (i) Securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS and any statutory pension scheme that is connected with it;
    (ii) Securing compliance with requirements imposed in relation to the LGPS and any connected scheme by The Pensions Regulator; and
    (iii) Such other matters as the LGPS regulations may specify.

Representation from employing authorities or members

When deciding on the composition of the PAP, it was decided that as London Borough of Southwark represents the majority of the Fund membership, admitted bodies would not be included on the Panel. There are 20 admitted bodies in the Fund. Although they are not represented on the Panel, they are fully consulted on and kept informed of all decisions made by the Panel.

The Local Pension Board

The Public Service Pensions Act (2013) required all Administering Authorities to establish a Local Pension Board (the Board) by 1 April 2015. The Board has the responsibility to assist the Administering Authority to ensure the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

The Administering Authority retains ultimate responsibility for the administration and governance of the Southwark Council LGPS. The role of the Board is to assist the Administering Authority to fulfil that responsibility. The Board meets quarterly, and the membership and work of the Board can be viewed on page 5 in the Annual Report of the Board.

The principles Principle	Fully compliant?	Note
Structure		
The management of the administration of benefits and strategic management of the Fund assets clearly rests with the main committee established by the appointed Council.	**Yes**	
The 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.	**See note**	**1**
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**	
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.	**Not applicable**	
Representation		
That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include: • • Employing authorities (including non-scheme employers, e.g., admitted bodies); • • Scheme members (including deferred and pensioner scheme members); • • Where appropriate, independent professional observers; and • • Expert advisers (on an ad-hoc basis).	**See note**	**1**
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Yes**	
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.	**Yes**	
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.	**See note**	**2**
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Yes**	
That the Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	**Yes**	

Meetings (frequency/quorum)

That an Administering Authority's main committee or committees meet at least quarterly.	**Yes**
That an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not applicable**
That an Administering Authority that does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	**Not applicable**

Scope

That Administering Authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Yes**

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.	**Yes**

Note 1

When deciding the composition of the Pensions Advisory Panel, it was decided that as the London Borough Southwark represents over 90% of the Fund membership, admitted bodies would not be included in the Panel. Although they are not represented on the Panel, they are fully consulted on and kept informed of all decisions made by the Panel.

Note 2

A policy on training exists. It is part of the terms of reference of the Panel that members will have had training and be trained on all matters requiring a decision prior to meetings where these issues are on the agenda. Annual training plans are being considered for the future.

APPENDIX 5 – Post Pool Reporting

Introduction

The Fund is a member of the London Collective Investment Vehicle (LCIV). Effective March 2024 the Fund now holds its first direct investment with LCIV (multi-asset credit). The Fund continues to have passive investments held with Legal & General Investment Management and BlackRock, which are held in an oversight arrangement and are recognised as pooled assets. The Fund is therefore able to continue to benefit from pooled fee savings.

The table below sets out the assets held directly, within the oversight arrangement and those held outside the pool.

Pool Oversight	**£000**	
Low Carbon Equities - Passive	815,427	
Over 5 Years Index Linked Gilts	153,080	
Total Assets Under Pool Oversight	**968,507**	
Asset-Pool Managed		
Multi Asset Credit	**100,000**	
Total Assets Under Pool	**1,068,507**	**48.1%**
Non Asset-Pool Managed		
Equities (directly held)	313,576	
Fixed Income	-	
Equities	94,974	
Multi Asset Credits	105,828	
Property	129,685	
Infrastructure	218,256	
Private Equity	56,471	
Other	18,304	
Property (directly held)	217,383	
Total Assets Managed Outside Pool	**1,154,477**	**51.9%**
Total Investment Assets	**2,222,984**	

Pool set up and running costs

The following table sets out the cumulative set up and running costs to date incurred by the Fund in its membership of LCIV. The cost of purchasing shares in LCIV is included in the set-up costs. This cost is treated as an investment in the Fund accounts. However, for the purposes of determining the total pool set up costs incurred by the Fund, this has been included above. The annual service charge is invoiced annually and is not broken down into detailed cost categories. The Fund has achieved net savings of £3.3 million to date.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£	£	£	£	£	£	£	£	£
Set up costs	175,000	25,000	25,000	65,000	85,000	85,000	85,000	76,000	621,000
Annual service charge	-	75,000	65,000	25,000	25,000	25,000	25,000	25,000	265,000
Total Costs	**175,000**	**100,000**	**90,000**	**90,000**	**110,000**	**110,000**	**110,000**	**101,000**	**886,000**
Fee savings	(535,126)	(601,487)	(384,777)	(534,000)	(578,000)	(583,000)	(480,000)	(509,000)	(4,205,390)
Net savings realised	**(360,126)**	**(501,487)**	**(294,777)**	**(444,000)**	**(468,000)**	**(473,000)**	**(370,000)**	**(408,000)**	**(3,319,390)**

Ongoing investment management costs

The following table sets out the investment management costs incurred during 2023-24. Direct costs are those payable to the investment managers and are based on assets under management. Indirect costs are fees payable to LCIV in relation to its oversight role with regard to the Fund's passive assets held by Legal & General Investment Management and BlackRock.

	Asset pool		Non-asset pool		Fund total
	Direct £	Indirect £	Direct £	Indirect £	£
Ad Valorem	143,079	43,000	7,180,191	-	7,366,269
% of investments held	0.006%	0.002%	0.323%	-	0.331%

LCIV – additional information

More information on the London CIV, including contact details, can be found at the London CIV website at www.londonciv.org.uk.

APPENDIX 6 – Pensions Operations Key Performance Indicators

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	78	275	347	98.3%	202	95.46%
A2	New Dependent member benefits	1	161	162	100%	159	98.61%
A3	Deferred member benefits	11	226	232	97.89%	263	94.95%
A4	Active member benefits	2	481	479	99.58%	472	97.60%
A5	Deferred benefits	53	608	592	90.00%	545	92.22%
A6	Transfers in (including interfunds in, club transfers)	89	532	473	88.9%	460	86.32%
A7	Transfers out (including interfunds out, club transfers)	172	564	581	78.9%	447	82.45%
A8	Refunds	3	44	43	91.49%	73	96.05%
A9	Divorce quotations issued	2	13	12	80.00%	22	91.67%
A10	Actual divorce cases	0	1	1	100%	0	n/a
A11	Member estimates requested either by scheme member and employer	42	843	884	99.88%	691	94.27%
A12	New joiner notifications	47	240	287	100%	260	95%
A13	Aggregation cases	6	16	4	18.18%	81	93.10%
A14	Optants out received after 3 months membership	5	67	54	75.00%	110	94.02%

Ref	Casework KPI	Suggested Fund Target	% Completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgment of death of active, deferred, pensioner and dependent member	5 days	94.57%	93.22%
B2	Communication issued confirming the amount of dependents pension	10 days	91.00%	95.77%
B3	Communication issued to deferred member with pension and lump sum (quotation)	15 days	95.49%	92.74%
B4	Communication issued to active member with pension and lump sum (quotation)	15 days	91.11%	90.11%
B5	Communication issued to deferred member with confirmation of pension and lump sum (actual)	15 days	91.53%	91.07%
B6	Communication issued to active member with confirmation of pension and lump sum (actual)	15 days	91.07%	93.00%

Ref	Casework KPI	Suggested Fund Target	% Completed within fund target in year	% completed in previous year
B7	Payment of lump sum (both active and deferreds)	15 days	94.90%	94.08%
B8	Communication issued with deferred benefit options	30 days	93.22%	91.91%
B9	Communications issued to scheme member with completion of transfer in	15 days	90.00%	91.66%
B10	Communications issued to scheme member with completion of transfer out	15 days	92.09%	91,55%
B11	Payment of refund	10 days	96.88%	90.41%
B12	Divorce quotation	45 days	95.00%	89.23%
B13	Communication issued following actual divorce proceedings i.e. application of a pension sharing order	15 days	n/a	n/a
B14	Communication issued to new starters	40 days	100%	95.62%
B15	Member estimates requested by scheme member and employer	10 days	93.88%	91.90%

Ref	Engagement with online portals	Percentage as at 31 March 2024			
C1	% of active members registered	10.10%			
C2	% of deferred member registered	5.74%			
C3	% of pensioner and survivor members	7.50%			
C4	% total of all scheme members registered for self-service	4.85%			
C5	Number of registered users by age	Age Group	Registered Count	Not Registered Count	Percentage Registered
		Less than 20	0	51	0.00%
		20-29	59	1694	3.37%
		30-39	213	4536	4.49%
		40-49	339	6432	5.01%
		50-59	657	8608	7.09%
		60-69	779	10173	7.11%
		70-79	169	5268	3.11%
		80+	25	7195	0.35%
C6	% of all registered users that have logged onto the service in the last 12 months	37.83%			
	Communication	Total			
C7	Total number of telephone calls received in year	7650			
C8	Total number of email and online channel queries	18100			
C9	Number of scheme member events held in year (total of in-person and online)	4			
C10	Number of employer engagement events held in year (in-person and online)	0			
C11	Number of active members who received a one-to-one (in-person and online)	20			
C12	Number of times a communication (i.e. newsletter) issued to:				
	a) Active members	1			
	b) Deferred members	1			
	c) Pensioners	1			

Ref	Engagement with online portals	Percentage as at 31 March 2024

Ref	Resources	
D1	Total number of all administration staff (FTE)	21
D2	Average service length of all administration staff	7 years 5 months
D3	Staff vacancy rate as %	8.7%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1 : 1263
D5	Ratio of administration staff (excluding management)	1: 1560

	Data Category	Value	
	Annual Benefit Statements		
E1	Percentage of annual benefit statements issued as at 31 August	54.2%	
	Short commentary if less than 100%	All deferred statements were sent out on time. There was a delay in distributing active member statements due to late employer returns and formatting issues. All statements were sent out by January 2024.	
	Data Category		
E3	Common data score	96.31%	
E4	Scheme specific data score		
E5	Percentage of active deferred and pensioner members recorded as 'gone away' with no home address held or address is known to be out of date	**Status**	**Percentage**
		Active	0.01%
		Deferred	11.29%
		Pensioner	1.03%
E6	Percentage of active, deferred and pensioner members with an email address held on file	**Total**	**66.92%**
		Active	88.36%
		Deferred	47.28%
		Pensioner	62.80%
	Employer performance	**Value**	
E7	Percentage of employers set up to make monthly data submissions	99.12%	
E8	Percentage of employers who submitted monthly data on time during the reporting year	22.12%	