

## 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 6.9 million members, over 22,000 employers and assets of ~£400 billion as at 31 March 2025, 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 most of the 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 then funding level of 109% continues to ensure stability of contributions going forward. The 2025 actuarial valuation is currently taking place and revised contribution rates will come into effect on 1 April 2026.

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 considering 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.

### 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.

### Fund Operations

Our Pension Services division is committed to providing a well-managed, secure, and responsive service to all its members, employers and other stakeholders. Central to this commitment are the Pension Fund's operational areas, which underpin the effective delivery of pension provision and ensure the Southwark Pension Fund (the **Fund**) continues to meet regulatory requirements and member expectations.

This Annual Report highlights some of the Fund's key operational activities over the past year, including: -

**Information Technology:** Maintaining and enhancing a secure and reliable administration system that supports accurate record-keeping and monthly data submissions from employers across Southwark Council is critical to operational delivery. This enables the efficient processing of pension benefits, and online member access to view and amend personal data and run various pension modellers such as

retirement estimates and other “what if” scenarios. Our Data/Systems team maintain all pension fund databases in line with a Data Management Policy. The system is hosted solely in UK Data Centres to Impact Level 3 security standards and is fully compliant with UK Government cyber standards.

Investment in technology remains at the forefront of all operational delivery and several enhancements to the Fund’s website and Member Self Service Portal are expected over 2025/26.

**Communications:** Delivering clear, accessible, and timely information to members through newsletters, digital platforms, ensuring transparency and understanding of pension fund benefits remains a priority. Annual Benefit Statement production is an example of success in this area.

**Training and Development:** Equipping our own staff, members, LPB/PAP members, and employers with the knowledge and skills necessary to manage pensions effectively, allows all parties to stay up to date with any regulatory changes, and helps provide a high-quality operational delivery service to all our stakeholders.

**Member and Employer Engagement:** Fostering strong relationships with all stakeholders, offering guidance, responding to queries, and promoting awareness of the Fund’s services and initiatives allows members to make informed decisions about their financial future. The Fund runs several courses each month (with more available online) and regularly undertakes site visits to discuss pension fund matters with members. This service is being extended over 2025/2026.

Through these operational areas, the Fund continues to strengthen its ability to deliver high-quality services and safeguard the benefits of all its members.

## **Fund Investments**

While the size of the Fund continues to grow, no new investment mandates were awarded in 2024-2025. To ensure that the various asset classes were at or near their target allocations investment rebalancing took place to reduce the allocation to equities, which continued to grow in absolute terms and which remain the largest allocation that the Fund has, to near target. The proceeds of this reduction were used to increase the Fund’s allocation to Index-Linked Gilts, which are a lower risk asset that have inflation-linked characteristics that are a good match to the inflation-linked benefits that the Fund exists to pay over the long-term.

The Fund continues to take 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 and officers continue to develop the Fund’s Responsible Investment policies in line with the Fund’s fiduciary duty. This includes the management and reporting of carbon measurement and direct engagement with fund managers and London CIV on their Responsible Investment approach. At 31 March 2025 approximately 90% of the Fund’s assets were invested in “greener” strategies.

I am pleased to say that during 2024-2025 an application was made for the Fund to be a signatory to the UK Stewardship Code. In May 2025 it was confirmed that the application was successful. This outcome demonstrates the Fund’s commitment to being a responsible investor and how the Code’s 12 stewardship principles have been applied over the year.

## **Current investment issues**

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 can be used to manage portfolio volatility and cashflow. A full review of the Fund’s investment strategy will take place in late 2025, when the results of the 2025 actuarial valuation of the Fund have been received. The valuation will determine employer contribution rates from 1 April 2026.

Due to the Triple Lock safeguard on pension benefits, from 1<sup>st</sup> April 2024 there was a 6.7% uplift in pension benefits paid from 8 April 2024. This increase is based on the 6.7% rise in the Consumer Price Index (CPI) for the 12 months to September 2023. To ensure that liquidity risk is managed, and the Fund can meet its day-to-day obligations, including any requirement to fund private market investments, officers continue to maintain a cash flow policy. This is particularly important as the Fund becomes more mature and pensions paid out exceed contributions coming into the Fund.

During 2024-2025 officers undertook a procurement exercise to appoint a new global custodian to ensure that the safekeeping of the Fund's assets continues to meet the highest standards and to enable officers to receive enhanced reporting on the Fund's performance. Northern Trust was appointed effective 1 April 2025.

During the year, we have been mindful of conflicts around the world and the potential impact on the Fund's investment returns posed by companies that are exposed to both operational risks and the reputational harm if they are perceived to be assisting or enabling any conflicts. Since December 2023 we have been monitoring the Fund's exposure to the companies listed by the United Nations Office of the High Commissioner for Human Rights (OHCHR) as being linked to the occupation of Palestine. While we have no direct exposure to the companies listed by the UN, at the time of writing ~ 0.2% of the Fund is invested in companies listed in the UN OHCHR's latest list (published in September 2025) via our pooled index-tracking equity funds. We continue to engage with the relevant fund managers, and London CIV, stressing the importance of human rights as a key criterion in responsible investment.

## **Fit for the Future**

One key issue dominated the agenda in 2024-2025 which was the issuance, by the Ministry of Housing, Communities and Local Government, of a consultation on the future of LGPS pooling in November 2024. The pooling of LGPS investments is not a new issue and the London Collective Investment Vehicle is now ten years old. However, the consultation was issued to reflect the new government's intention to accelerate pooling for the benefit of all LGPS stakeholders. The outcome of the consultation was issued in May 2025 and has been described as "the most significant reform of the LGPS in a generation". The three key pillars of Fit for the Future are:

- Pooling of assets by 31 March 2026 to achieve scale and deliver the strongest possible investment outcomes
- Local investments, with Funds expected to set out their approach to investing to support local growth plans
- Improved scheme governance, reflecting the long-awaited outcome of the 2021 Good Governance review

We look forward to working with London CIV and our colleagues across London so that we play our part in ensuring that the Southwark Pension Fund is Fit for the Future.



**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 meetings of 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 Fund officers and periodic joint training sessions conducted 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](#).

### Composition of the Board

The composition of the Fund's Local Pension Board for 2024-25 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)
- Sarah Feasey (employer representative – joined in July 2024)
- Mike Antoniou (schools employer representative)

The Board meets quarterly and the current membership and attendance at meetings during 2024-25 is set out in the table below:

Name	Title	03-Apr-24	3-Jul-24	9-Oct-24	22-Jan-25
Mike Ellsmore	Independent Chair	✓	✓	✓	✓
Diana Lupulesc	Scheme Member Representative	A	A	X	A
Stuart Mumford	Scheme Member Representative	✓	✓	X	X
Tony O'Brien	Retired Scheme Member Representative	✓	✓	✓	✓
Dominic Cain	Employer Representative, Vice Chair	✓	✓	A	A

Name	Title	03-Apr-24	3-Jul-24	9-Oct-24	22-Jan-25
<b>Sarah Feasey*</b>	Employer Representative	n/a	✓	✓	✓
<b>Mike Antoniou</b>	Schools Employer Representative	✓	✓	✓	✓

✓ *Attended*

A: *Absent with apologies*; X: *Absent without apologies*

\**Joined the Board in July 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 skills

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 in order to develop and refresh their skills and knowledge and also have access to the Pensions Regulator public service toolkit and the CIPFA guidance for Local Pension Boards.

A formal Training Policy and related Training Plan was introduced by the Fund during 2023-24 for members of the PAP and the Board for providing training on an ongoing basis covering 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.

During 2024-2025, in line with the Training Policy and the Training Plan, the Board and PAP have been provided training for key requirements/skills, current/hot topics and training on general awareness and areas relevant to Fund operations.

During 2024-25, the Board has received training on the following items, from both internal Fund officers and external trainers:

- UK Spring Budget 2024
- LGPS Pooling
- Cyber risks
- The General Code of Practice
- LGPS Updates
- Case study: Investment rebalancing
- Updates from LGPS Governance conference (the Independent Chair of the Board and the Schools Representative attended the conference)

## Work during the year 2024-25

As part of the standing items at the meetings, the Board regularly receives reports on investment performance, performance of the pensions services/operations function and the agendas and discussions topics at PAP meetings.

In addition to these standing items, during 2024-25, the Board has also considered:

- Review of the revised Funding Strategy Statement following change in contribution rates by Southwark Council
- Six-monthly review of the Fund's risk register
- Detailed cyber security assessment of the Fund operations conducted by a third-party

- Findings from an independent review commissioned by the Board to assess the Fund's readiness in complying with requirements of the revised TPR General Code – a presentation on findings was also made by Barnett Waddingham at October 2024 meeting
- Annual assessment of the Funds' managers, custodian and banking provider's approach to cyber security in line with UK NCSC's recommendations
- Findings from the audit conducted by the Fund's external auditor

The Board sought reassurances on processes in place for employers who are not keeping up to date or are defaulting on member contributions.

The Board continues to monitor closely the performance of the Pension Administration function, including ensuring the timely delivery of Annual Benefit Statements, readiness in respect of National Dashboard project, etc.

### **Future work for 2025-26**

The Fund will continue to monitor and update the Training Policy and Training Plan for Board members.

The LGPS regulations are evolving with various significant changes in the coming years. The Board will continue to monitor the impact of such regulations and initiatives relevant to LGPS, including:

- Government's 'Fit for Future' regulation, including the pooling mandate
- Scheme Advisory Board's Good Governance Project
- MHCLG's Access and Fairness Consultation
- Implementation of the national dashboard for pensions
- Implementation of the McCloud remedy

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 good governance going forward.

Looking ahead, the Board will also continue to monitor the Pension Administration Services. 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.

Cyber security continues to be an area of increasing concern, globally, and the Board will keep this under regular review.

For 2025-26, some of the key focus areas for the Board as part of the work plan include:

- Conduct a full review of the risk register to ensure it appropriately reflects the risks relevant to Fund operations, including their quantification for proactive decision making on risk management
- Review the Conflicts of Interest policy
- Review the Communication policy
- Review the Pensions Administration strategy
- Ensure effective implementation of the Action Plan to comply with the requirements of the revised TPR General Code of Practice
- Review Breaches log and Cybersecurity aspects of the Fund operations
- Undertake cyber security assessment of the fund's external service providers
- Participate in ongoing training being organised by the Fund officers and/or external third parties
- Assess the scope for subscribing to an online training facility

## Expenses for 2024-25

The total expenses of £16,684 incurred by the Board for 2024-25 are set out below:

Expense	£
Allowances – Independent Chair and Retired Employee Representative	6,910
Annual Insurance Fees	6,300
Training	3,474
<b>Total</b>	<b>16,684</b>

Mike Ellsmore  
***Independent Chair***

### 3. GOVERNANCE POLICY AND COMPLIANCE

A link to the Fund's Governance Compliance Statement can be found in Appendix 3.

The Pensions Advisory Panel (PAP) meets [quarterly](#) and membership for 2024-25 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 from March 2025*  
Helen Laker (*Unison*) – *employee representative from July 2024 to March 2025*  
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 2024-25				
Name	Role/Company	30 Sept 24	9 Dec 24	19 March 25
Stephanie Cryan (Chair)	Elected member	✓	✓	✓
Emily Hickson	Elected member	A	✓	✓
Rachel Bentley	Elected member	✓	✓	✓
Clive Palfreyman	Strategic Director of Resources	✓	✓	✓
Caroline Watson	Chief Investment Officer	✓	A	✓
Barry Berkengoff	Head of Pensions Operations	A	✓	✓
Roger Stocker	Unison	A	✓	✓
Helen Laker	Unison	✓	✓	N/A
Julie Timbrell	Unison	N/A	N/A	✓
Derrick Bennett	GMB	A	A	A
David Cullinan	Independent Adviser	✓	✓	✓
Colin Cartwright	Aon	✓	✓	✓
Marco Gonzalez		A	✓	A
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 joint training morning for members of PAP and the Local Pension Board took place on the 19<sup>th</sup> of March 2025. PAP member attendance was as shown above. A scheduled meeting of the PAP, due to take place on the 3<sup>rd</sup> of June 2024, was cancelled and any matters arising were considered at the 30<sup>th</sup> of September 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. An outline of training received by the Local Pension Board can be found on page 5 of this annual report.

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 maintained. During 2024-2025, the following training took place:

Invited	Event	Provider	Date	Event Type	Content	Duration (hours)
Pensions Advisory Panel (PAP) Members	Pensions Advisory Panel	Officers	30 <sup>th</sup> September 2024	In-person	LGPS pooling and other developments	0.5
PAP Members	Pensions Advisory Panel	Officers/Aon	30 <sup>th</sup> September 2024	In-person	Market and investment strategy updates	1.5
PAP Members	Pensions Advisory Panel	Officers/Aon	9 <sup>th</sup> December 2024	In-person	Market and investment strategy updates	1.5
PAP Members	Pensions Advisory Panel	Officers/Aon	19 <sup>th</sup> March 2025	In-person	Market and investment strategy updates	1.5
PAP and Local Pension Board (LPB) Members	Joint PAP/LPB training morning	Officers LGPS Scheme Advisory Board (SAB) Redington London CIV	19 <sup>th</sup> March 2025	In-person	SAB update on LGPS issues LCIV update Nature-based solutions	3.0

Details of who attended the various training events can be found on page 8. Only one member of PAP did not meet the 4-hour minimum training requirement. However, they were not an active member of PAP during 2024-2025 since they did not attend any meetings.

## 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 until 31 March 2025 Northern Trust from 1 April 2025
Auditor	KPMG LLP
AVC providers	AEGON
Banker	NatWest Bank plc
Legal adviser	Pinsent Masons LLP
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. A link to the current risk register can be found in Appendix 3.

As at July 2025, the key risks facing the Fund (after considering risk controls and mitigation measures) were identified as:

- i) Financial/Investment: uncertainty surrounding proposed government changes to LGPS pooling/pensions arrangements and other LGPS regulations
- ii) Administrative/Operational: inaccurate or incomplete member/Employer data

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 (where relevant). A range of investment managers has 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 Fund's 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 and the 2025 actuarial valuation will be finalised ahead of new contribution rates taking effect on 1 April 2026.

## Financial Performance

During 2024-25, the Fund increased in value by ~£25 million (+1.1%) to £2,261.2 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:

	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000
<b>Opening net assets</b>	<b>1,581,541</b>	<b>1,948,624</b>	<b>2,143,749</b>	<b>2,060,487</b>	<b>2,236,183</b>
Contributions and joiners	69,712	71,270	65,860	73,696	82,241
Benefits and leavers	-67,580	-72,050	-76,024	-80,954	-89,688
Investment income less taxes	9,497	5,367	17,968	24,152	46,266
Management expenses	-7,699	-8,980	-11,785	-12,752	-15,046
Profit on sale and change in investment value	363,153	199,518	-79,281	171,554	1,284
<b>Increase/(Decrease) in Fund value</b>	<b>367,083</b>	<b>195,125</b>	<b>-83,262</b>	<b>175,696</b>	<b>25,057</b>
<b>Closing net assets</b>	<b>1,948,624</b>	<b>2,143,749</b>	<b>2,060,487</b>	<b>2,236,183</b>	<b>2,261,240</b>

During the year the net cash flow from membership (contributions and joiners less benefits paid and leavers) was negative, with net outflows of £7.5m. Contributions increased significantly whilst transfers in showed a c50% increase and benefits paid increased by 8.5%. The increase in benefits includes the impact of the annual inflationary uplift to pensions in payment, which was 6.7% at April 2024, together with an increase in lump sum retirement benefits paid.

Investment income was strong in 2024-25 although the overall market value of the assets held by the Fund increased by only c£25m due to modest returns on investments this year. The Investment Policy and Performance section provides more detailed analysis of investment performance over the year.

## Costs per Member

Costs per member	2020-21 £	2021-22 £	2022-23 £	2023-24* £	2024-25 £
Administration	147.60	78.10	142.10	111.40	128.80
Oversight and Governance	19.50	22.70	19.50	34.40	41.70
Investment Management	140.80	269.60	306.30	366.20	422.90
<b>Total Costs per Member</b>	<b>307.90</b>	<b>370.40</b>	<b>467.80</b>	<b>511.90</b>	<b>593.40</b>

\*Updated to be consistent with restated accounts

Administration costs for 2024-25 have increased due to an ongoing investment in technology, which also includes significant upgrades and costs linked to the McCloud discrimination remedy and UK National Dashboards Programme.

Through ongoing development of technology, process reviews and operating model, we expect Administration costs per member will reduce over the next three years.

Investment management costs have increased due to more investment costs deducted from source being included in the investment management fees reported in the accounts and changes in the market value of assets held, to which some fees are linked.

## **Pension Overpayments**

191 instances of overpayments to pensioners occurred during 2024-25.

£16,263.97 of overpaid pensions was 'written off' as either the individual debts 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.

£20,203.98 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), which was published in December 2022, included an updated strategic asset allocation as shown on the following pages.

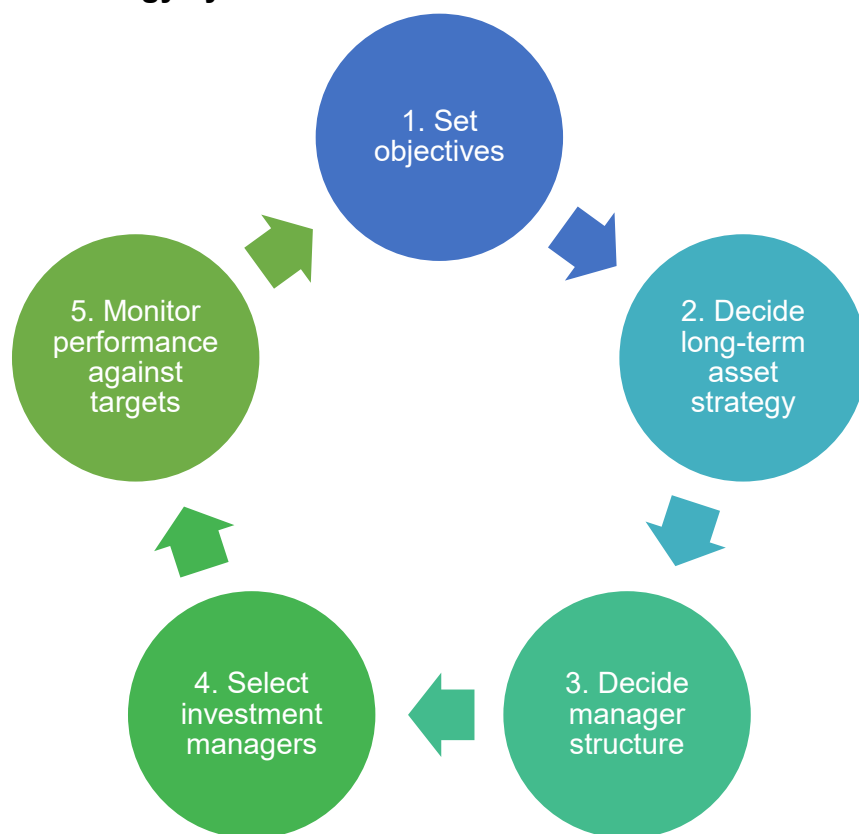
The strategic asset allocation is set to provide the return required over the long-term, to maintain full funding within an acceptable level of risk. The actual asset allocation may differ from the strategic benchmark within tolerances that are agreed by the Pensions Advisory Panel (PAP) on the advice 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, describes how environmental, social and governance (ESG) issues are to be taken into account and the approach to pooling of investments.

The Fund is a member of the London Collective Investment Vehicle (LCIV) and has one 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 currently recognised as pooled assets. During 2024-2025 a similar oversight arrangement was put in place for the M&G residential property fund. The Fund therefore continues to benefit from pooled fee savings. Following the publication of government's "Fit for the Future" consultation response, the Fund will continue to work closely with LCIV to transition all assets of the Fund to LCIV in line with the 31 March 2026 pooling deadline. The ISS will be updated ahead of this deadline following an investment strategy review to ensure full alignment with the pooling mandate.

## 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 2024 £000	31 Mar 2025 £000	% of Total Fund	Strategic Benchmark %	Difference %
Global Equity	BlackRock	407.2	401.1	17.7	17.5	0.2
	Legal & General	408.2	393.3	17.4	17.5	-0.1
	Newton	307.1	237.0	10.5	10.0	0.5
	Comgest	94.9	92.0	4.1	5.0	-0.9
Total Global Equity		1,217.4	1,123.4	49.7	50.0	-0.3
Multi-Asset Credit	Robeco LCIV-CQS	105.8	110.7	4.9	5.0	-0.1
		100.0	108.7	4.8	5.0	-0.2
Total Multi-Asset Credit		205.8	219.4	9.7	10.0	-0.3
Core Property	Nuveen	220.8	249.9	11.0	14.0	-4.1
Total Core Property		220.8	249.9	11.0	14.0	-3.0
Pooled Property	Darwin Leisure	25.1	18.8	0.8	1.5	-0.7
	Invesco	46.4	46.2	2.0	1.5	0.5
	M&G	42.6	43.5	1.9	1.5	0.4
	Frogmore	5.1	3.3	0.1	0.75	-0.6
	Brockton	8.5	9.1	0.4	0.75	-0.5
Total Pooled Property		127.7	120.9	5.3	6.0	-0.7
Sustainable Infrastructure	Glennmont	30.8	47.6	2.1	1.1	1.0
	Temporis	102.5	101.6	4.5	3.5	1.0
	BlackRock	25.5	21.0	0.9	0.4	0.5
Total Sustainable Infrastructure		158.8	170.2	7.5	5.0	2.5
ESG Priority Allocation	Darwin	22.7	22.3	1.0	0.5	0.5
	Blackstone	56.5	60.1	2.7	3.5	-0.8
	BTG Pactual	36.7	38.4	1.7	1.0	0.7
Total ESG Priority Allocation		115.9	120.8	5.3	5.0	0.3
Index Linked Gilts	BlackRock	93.5	107.4	4.7	5.0	-0.2
	Legal & General	59.6	122.7	5.4	5.0	0.4
Total Index Linked Gilts		153.1	230.1	10.2	10.0	0.2
Cash and equivalents*		26.6	27.1	1.2	0.0	1.2
Total cash and equivalents		26.6	27.1	1.2	0.0	1.2
Total Fund		2,226.1	2,261.8	100.0	100.0	-

The table excludes regulatory capital held within the London CIV (classed as an investment) and other minor investment balances including current assets and liabilities.

\*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 2025, the actual asset allocation for equities was 49.7%, broadly in line with the benchmark allocation of 50%. In previous years, the Fund had been consistently overweight to the central benchmark allocation for equities and underweight to index-linked gilts. In January 2025, given favourable market conditions, the equity and index-linked allocations were rebalanced by redeeming £70m of cash from Newton (global equity) which was invested in the LGIM index-linked gilts fund. Consequently, the allocation to index-linked gilts was broadly in line with the benchmark allocation of 10%. Core and pooled property were underweight to their target allocations by 4.1% and 0.7%, respectively. Collectively, sustainable infrastructure and ESG priority assets were overweight by 2.8%, 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.

The following table illustrates the distribution of assets between those that are in the LCIV Pool, under LCIV Pool management and not yet pooled as at 31 March 2025:

Asset values as at 31 March 2025	Pooled £m	Under Pool management £m	Not pooled £m	Total £m
Equities	-	794.4	327.8	1,122.2
Bonds	108.7	230.1	110.7	449.5
Property	-	43.5	327.3	370.8
Private equity	-	-	60.1	60.1
Infrastructure	-	-	230.9	230.9
Cash and net current assets	-	-	28.3	28.3
<b>TOTAL</b>	<b>108.7</b>	<b>1,068.0</b>	<b>1,085.1</b>	<b>2,261.8</b>

The Fund continues to work closely with LCIV to transition its assets to the LCIV Pool in line with the 31 March 2026 pooling deadline.

As at 31 March 2025, the Fund had the following investment in the UK:

Asset values as at 31 March 2025	Pooled £m	Under Pool management £m	Not pooled £m	Total £m
UK listed equities	-	25.9	28.2	54.1
UK government bonds	-	230.1	-	230.1
UK infrastructure	-	-	103.2	103.2
UK private equity	-	-	3.0	3.0
UK property	-	43.5	349.6	393.1
<b>TOTAL</b>	<b>-</b>	<b>299.5</b>	<b>484.0</b>	<b>783.5</b>

*The above table is sourced from information provided by investment managers and the papers prepared for the PAP meeting of 3 June 2025 (updated to reflect any post year-end valuation adjustments).*

The figures in the table above exclude unfunded commitments as it is not possible to determine the value of remaining commitments that might be allocated to UK assets.

## Commitment to Net Zero

The Fund's approach to net zero has two key components. First is reducing exposure to fossil fuels assets, including oil and gas, oil sands, thermal coal, etc. Second is focusing on decarbonisation of all underlying assets - both public and private investments - in the portfolio.

In December 2016, the Fund committed to reducing its exposure to fossil fuels within its investments over time and setting an ambitious target of reaching net zero by 2030. Southwark Pension Fund was one of the first LGPS funds to make such a commitment and placed the Fund at the forefront of sustainable fossil fuel aware and climate-aligned investment. Since then, the Fund has made significant progress towards this target through a structured long-term plan.

The Fund looks at a combination of the following four key areas of focus as part of its net zero journey:

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

### Decarbonising public assets

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.
- All active equities now include climate-aligned thresholds as part of the investment process.

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.

The Fund continues to engage with all investment managers managing public assets on an ongoing basis in relation to monitoring and reporting of progress achieved in reduction of carbon emissions, including their engagement with underlying assets in the portfolio on their decarbonisation plans.

### Decarbonising private assets

The Fund's private investments include a diverse range of assets, including commercial and residential property, renewable energy infrastructure, leisure parks, bereavement facilities, and timberland assets.

As with public market assets, the Fund considers decarbonisation of the private assets as an important focus area. Traditionally, there has been a lower burden on carbon reporting in private markets. However, the Fund has encouraged all investment managers to proactively consider this as part of industry best practice. Most of the private market investment managers of the Fund have now started collecting and reporting carbon footprint data of the underlying assets at least on an annual basis.

Following this, the Fund is now in discussions with the investment managers to understand their approach to setting decarbonisation targets, tracking and assessing progress and collecting and reporting carbon footprint data, in-turn, enabling the Fund to monitor progress towards its own net zero ambition.

### **Changes in the Fund's portfolio during the financial year 2024-2025**

Below is a summary of the changes in the Fund's portfolio during the financial year 2024-2025:

- During Q4, the Fund divested a proportion of holdings worth £70 million from the active equity mandate with Newton and invested the proceeds in LGIM's index-linked gilts to balance its underweight position in the overall portfolio.
- There were drawdowns on various investment commitments made in renewable infrastructure assets:
  - Q1: The Fund made an investment of £13.6 million in Glennmont's Clean Energy Fund IV. This was the first tranche/drawdown of the overall €50 million commitment to invest in the fund made in the previous financial year.
  - Q2: £2.4 million in relation to the private assets with Blackrock, Blackstone and Glennmont.

### **Pooling and Net Zero**

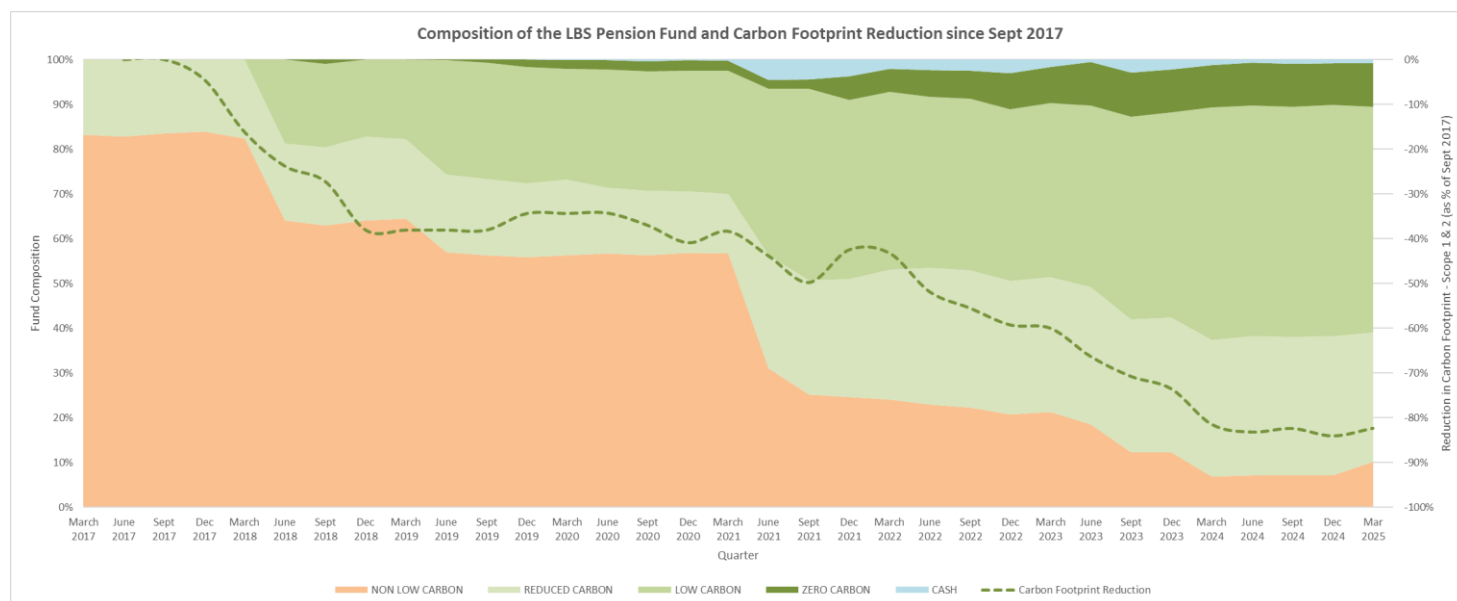
The UK government has mandated that LGPS funds pool their assets to achieve economies of scale and reduce costs. The deadline for this is 31 March 2026. The Fund will have to pool all of its assets, both in public and private markets, with the London Collective Investment Vehicle (LCIV). The LCIV is a collaborative venture, between local authorities in London, which is intended to deliver benefits of investment scale and efficiency to the participating Funds.

This means that, from April 2026, implementation of the Fund's investment strategy will be carried out by London CIV. Fund officers are proactively engaging in discussions with LCIV to ensure that the Fund's 2030 net zero target is considered when London CIV is developing the suite of investment products available to its partner funds.

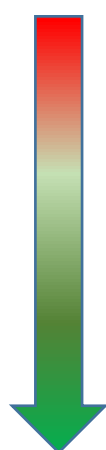
At this stage, the Fund officers continue to engage with all asset managers on decarbonisation of the Fund's holdings and progress is reported to the PAP on a quarterly basis.

## 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 2025 ~90% 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**

The Fund continues to measure fossil fuel exposure through carbon footprint calculations, particularly the Weighted Average Carbon Intensity (WACI, i.e. tonnes of CO<sub>2</sub>e/revenue in USD millions) which is one of the most commonly used metrics for assessment. This metric seeks to assess the carbon footprint of an underlying assets, which can be attributable to the Fund's specific investments.

The greenhouse gas (GHG) emissions of a particular company have been apportioned to the Fund based upon the 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.

A comprehensive review of the carbon footprint of all assets in the Fund was undertaken as at 31 March 2025. 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 Trucost.

In certain instances, the Fund has relied 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 an increasing number of 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 2025**

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 2025 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 ~82%.

The reduction in carbon footprint during the year ending 31 March 2025 was driven by a combination of movement of capital, market movements and an improvement in the carbon footprint of the underlying assets of the portfolio.

The carbon footprint reduction infographic (set out in the chart above) has been produced 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 closely with its investment managers to improve the carbon footprint of the existing investments in the portfolio, including real estate and private infrastructure assets.

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, including LCIV, 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.

## **UK Stewardship Code**

On 13 August 2025, the Fund was listed as a signatory to the Financial Reporting Council (FRC) Stewardship Code for its Stewardship report for the year ending 31 March 2025. This code is widely acknowledged as the leading standard for financial market participants to showcase their stewardship credentials.

This successful outcome demonstrates the Fund's commitment to being a responsible investor and how the Fund has applied the Code's 12 stewardship principles over the [year](#). The Fund will continue to implement best practice in relation to the Fund's approach to stewardship and ensure the signatory status is maintained as assets are transitioned to London CIV.

## **Market and Investment Performance**

Around the world, inflation, while easing, remained above central banks' targets, which meant interest rates stayed relatively high for most of the year. This made borrowing expensive and shaped consumer behaviour, but it also framed sluggish growth. At the same time, significant global events created nervousness in financial markets. These included the lead-up to and fall-out from the US election, continued war in Ukraine, tensions in the Middle East, and concerns about China's economy. In summary therefore, a challenging landscape for funds and a quite volatile environment.

In terms of equities, the Fund's key engine of growth, the first half of the year saw markets post significant gains reaching all-time highs by end September, bolstered by improving inflation, the anticipation of rate cuts and strong performance from the technology majors. This optimism carried into the third quarter with markets hitting further highs before flagging in late December and falling further in the final quarter as concerns over US tariffs unsettled markets, and investors began to shun the US technology majors that had provided much of the year's momentum.

In the UK, the FTSE 100 hit new highs in mid-2024, supported by declining inflation. However, the market sold off in the December quarter due to rising inflation and a snap UK general election. Despite a challenging domestic outlook, the market outperformed global equities in the final quarter as investors reallocated investments away from US equities.

US equities outperformed global equities in the first half of the financial year, with notable contributions from chipmaker Nvidia and a higher-than-expected interest rate cut by the US Federal Reserve. However, post-inauguration fears of tariffs and stagflation led to the worst quarterly performance since 2022. Economic data and competition from China's generative AI also impacted the market.

European equities saw gains in the second half of the year, supported by signs of economic recovery, interest rate cuts by the European Central Bank, and growing expectations of a ceasefire between Russia and Ukraine. Positive economic data and Germany's revised debt policy further boosted market confidence.

In Asia, Chinese markets rallied, propelled by government stimulus and a recovery in consumer spending. Emerging market performance was varied with commodity exporting nations outperforming whilst others faced challenges from US trade policies.

In terms of bonds, global government and corporate bond performance was mixed, with significant variations in US treasury yields and rising yields on German bunds, UK gilts, and Japanese government bonds. Corporate bond spreads widened at the outset of the final quarter in the US and UK but ended the financial year at similar levels to March 2024.

Sterling appreciated against the dollar, euro, and yen over the financial year, while the dollar weakened against major currencies in the final quarter due largely to US tariffs on Canada and Mexico. The pound

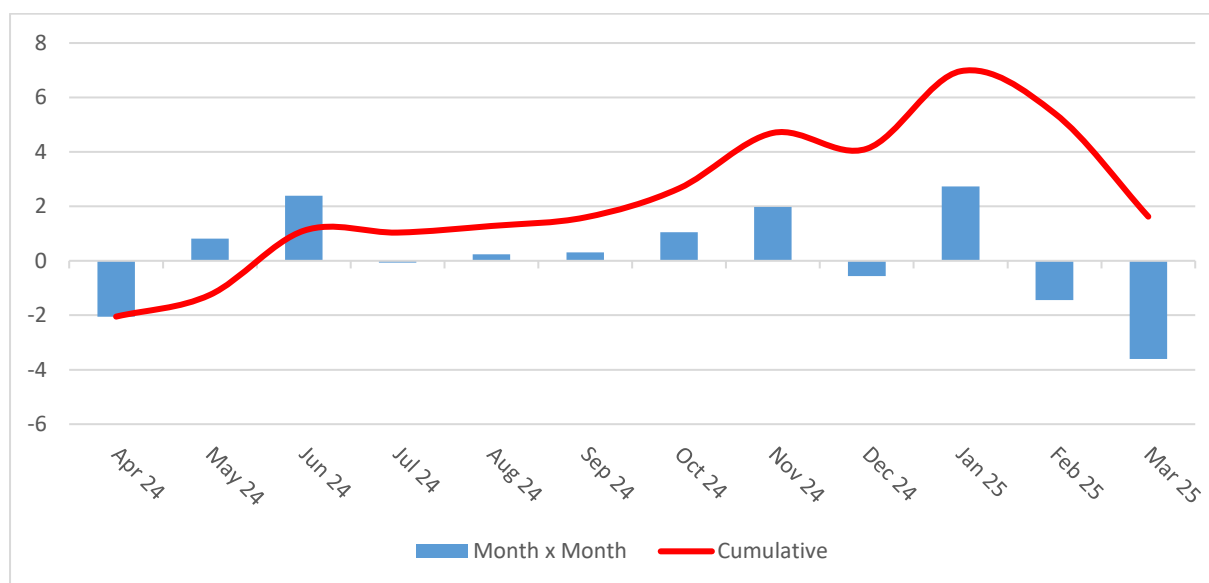
weakened against the euro and yen in this final quarter due to elevated gilt yields and disappointing UK growth figures.

UK commercial property saw modest capital value growth over the course of the year driven by stabilising investor sentiment and rental recovery. Retail Warehouses led sector performance, while prime offices and industrial assets delivered steady gains. Secondary offices and retail continued to decline amid rising voids and retrofit pressures. Investor cashflows improved but stalled a little in the final quarter due to geopolitical uncertainty.

## Southwark Fund Performance

### 2024/2025

Following a strong performance in the previous year, the Fund recorded a 1.6% return in the year to March 2025. As can be seen from the chart below, performance had looked quite positive heading into the final quarter, until global events, particularly the spectre of US tariffs, unsettled markets



\*Source: JP Morgan

As 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 2024-25, the Fund posted a return 3.5% behind this benchmark. There were three themes underpinning the underperformance:

- More than half of the Fund's assets are committed to equities. The Fund is investing in equities using a mix of "active" and "passive" strategies. The latter aims simply to track market indices whilst with the former, the aim is to add value by outperforming these indices. Two managers are mandated to invest on the Fund's behalf, and both underperformed their targets during the year.
- The Fund invests almost a fifth of its asset in real estate. Unlike more liquid investments such as equities or fixed interest, property is a long-term investment which performs in often multi-year cycles. This asset class embodies diverse characteristics that are central to the Fund's overall investment strategy, making it inherently challenging to benchmark. Instead, asset managers are assigned notional return targets: ranging from c7% p.a. for the "core" portfolio to more than 16% p.a. for the smaller, more opportunistic allocation. In the latest year, the core portfolio performed relatively well whilst in the current climate, the benchmarks set for the opportunistic portfolios proved extremely challenging
- Around a tenth of the Fund assets are committed to strategies aligned with the Fund's Net Zero 2030 aspirations. As is the case with property, these investments are long-term in nature and very difficult to benchmark. Targets ranging from 6% – 12% p.a. are assigned for the "ESG Priority" portfolios. Over the course of the year, most of the portfolios undershot their targets

In a challenging year for the sector, every one of the 62 funds independently measured by PIRC (Local Authority Performance Analytics), including all London funds, underperformed against their benchmarks.

## Medium Term

Over the last three years, the Fund returned a very modest return of 2.6% p.a., and over the last five years, a more respectable 8.1% p.a. Over both periods, returns have fallen short of benchmark, the latter by a smaller margin. The themes underpinning the relative underperformance in the latest year are broadly similar over this timeframe.

## Longer Term

Over the last ten, twenty and thirty years, the Fund has delivered very strong annualised returns of between 7% p.a. and 8% p.a. Over these long-term periods however, returns have been around 1% p.a. behind benchmark with the underperformance largely attributable to a legacy of 'active' manager underperformance.

While it's natural to concentrate on how short and medium-term events affect fund performance, it's important to remember that local government pension fund investing is fundamentally a long-term commitment, with responsibilities extending across multiple decades. The primary objective of the pension fund is to ensure:

- **Investment returns consistently outpace inflation**, as pension payments are linked to inflationary increases
- **The fund's assets exceed its liabilities**, with any surplus contributing to the scheme's long-term affordability
- **The return on assets is sufficient, over time**, to meet the funding targets set triennially by the actuary

Over the long-term, the Fund has not only met these three core objectives—it has consistently exceeded them.

## Performance Versus Peers

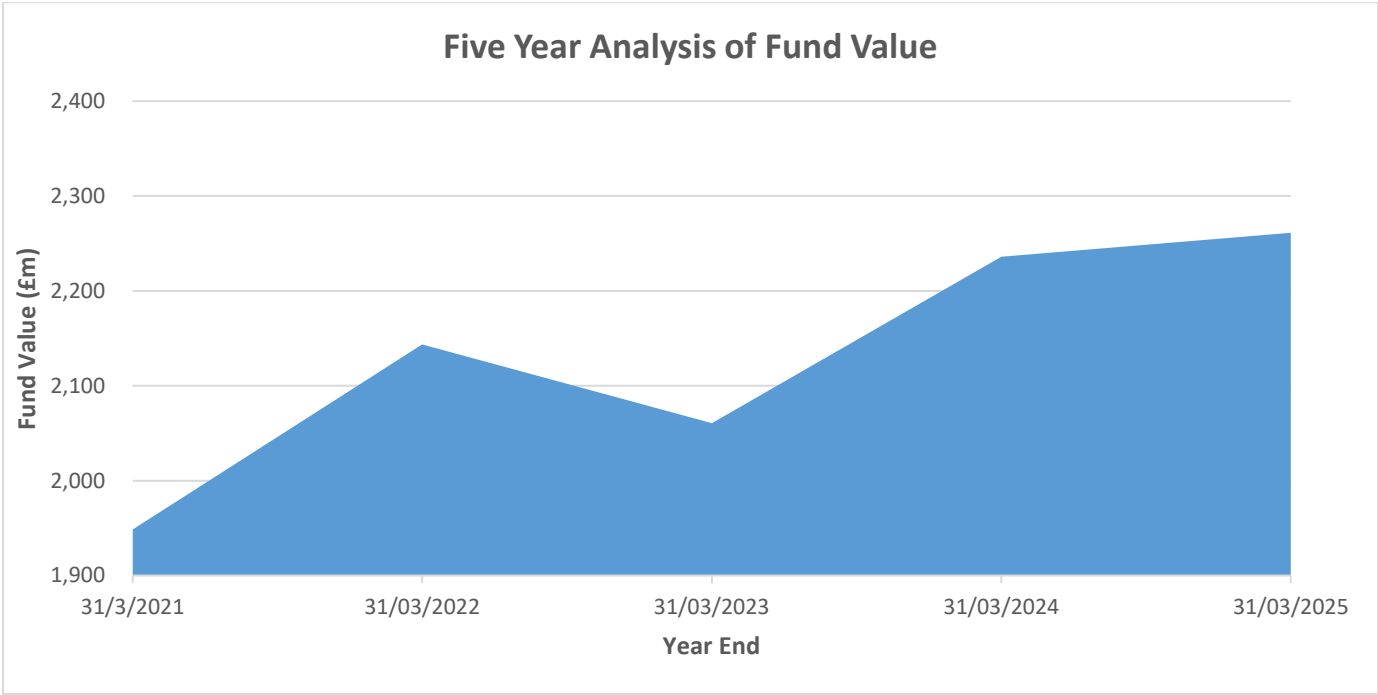
Whilst every fund within the LGPS has its own unique investment profile, there is nonetheless greater homogeneity within UK local authority funds than there is within other institutional investment sectors. There is some merit therefore in comparing how the Fund's performance compares to that of other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

The table below shows how Southwark's performance has compared against the LGPS average over a number of timeframes (rankings represent a fund's relative position; 1 being the best and 100 the poorest).

	Fund % p.a.	Universe % p.a.	Relative % p.a.	Rank
One Year	1.6	3.4	-1.7	93
Three Year	2.6	3.6	-1.0	73
Five Year	8.2	8.3	-0.1	51
Ten Year	7.0	6.7	0.3	24
Twenty Year	7.6	7.3	0.3	23
Thirty Year	7.8	7.5	0.3	12

Source: PIRC LGPS League Tables 2024-2025

The Fund's relatively disappointing near-term performance has impaired the relative position within the universe of its peers, but over longer-term (ten to thirty years) it has outperformed and sits comfortably in the top quartile.



## 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/Fund	1 year portfolio return %	1 year benchmark return %	Relative difference %	Target return
Blackrock Global Renewable Power Fund	-13.97	10.00	-23.97	Absolute Return 10%
Blackrock Index-Linked Gilts	-10.37	-10.44	0.07	FTSE Actuaries UK Index-Linked Gilts over 5 years
Blackrock Low Carbon Equity	4.38	4.63	-0.25	BLK Equity Index
Blackrock Sterling Liquidity Fund	9.69	4.90	+4.79	SONIA Overnight
Blackstone Strategic Capital Holdings II	17.86	12.0	+5.86	Absolute Return 12%
Brockton Capital	-5.18	15.0	-20.18	Absolute Return 15% p.a.
BTG Pactual Open Ended Core US Timberland LP	6.37	6.0	0.37	Absolute Return 6%
Comgest Global Emerging Markets Plus	-3.76	5.79	-9.55	MSCI Emerging Markets - Net Return
Darwin Bereavement Services Fund	-1.61	6.0	-7.61	Absolute Return 6%
Darwin Leisure Development Fund	-25.18	6.0	-31.18	Absolute Return 6%
Frogmore	-37.80	16.5	-54.30	Absolute Return 16.5% p.a.
Glennmont Clean Energy Europe Fund III	-2.04	10.0	-12.04	Absolute Return 10%
Glennmont Clean Energy Europe Fund IV*	-21.15	9.48	-30.63	Absolute Return 10%
Invesco Real Estate	-0.37	8.0	-8.37	Absolute Return 8% p.a.
LCIV Alternative Credit Fund	8.73	9.60	-0.87	SONIA (30 day compounded) +4.5% NET
LGIM Index-Linked Gilts Fund	-9.16	-10.44	+1.27	FTSE A Index-Linked over 5 Years Index
LGIM Low Carbon Transition Developed Market Equity Fund	5.39	4.99	+0.40	Solactive L&G Low Carbon Transition Global Index
LGIM Sterling Liquidity <sup>1</sup>	4.93	4.82	+0.11	3M SONIA
M&G Investments	2.09	8.0	-5.91	Absolute Return 8% p.a.
Newton Equities	0.45	8.16	-7.71	FTSE All World Index
Northern Trust Money Market Fund	4.75	4.90	-0.15	SONIA Overnight
Nuveen Real Estate <sup>2</sup>	7.9	7.20	+0.70	MSCI U.K. Quarterly Universe +0.5% over rolling 3 years
Robeco Climate Global Credits Fund	4.61	4.89	-0.28	Solactive Paris Aligned Global Corporate Index (hedged)
Temporis Impact Strategy V LP	2.71	10.0	-7.29	Absolute Return 10%
Temporis Operational Renewable Energy Strategy	-8.18	10.0	-18.18	Absolute Return 10%
Temporis Renewable Energy Fund	-11.1	7.00	-18.10	Absolute Return 7%

1. A commitment of €55m was made to the Glennmont Clean Energy Europe Fund IV in 2023-2024 but the initial investments were not drawn until April 2024-2025.

2. Nuveen Real Estate benchmark updated from 7% absolute return during 2024-2025.

3. Table source: JP Morgan and fund manager reports.

The past twelve months produced a strong return on investments, although the majority of this is due to investment income received rather than increases in the value of investments. Compared to 2023-2024, income on investments (£46.3m) was almost double that of 2023-2024. In contrast, the increase in the market value of investments was £1.3m (compared to £171.6m in 2023-2024).

The following table sets out manager performance over one-, three- and five-year periods to 31 March 2025.

## Investment performance – fund manager performance

Investment Manager/Fund		1 YEAR %	3 YEARS % p.a.	5 YEARS % p.a.
Blackrock Global Renewable Power Fund	Portfolio Benchmark <i>Relative</i>	-13.97 10.00 -23.97	3.78 10.01 -6.23	n/a n/a n/a
Blackrock Index-linked Gilts	Portfolio Benchmark <i>Relative</i>	-10.37 -10.44 0.07	-7.70 -6.83 -0.86	3.31 3.25 +0.06
Blackrock Low Carbon Equity	Portfolio Benchmark <i>Relative</i>	4.38 4.63 -0.25	n/a n/a n/a	n/a n/a n/a
Blackrock Sterling Liquidity Fund	Portfolio Benchmark <i>Relative</i>	9.69 4.90 +4.79	n/a n/a n/a	n/a n/a n/a
Blackstone Strategic Capital Holdings II	Portfolio Benchmark <i>Relative</i>	17.86 12.0 +5.86	11.98 12.0 -0.02	n/a n/a n/a
Brockton Capital	Portfolio Benchmark <i>Relative</i>	-5.18 15.00 -20.18	-3.91 15.00 -18.91	0.83 15.00 -14.17
BTG Pactual Open Ended Core US Timberland LP	Portfolio Benchmark <i>Relative</i>	6.37 6.0 +0.37	8.81 6.0 +2.81	n/a n/a n/a
Comgest Global Emerging Markets Plus	Portfolio Benchmark <i>Relative</i>	-3.76 5.79 -9.55	-3.33 2.12 -5.45	n/a n/a n/a
Darwin Bereavement Services	Portfolio Benchmark <i>Relative</i>	-1.61 6.0 -7.61	3.01 6.0 -2.99	n/a n/a n/a
Darwin Leisure Development	Portfolio Benchmark <i>Relative</i>	-25.18 6.0 -31.18	n/a n/a n/a	n/a n/a n/a
Frogmore	Portfolio Benchmark <i>Relative</i>	-37.80 16.50 -54.30	-29.78 16.50 -46.28	-19.41 16.50 -35.91
Glennmont Clean Energy Europe Fund III	Portfolio Benchmark <i>Relative</i>	-2.04 10.00 -12.04	9.58 10.01 -0.43	7.56 10.01 -2.44
Glennmont Clean Energy Europe Fund IV	Portfolio Benchmark <i>Relative</i>	-21.15 9.48 -30.63	n/a n/a n/a	n/a n/a n/a
Invesco Real Estate	Portfolio Benchmark <i>Relative</i>	-0.37 8.00 -8.37	0.43 8.00 -7.57	1.40 8.00 -6.60
LCIV Alternative Credit Fund	Portfolio Benchmark <i>Relative</i>	8.73 9.60 -0.87	n/a n/a n/a	n/a n/a n/a
LGIM Index-Linked Gilts Fund	Portfolio Benchmark <i>Relative</i>	-9.16 -10.44 +1.27	n/a n/a n/a	n/a n/a n/a
LGIM Low Carbon Transition Developed Market Equity Fund	Portfolio Benchmark <i>Relative</i>	5.39 4.99 +0.40	n/a n/a n/a	n/a n/a n/a

Investment Manager/Fund		1 YEAR %	3 YEARS % p.a.	5 YEARS % p.a.
LGIM Sterling Liquidity Fund	Portfolio	4.93	n/a	n/a
	Benchmark	4.82	n/a	n/a
	Relative	+0.11	n/a	n/a
M&G Investments	Portfolio	2.09	0.46	0.70
	Benchmark	8.00	8.00	8.00
	Relative	-5.91	-7.54	-7.30
Newton Equities	Portfolio	0.45	5.45	12.03
	Benchmark	8.16	10.87	17.66
	Relative	-7.71	-5.42	-5.64
Northern Trust Money Market Fund	Portfolio	4.75	n/a	n/a
	Benchmark	4.90	n/a	n/a
	Relative	-0.15	n/a	n/a
Nuveen Real Estate	Portfolio	7.9	-1.70	3.0
	Benchmark	7.20	-2.8	2.1
	Relative	+0.70	+1.1	+0.9
Robeco Climate Global Credits	Portfolio	4.61	n/a	n/a
	Benchmark	4.89	n/a	n/a
	Relative	-0.28	n/a	n/a
Temporis Impact Strategy V LP	Portfolio	2.71	12.03	n/a
	Benchmark	10.0	10.0	n/a
	Relative	-7.29	+2.03	n/a
Temporis Operational Renewable Energy Strategy	Portfolio	-8.18	20.71	15.02
	Benchmark	10.00	10.01	10.01
	Relative	-18.18	10.70	5.01
Temporis Renewable Energy Fund	Portfolio	-11.1	n/a	n/a
	Benchmark	7.02	n/a	n/a
	Relative	-18.10	n/a	n/a

Source: JP Morgan May 2025 and fund manager reports

## Individual Investments Compared to Benchmarks

Across mainstream asset classes, 2024-2025 proved to be more challenging than 2023-24, 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 0.45% return in the year, Newton underperformed the benchmark by some margin (-7.7%). During 2023-2024 Newton implemented new investment guidelines to align the portfolio more closely with the Fund's Net Zero objectives. Consequently, Newton had lower, or zero, exposure to some of the companies in the benchmark which performed particularly well during 2024-2025, which impacted on relative performance. Overall, equities were the Fund's best performing asset class. The worst performing mainstream asset class for the year was index-linked gilts.

In contrast to 2023-2024 the Fund's direct property manager, Nuveen, delivered a positive absolute return of 7.9%, which was ahead of the benchmark return of 7.2%. Of the Fund's pooled property managers only M&G delivered a positive absolute return. However, this did not fully offset Nuveen's positive performance and the Fund's property allocation delivered an overall positive return.

In contrast to 2023-2024 the Fund's private market investments, specifically in the renewable infrastructure and ESG priority funds underperformed 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 2024-2025**

### **Value for money statement**

The Fund continues to balance service delivery with cost efficiency, ensuring value for money for both scheme employers and members. This is a particular challenge given a rising pension fund membership, increased longevity and far greater scheme complexity such as more onerous regulatory compliance (such as the McCloud judgement, Pensions Regulator new General Code and National Dashboard Programmes).

Through wider transformation programmes, efficiencies are being realised through ongoing digitalisation and process automation, including expansion of the self-service portal for members to reduce manual casework intervention, the implementation of workflow automation to streamline repetitive tasks such as routine estimates, and a reduction in paper-based communication through our “digital first” approach to reduce costs.

### **Summary of activity**

#### **Website**

Upgrade work on the Southwark Pension Fund’s dedicated website was completed during 2024-2025 where the website is now under full in-house control. With help from our communication partners, some further website re-design was completed to create a new look website that is more accessible, intuitive and easier to navigate. Phase 1 of the upgraded and refreshed website provides a wider range of online facilities to help members make informed decisions. This work was completed in September 2024.

#### **Training and development**

The Southwark Pension Fund training and development team are currently providing training to all Southwark pensions staff, and the pension teams at the London Boroughs of Haringey and Harrow. Although considered a trial basis, the aim is to expand this as a chargeable service in the future to other London Boroughs and Councils.

#### **Pensioner Payroll**

The Fund’s Payroll team has proven to be highly successful in delivering monthly payroll services and managing all taxation matters with HMRC. The team has continued to operate a weekly Single Payment process which allows all retirement lump sums and death grant payments to be paid weekly outside of the monthly payroll cycle, thereby allowing members and their dependants to receive funds quickly and efficiently.

#### **Project based activity**

Aside the standard recurring annual projects such as year-end data uploads, Annual Benefit Statement production, Annual Allowance taxation checks and Pension Increases/P60 distribution exercises, the Fund has been preparing itself for IT connectivity readiness with effect from 31 October 2025 as part of the National Dashboard programme; actual “go-live” is expected later in 2026 for all Local Government employers.

#### **Data management**

The majority of Southwark employers (including the Council as principal employer and schools) are now on-boarded for automated monthly data collection (HR and payroll data) using the UPM Employer Hub.

Employer Hub enables employers to submit their monthly returns securely online and check their employee source data in one place. More importantly, it allows the Fund’s Data team much higher levels of data scrutiny and reporting to identify data gaps or anomalies and then plan data improvement exercises with schools and other employers, in line with the Fund’s own Data Management Strategy.

The Data team work closely with, and support, all employers to ensure they understand their responsibilities in providing accurate member data each month, which in turn allows the pensions admin team to function at high capacity.

### Cyber security

All of the Fund's 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 Fund's Data team, who have implemented strict password and user access protocols, which are reviewed quarterly.

Pension Fund 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 Fund's admin and payroll software is fully logged and audited.

### Staffing/structure

Whilst there have been no notable changes in staffing, some informal changes have been made to structures to allow for more efficient management against compliance, regulatory, staffing and transformation risks.

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

Information on how the Fund is run can be found [here](#).

### 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 main [Southwark Council website](#) where members can find basic information, guidance and updates to assist them in retirement planning and in making potential financial or lifestyle decisions.

Although the Fund aims to utilise the best use of technology it ensures different communication needs are accounted for by offering multiple contact channels such as a dedicated email inbox, a first contact team where members can speak to trained operators, and face-to-face meetings either online or in person.

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 2024-2025, and any potential associated tax charges, later in October 2025.

## 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 these protections did not apply to them. The 2023 changes are called the McCloud remedy and 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 \(lgpsmember.org\)](https://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 Fund on behalf of participating employers and for past/present members and their dependants.

The Pension Services team 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 2024 to 31 March 2025 can be found in Appendix 6 of this Annual Report. The source of the key performance data is from 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	2020-21	2021-22	2022-23	2023-24	2024-25
Active	7,029	6,700	7,647	7,311	8,184
Pensioner	8,003	8,236	8,512	8,738	8,157
Deferred	9,276	9,209	9,032	8,860	9,009
<b>Totals</b>	<b>24,308</b>	<b>24,145</b>	<b>25,191</b>	<b>24,909</b>	<b>25,350</b>

During 2024-2025 there were 448 new pensioners as detailed below:

Type of Retirement	2021-22	2022-23	2023-24	2024-25
Early Payment	194	127	211	143
Ill Health	15	12	11	13
Normal	173	237	228	200
Redundancy	34	9	33	34
Dependents	NA	72	102	58
<b>Total</b>	<b>416</b>	<b>457</b>	<b>585</b>	<b>448</b>

## Employers in the Fund

The table below summarises the number of active employers participating in the Fund analysed by scheduled bodies and admitted bodies during the financial year 2024-2025.

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 (ECR) on commencement in the Fund. Any variances in the ECR 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 any uncertainties around pension costs do not influence the contract price quoted by providers.

	Active
Scheduled body *	35
Admitted body	13
<b>Total **</b>	<b>48</b>

\* Includes Southwark Council \*\* excludes schools

## Participating employers

The admitted and scheduled bodies participating in the Fund at 31 March 2025 are shown in Appendix 1, which sets out the contributions paid during the year by employees and employers for each participating employer.

## How the service is delivered

### Key services provided

Pensions admin and payroll services are offered to all member categories (actively employed staff, former staff and pensioners).

An online member Self-Service Portal is available to all members where pension modellers can be accessed and where personal details can be updated such as contact information.

A newsletter for retired colleagues was sent out in April 2025, which updated members about annual 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
<b>LGPS Booklet</b>	Electronic, paper based, intranet and website	At joining and on major LGPS changes	Emailed, posted to employees by employer, website	Active members
<b>Retirement Presentations</b>	Face-to-face, MS Teams	Regularly as requested	Advertised on intranet and invitations via HR team	Active members
<b>Pension Roadshows and drop-in sessions</b>	Face-to-face, MS Teams	On request and on major LGPS changes	Advertised on intranet and website	Active members
<b>Pension Fund Annual Report</b>	Southwark Council website, pensions website	Annual	On request	All members
<b>Annual Benefit Statements</b>	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
<b>Website information and links, including Member Self-Service (MSS)</b>	Electronic, via pensions website	Continuously available	Advertised on communication	All members
<b>Newsletters</b>	Email or by post, as 'appropriate'	Annual	Electronic, via email or by post, as 'appropriate'	All members
<b>Member and Employer query phone calls</b>	By telephone	Continuously available via the First Contact Centre	Telephone	All members and employers
<b>Pensions Savings Statements</b>	Email or by post, as 'appropriate'	Annual	Electronic, via email or by post, as 'appropriate'	Active members
<b>High earner and/or Lifetime Allowance letters</b>	Email or by post, as 'appropriate'	Annual	Electronic, via email or by post, as 'appropriate'	Members who may be affected in the future
<b>Pensions Increase Newsletter</b>	Post	Annual	Post	Pensioners
<b>Key Horizon Projects</b>	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.

Stage one is where 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 stage two appeals, and they will assess any additional information and/or evidence afresh and make a final decision on behalf of Southwark's Administering Authority.

	2023-24	2024-25
New IDRP (number)	N/A	4
Resolution to IDRP		<ul style="list-style-type: none"><li>• 1 upheld</li><li>• 2 not upheld</li><li>• 0 dismissed</li><li>• 1 partially upheld</li><li>• £1,000 compensation offered to cover any non-financial injustice (i.e. distress/inconvenience)</li></ul>
Formal complaints	N/A	46
Satisfaction scores	N/A	N/A
Complaints to Pension Ombudsman	N/A	2

## 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 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 Department for Work and Pensions (DWP).

TPO can be contacted on 0800 917 4487

Address: 10 South Colonnade, Canary Wharf, E14 4PU

Website: [www.pensions-ombudsman.org.uk](http://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

[lb pensions@southwark.gov.uk](mailto:lb pensions@southwark.gov.uk)

Telephone: 0207 525 4924

Queries regarding pension fund investments and accounts

Mrs Caroline Watson  
Chief Investment Officer – Resources  
Telephone: 020 7525 4379  
Email: [Caroline.Watson@southwark.gov.uk](mailto:Caroline.Watson@southwark.gov.uk)

Or you can write to us at:

The London Borough of Southwark Pension Fund  
Resources  
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](http://www.thepensionsregulator.gov.uk)

Website: [www.gov.uk/contact-pension-service](http://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](http://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 pensionable 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 agreement 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 its 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 2024-25

Employer	Employee Contributions £'000	Employer Contributions £'000	Total Contributions £'000
<b>Administering Authority</b>			
London Borough of Southwark	16,229.38	49,484.75	65,714.13
<b>Scheduled Bodies</b>			
Ark All Saints Academy	93.44	213.89	307.33
Ark Globe Academy	81.79	183.53	265.32
Ark Walworth Academy	110.98	253.37	364.35
Bacons College	129.34	361.75	491.09
Charles Dickens School	54.99	177.51	232.50
Dog Kennel Hill Academy	27.29	93.25	120.54
Dulwich Hamlet Junior School	34.86	131.04	165.90
GalleyWall Primary	37.88	119.24	157.12
Goose Green	36.60	119.56	156.15
Harris Academy at Peckham	60.55	153.37	213.92
Harris Academy Bermondsey	62.03	159.88	221.91
Harris Boys Academy	65.99	164.06	230.05
Harris Girls Academy	55.37	139.45	194.82
Harris Primary Academy Peckham Park	23.53	66.11	89.64
Harris Primary East Dulwich	28.44	76.82	105.26
John Donne	47.95	160.85	208.80
John Keats	31.59	109.40	140.99
Judith Kerr Free School	28.44	101.26	129.70
Kingsdale Foundation School	-0.26	180.77	180.51
Lyndhurst Primary Academy	31.81	111.52	143.33
Newlands Academy	32.30	75.31	107.61
Redriff Primary Academy	87.33	292.19	379.52
Rotherhithe Primary School	35.85	134.03	169.88
Southwark Diocesan Board of Education	27.78	83.92	111.70
Spa Education Trust (Bermondsey)	47.75	174.09	221.84
Spa Education Trust (Camberwell)	53.09	181.79	234.88
St George's Cathedral School	1.54	5.23	6.78
St Joseph's RC Primary School, George Row	27.81	89.80	117.61
St Joseph's RC Primary School, Gomm Road	1.71	5.91	7.62
St. Paul's CE Primary	29.97	111.84	141.81
The Angel Oak Academy (Gloucester)	21.70	88.53	110.23
The Belham School (part of Dulwich Hamlet)	37.18	133.76	170.94
The Charter School Bermondsey	38.64	128.11	166.75
The Charter School Educational Trust (ED)	104.18	386.49	490.67
The Charter School Educational Trust (ND, Central Trust)	145.74	448.41	594.15
The Park College	7.02	23.57	30.59
University Academy Engineering South Bank (UAESB)	47.44	156.70	204.14
<b>Total Scheduled Bodies</b>	<b>1,789.65</b>	<b>5,596.30</b>	<b>7,385.95</b>
<b>Admitted Bodies</b>			
AiP - Ivydale School	1.09	4.73	5.82
Aspens Services Ltd - Newlands Academy	9.12	107.86	116.99
Aspens Services Ltd - St Joseph's RC	4.98	23.77	28.75
Brandon Trust	7.79	17.54	25.33
Browning Tenant Management	6.30	16.31	22.61
Centre for Literacy Primary Education (CLPE)	0.05	0.22	0.27
CH and Co Ltd (previously Principal Catering)	-4.00	-13.45	-17.44
Energy Kidz	0.90	3.59	4.49
KGB Cleaning (South West) - Bacons College	0.81	3.14	3.94
LunchTime Company(Lunchtime-Charles Dickens)	1.57	5.77	7.34
OCS Facilities	3.20	16.06	19.26
PFI VEOLIA ES	102.34	321.36	423.70
South London Gallery - SLG	10.77	17.64	28.41
Southwark Law Centre	102.86	339.46	442.32
Topmark Sports & Coaching Ltd	0.90	3.07	3.97
Tower Services - Belham	0.14	0.55	0.69
Westgate Cleaning - Camelot	0.68	2.29	2.97
WestGate Cleaning-Goose Green	0.92	4.43	5.35
<b>Total Admitted Bodies</b>	<b>250.43</b>	<b>874.33</b>	<b>1,124.77</b>
<b>Grand Total</b>	<b>18,269.46</b>	<b>55,955.38</b>	<b>74,224.84</b>

\* Employer contributions include pension fund strain cost

## **Appendix 2: Pension Fund Statement of Accounts 2024-25**

### **Independent auditor's report to the members of London Borough of Southwark on the Pension Fund financial statements included in the Southwark Pension Fund Annual Report**

#### **Opinion**

We have examined the Pension Fund Financial Statements of London Borough of Southwark Pension Fund ("the Pension Fund") for the year ended 31 March 2025 included in the Pension Fund Annual Report, which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund Financial Statements, including the accounting policies in note 3.

In our opinion, the Pension Fund Financial Statements included in the Pension Fund Annual Report are consistent, in all material respects, with the Pension Fund financial statements included in the annual statement of accounts of London Borough of Southwark Council ("the Authority") for the year ended 31 March 2025 that were approved on 18 December 2025.

#### **Strategic Director of Resources' responsibilities**

As explained more fully in the Statement of the Strategic Director of Resources' Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Pension Fund Financial Statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

#### **Auditor's responsibilities**

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

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

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office in June 2025.

We have not considered the effects of any events between the date we signed our audit report on the annual statement of accounts of the Authority on 22 December 2025 and the date of this report.

Our audit report on the Authority's annual published statement of accounts that we issued on 22 December 2025 describes the basis of our opinion on those financial statements.

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

This auditor's statement is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of the Authority, as a body, for our work, for this statement, or for the opinions we have formed.



**Fleur Nieboer**  
**for and on behalf of KPMG LLP**

Chartered Accountants  
15 Canada Square  
Canary Wharf  
E14 5GL  
22 December 2025

**PENSION FUND  
ACCOUNTS  
2024-2025**

# LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

## FUND ACCOUNT

	Note	2024-25		2023-24	
		£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the fund</b>					
Contributions	7	(74,225)		(68,208)	
Transfers in from other pension funds	8	(8,016)		(5,489)	
<b>Subtotal</b>			<b>(82,241)</b>		<b>(73,696)</b>
Benefits	9	81,308		74,953	
Payments to and on account of leavers	10	8,380		6,001	
<b>Subtotal</b>			<b>89,688</b>		<b>80,954</b>
<b>Net (additions)/withdrawals from dealing with members of the fund</b>			<b>7,447</b>		<b>7,257</b>
Management expenses	11		15,046		12,752
<b>Net (additions)/withdrawals including fund management expenses</b>			<b>22,493</b>		<b>20,009</b>
<b>Returns on investments</b>					
Investment income	12	(46,547)		(23,663)	
Taxes on income	12	281		(489)	
Profit and losses on disposal of investments and changes in market value of investments	14a	(1,284)		(171,554)	
<b>Net return on investments</b>			<b>(47,550)</b>		<b>(195,706)</b>
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>			<b>(25,057)</b>		<b>(175,697)</b>
Opening net assets of the scheme			(2,236,183)		(2,060,487)
<b>Closing net assets of the scheme</b>			<b>(2,261,240)</b>		<b>(2,236,183)</b>

## NET ASSETS STATEMENT

	Note		31 March 2025 £000		31 March 2024 £000
Long term investments			150		150
Investment assets	14		2,261,790		2,226,113
<b>Total net investments</b>			<b>2,261,940</b>		<b>2,226,263</b>
Current assets	21		2,298		18,337
Current liabilities	22		(2,998)		(8,417)
<b>Net assets of the scheme available to fund benefits as at 31 March</b>			<b>2,261,240</b>		<b>2,236,183</b>

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 20.

# NOTES TO THE PENSION FUND STATEMENTS

## 1. DESCRIPTION OF THE FUND

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 pension scheme administered by Southwark Council to provide pensions and other benefits for former employees of the council and a number of other scheduled and admitted bodies within the London Borough of Southwark.

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 Resources, 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.

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.

### 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.

Membership details for the fund are set out below:

	31 March 2025	31 March 2024
Number of contributors to the fund	8,184	7,311
Number of contributors and dependants receiving allowances	8,157	8,738
Number of contributors who have deferred their pensions	9,009	8,860
<b>Total contributors</b>	<b>25,350</b>	<b>24,909</b>

### 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 2025. 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 2024-25 financial year primary employer contribution rates ranged from 18.3% to 29.1% 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.

A range of other benefits is also provided including any early retirement, disability pensions and death benefits as explained on the LGPS website.

	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 worth 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 up	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.	

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2024-25 financial year and its year-end position as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, 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. The new standards issued but not yet adopted by the Code for 2024-25 are: *IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)* issued in August 2023 and *IFRS 17 Insurance Contracts* issued in May 2017. These new accounting standards are expected to have little or no impact for LGPS fund accounts.

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 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.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

## 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 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. 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.

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.

## Fund Account – expense items

### d) 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) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. All items of expenditure are charged to the fund on an accruals basis.

<b>Administrative Expenses</b>	All staff costs of pensions administration are charged directly to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
<b>Oversight and Governance</b>	All staff costs associated with oversight and governance are charged directly to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
<b>Investment Management Expenses</b>	. 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 values of these investments change.

### f) 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.

## **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 IFRS 13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 16. 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**

The independent valuation of the direct property portfolio managed on behalf of the fund by Nuveen Investment Management is carried out by Knight Frank LLP. The valuer is a member firm of the Royal Institute of Chartered Surveyors (RICS) and the valuation was at 31 March 2025. All properties are included in the accounts at fair value as at 31 March each year.

### **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.

### **k) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external investment managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and 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 an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 20).

### **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 in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 23.

### **p) Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the net assets statement date to measure the value of the financial obligation reliably. Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

#### 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. During 2024-25 critical judgements were made regarding directly held property, details of which are set out below.

##### 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 assets 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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of 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. Aon is engaged to provide the Fund with expert advice about the assumptions.	The approximate impacts of changing the key assumptions on the present value of retirement benefits are: - a 0.1% change in the discount rate would be +/- £23.1m - a 0.1% change in the rate at which salaries are projected to increase would be +/- £1.7m - a 0.1% change in the rate of pension increase would be +/- £21.5m - a one-year change in mortality assumptions would be +/- £36.3m
Freehold and leasehold property	Valuation techniques are used to determine the carrying amount of 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 6%, would see an increase or decrease in the value of directly held property of £14.9m on a fair value of £248.3m.
Pooled property, infrastructure and private equity funds	The investment portfolio held by the pension fund includes properties and assets managed by investment managers on a pooled basis. As the assets are unquoted, values are estimated by the managers using comparable market data, indices and other information from third parties as well as projected revenue streams associated with the assets. The pooled property, infrastructure and private equity funds may not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3 investments.	The effect of variations in the factors supporting the valuation of pooled property funds is estimated to be 6%, which would see a potential increase or decrease of £7.4m on a fair value of £123m  For the pooled infrastructure and private equity holdings, the variation is estimated to be 7.3% meaning, a potential increase or decrease in the value of infrastructure funds of £16.9m on a fair value of £230m and an increase or decrease in the value of private equity holdings of £4.4m on a fair value of £60m.

#### 6. EVENTS AFTER THE REPORTING DATE

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

## 7. CONTRIBUTIONS RECEIVABLE

By category

	2024-25 £000	2023-24 £000
Employees' contributions	(18,269)	(16,788)
Employers' contributions		
Normal	(53,574)	(48,554)
Deficit funding	301	(1,714)
Early retirement strain	(2,683)	(1,152)
Total contributions from employers	(55,956)	(51,420)
<b>Total</b>	<b>(74,225)</b>	<b>(68,208)</b>

By type of employer

	2024-25			2023-24		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark Council	(16,229)	(49,486)	(65,715)	(14,847)	(46,398)	(61,245)
Admitted Bodies	(250)	(874)	(1,124)	(248)	(736)	(984)
Scheduled Bodies	(1,790)	(5,596)	(7,386)	(1,693)	(4,286)	(5,979)
<b>Total</b>	<b>(18,269)</b>	<b>(55,956)</b>	<b>(74,225)</b>	<b>(16,788)</b>	<b>(51,420)</b>	<b>(68,208)</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfer values received in from other pension funds were as follows:

	2024-25 £000	2023-24 £000
Individual transfers	(8,016)	(5,489)
<b>Total</b>	<b>(8,016)</b>	<b>(5,489)</b>

## 9. BENEFITS PAYABLE

By category

	2024-25 £000	2023-24 £000
Pensions	67,302	61,626
Commutation of pensions and lump sum retirement benefits	12,338	12,063
Lump sums - death benefits	1,668	1,264
<b>Total</b>	<b>81,308</b>	<b>74,953</b>

By type of employer

	2024-25 £000	2023-24 £000
London Borough of Southwark council	76,977	70,492
Admitted bodies	2,795	2,872
Scheduled bodies	1,536	1,589
<b>Total</b>	<b>81,308</b>	<b>74,953</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024-25 £000	2023-24 £000
Refund of contributions	122	90
Individual transfers out to other schemes	8,258	5,911
<b>Total</b>	<b>8,380</b>	<b>6,001</b>

## 11. MANAGEMENT EXPENSES

	2024-25 £000	2023-24 £000
Administrative costs **	3,266	2,774
Investment and management expenses *	10,723	9,121
Oversight and governance costs **	1,057	857
<b>Total</b>	<b>15,046</b>	<b>12,752</b>

The council incurred costs of £1m (2023-24 £0.9m) in relation to the administration and governance of the fund during the year and was reimbursed by the fund for these expenses.

\* In the interests of greater transparency, the council discloses its fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. In line with the guidance, investment management expenses have been grossed up to include fees deducted from fund assets at source. The adjustment of 2023-24 by an additional £4,945k investment costs is carried out retrospectively and has an equal impact on investment management expenses and the change in market value of investments. The overall net assets of the fund remain as reported last year.

\*\* To align more closely with the guidance, certain items of expenditure have been re-classified between categories for 2023-24. In last year's accounts, administrative costs were £3,511k, investment management expenses £4,051k and oversight and governance costs £245k. These costs have been reanalysed to £2,774k, £4,176k and £857k respectively (before the adjustment for investment fees deducted at source) to assist comparability with the current year.

## 12. INVESTMENT INCOME

	2024-25 £000	2023-24 £000
Dividends from equities	(4,750)	(2,689)
Income from pooled funds	(28,539)	(10,800)
Income from pooled property funds	(2,441)	(1,858)
Net rental income from properties	(10,772)	(8,302)
Interest on cash deposits	(45)	(14)
<b>Total before taxes</b>	<b>(46,547)</b>	<b>(23,663)</b>
Taxes on income	281	(489)
<b>Total after taxes</b>	<b>(46,266)</b>	<b>(24,152)</b>

### 12a. PROPERTY INCOME

	2024-25 £000	2023-24 £000
Rental income	(13,003)	(10,709)
Direct operating expenses	2,231	2,408
<b>Net rental income from properties</b>	<b>(10,772)</b>	<b>(8,302)</b>

## 13. EXTERNAL AUDIT COSTS

	2024-25 £000	2023-24 £000
Payable in respect of external audit	86	75

Local Government audit fees are set by the Public Sector Audit Appointments body (PSAA). The scale audit fee set out in the PSAA contract for the 2024-25 audit is £86k.

## 14. INVESTMENT ASSETS

	31 March 2025 £000	31 March 2024 £000
<b>Long Term Investments</b>		
Equities	150	150
<b>Total</b>	<b>150</b>	<b>150</b>
<b>Investment Assets</b>		
<b>Equities</b>	235,825	313,576
<b>Pooled Funds</b>		
Equities	493,076	94,974
Property	122,520	129,685
Infrastructure	230,921	218,256
Private equity	60,066	56,471
Multi asset credit	219,440	205,828
Liquidity and money market funds	14,658	18,304
<b>Unitised Insurance Policies</b>		
Fixed Income	230,093	153,080
Equities	393,312	815,427
<b>Property</b>	248,300	218,775
<b>Other investment balances *</b>	13,579	1,738
<b>Total Investment Assets</b>	<b>2,261,790</b>	<b>2,226,113</b>
<b>Net Investments</b>	<b>2,261,940</b>	<b>2,226,263</b>

\* Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets.

### 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 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value £000	31 March 2025 £000
Long term investment	150	-	-	-	150
Equities	313,576	108,715	(183,378)	(3,088)	235,825
Pooled funds*	982,677	37,959	(25,313)	8,180	1,003,503
Pooled property funds	129,685	2,719	(1,034)	(8,850)	122,520
Unitised insurance policies*	561,358	94,681	(36,572)	3,938	623,405
Property	218,775	22,874	-	6,651	248,300
Liquidity and money market funds	18,304	165,335	(169,213)	232	14,658
	<b>2,224,525</b>	<b>432,283</b>	<b>(415,510)</b>	<b>7,063</b>	<b>2,248,361</b>
Derivatives – forward currency contracts	-	210	(533)	323	-
	<b>2,224,525</b>	<b>432,493</b>	<b>(416,043)</b>	<b>7,386</b>	<b>2,248,361</b>
Other investment balances	1,738			(6,102)	13,579
<b>Total</b>	<b>2,226,263</b>			<b>1,284</b>	<b>2,261,940</b>

Forward currency contracts settlements are recognised as cash receipts or payments depending on whether there is a realised gain or a realised loss.

- The opening balance of £407,147k for the Blackrock World Low Carbon Equity Tracker Fund has been reclassified from unitised insurance policies to pooled funds.

	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	225,668	(269,783)	440	575,530
Pooled property funds	89,938	48,337	(349)	(8,240)	129,685
Unitised insurance policies	820,971	761,162	(761,166)	147,539	968,505
Property	194,310	35,960	1,677	(12,502)	218,775
Liquidity and money market funds	45,924	78,042	(107,262)	1,600	18,304
	<b>2,037,590</b>	<b>1,463,133</b>	<b>(1,447,232)</b>	<b>171,554</b>	<b>2,224,375</b>
Other investment balances	1,542				1,738
<b>Total</b>	<b>2,039,132</b>			<b>171,554</b>	<b>2,226,113</b>

As disclosed in note 11 above, this year's retrospective adjustment of £4,945k to 2023-24 investment management expenses has an equal and opposite impact on change in market value of investments. Last year's accounts reported change in market value of investments at £166,609k. This restatement does not affect the total valuation of assets or the financial position of the fund.

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

The fund's Investment Strategy Statement can be accessed on the council's website.

#### 14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market values of assets managed by investment managers at the balance sheet date 31 March 2025 are set out in the table below:

	31 March 2025		31 March 2024	
	£000	%	£000	%
BlackRock	529,531	23%	526,168	24%
Blackstone	60,066	3%	56,471	3%
Brockton Capital	9,130	0%	8,528	0%
BTG Pactual	38,362	2%	36,665	2%
Comgest	91,993	4%	94,974	4%
Darwin	41,078	2%	47,753	2%
Frogmore	3,252	0%	5,062	0%
Glennmont	47,637	2%	30,878	1%
Invesco	46,228	2%	46,412	2%
LCIV CQS	108,730	5%	100,000	4%
Legal and General Investment Managers	516,002	23%	467,839	21%
M&G	43,521	2%	42,629	2%
Newton Investment Management	246,236	11%	313,561	14%
Nuveen	253,099	11%	224,345	10%
Robeco	110,710	5%	105,828	5%
Temporis	101,557	5%	102,532	5%
Legal and General Investment Managers SLF	5,021	0%	5,117	0%
Northern Trust MMF	2,196	0%	4	0%
Blackrock MMF	7,441	0%	9,608	0%
<b>Total with fund managers</b>	<b>2,261,790</b>	<b>100%</b>	<b>2,224,375</b>	<b>100%</b>
Long term investment	150		150	
<b>Total</b>	<b>2,261,940</b>		<b>2,224,525</b>	

The following investments represent more than 5% of investment assets at 31 March 2025.

Name of investment	Fund manager	31 March 2025	% of investment assets	31 March 2024	% of investment assets
		£000	%	£000	%
World Low Carbon Target	BlackRock	401,083	18%	407,147	18%
Low Carbon Transition	Legal and General	393,311	17%	408,280	18%
Fixed Income – unitised insurance	Legal and General	122,690	5%	59,560	3%
Multi Asset Credit	Robeco	110,710	5%	105,828	5%
Multi Asset Credit	LCIV CQS	108,730	5%	100,000	4%
Fixed Income – unitised insurance	BlackRock	107,403	0%	93,520	4%

## 14c. PROPERTY HOLDINGS

The fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

	2024-25 £000	2023-24 £000
<b>Opening balance</b>	<b>218,775</b>	<b>194,310</b>
Additions:		
Purchases	17,891	32,448
Subsequent expenditure	4,983	3,512
Disposals	-	(2,276)
Net increase/(decrease) in market value	6,651	(9,219)
<b>Closing balance</b>	<b>248,300</b>	<b>218,775</b>

The future minimum lease payments receivable are as follows:

	31 March 2025 £000	31 March 2024 £000
Within one year	11,365	12,679
Between one and five years	34,719	32,593
Later than five years	110,434	108,378
<b>Total future lease payments due under existing contracts</b>	<b>156,518</b>	<b>153,650</b>

## 15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives.

## 16. FAIR VALUE – BASIS OF VALUATION

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

<b>Description of Asset</b>	<b>Valuation Hierarchy</b>	<b>Basis of Valuation</b>	<b>Observable and Unobservable Inputs</b>	<b>Key Sensitivities Affecting the Valuations Provided</b>
Quoted equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature	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 is published	Net asset value (NAV) based pricing set on a forward basis	Not required
Pooled investments – property funds	Level 3	Single price at end of accounting period	NAV based pricing valued in accordance with RICS red book valuation standards	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled investments – infrastructure	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	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
Pooled investments – private equity	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	NAV based pricing set on a forward pricing basis. Cashflow transactions, i.e. distributions of capital	Material events between date of financial statements provided and the pension fund's own reporting date. Differences between audited and unaudited accounts
Unitised insurance policies	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single prices are published	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. Valued in accordance with RICS red book valuation standards	Existing lease terms and rentals; Independent market research; Nature of tenancies; 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

## 16a. FAIR VALUE HIERARCHY

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

Value as at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets at fair value through profit and loss</b>				
Equities	235,825	150	-	235,975
<b>Pooled Funds</b>				
Equities	-	493,076	-	493,076
Multi asset credit	-	219,440	-	219,440
Property	-	-	122,520	122,520
Infrastructure	-	-	230,921	230,921
Private equity	-	-	60,066	60,066
Liquidity and money market funds	-	14,658	-	14,658
<b>Unitised Insurance Policies</b>				
Fixed Income	-	230,093	-	230,093
Equities	-	393,312	-	393,312
Other investment balances	13,579	-	-	13,579
<b>Total financial assets</b>	<b>249,404</b>	<b>1,350,729</b>	<b>413,507</b>	<b>2,013,640</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	-	-	248,300	248,300
<b>Total</b>	<b>249,404</b>	<b>1,350,729</b>	<b>661,807</b>	<b>2,261,940</b>

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets at fair value through profit and loss</b>				
Equities	313,576	150	-	313,726
<b>Pooled Funds</b>				
Equities	-	94,974	-	94,974
Multi asset credit	-	205,828	-	205,828
Property	-	-	129,685	129,685
Infrastructure	-	-	218,256	218,256
Private equity	-	-	56,471	56,471
Liquidity and money market funds	-	18,304	-	18,304
<b>Unitised Insurance Policies</b>				
Fixed Income	-	153,080	-	153,080
Equities	-	815,427	-	815,427
<b>Total financial assets</b>	<b>313,576</b>	<b>1,287,762</b>	<b>404,412</b>	<b>2,005,750</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	-	-	218,775	218,775
<b>Total</b>	<b>313,576</b>	<b>1,287,762</b>	<b>623,187</b>	<b>2,224,525</b>

## 16b. TRANSFERS BETWEEN LEVELS

There were no transfers between levels during the year.

## 16c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

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

	Opening balance	Purchases	Sales	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2025 £000
	£000	£000	£000			
<b>Financial assets at fair value through profit and loss</b>						
<b>Pooled Funds</b>						
Property	129,685	2,719	(1,034)	(692)	(8,158)	<b>122,520</b>
Infrastructure	218,256	32,052	(635)	635	(19,387)	<b>230,921</b>
Private equity	56,471	-	-	-	3,595	<b>60,066</b>
<b>Non-financial assets at fair value through profit and loss</b>						
Property	218,775	22,874	-	-	6,651	<b>248,300</b>
<b>Total</b>	<b>623,187</b>	<b>57,645</b>	<b>(1,669)</b>	<b>(57)</b>	<b>(17,299)</b>	<b>661,807</b>

	Opening balance	Purchases	Sales	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
	£000	£000	£000			
<b>Financial assets at fair value through profit and loss</b>						
<b>Pooled Funds</b>						
Property	93,636	50,036	(349)	(312)	(9,750)	<b>133,260</b>
Infrastructure	190,370	18,204	(1,013)	213	10,482	<b>218,256</b>
Private equity	50,363	8,921	-	-	(2,813)	<b>56,471</b>
<b>Non-financial assets at fair value through profit and loss</b>						
Property	194,310	35,960	1,677	-	(12,502)	<b>219,445</b>
<b>Total</b>	<b>528,679</b>	<b>113,121</b>	<b>315</b>	<b>(99)</b>	<b>(14,583)</b>	<b>627,432</b>

## 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 2025	Assessed valuation range	Valuation as at 31 March 2025	Value on increase	Value on decrease
		£000	£000	£000
<b>Pooled Funds</b>				
Property	6.0%	122,520	129,871	115,169
Infrastructure	7.3%	230,921	247,778	214,064
Private equity	7.3%	60,066	64,451	55,681
<b>Property</b>	6.0%	248,300	263,198	233,402
<b>Total</b>		<b>661,807</b>	<b>705,298</b>	<b>618,316</b>

## 17.CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table shows the classification of the pension fund's financial instruments:

		31 March 2025	31 March 2024
		£000	£000
<b>Financial assets</b>			
	<b>Fair value through profit and loss</b>		
	Equities	235,975	313,726
	Pooled investments	1,018,161	593,833
	Pooled property investments	122,520	129,685
	Unitised insurance policies	623,405	968,506
	<b>Amortised cost</b>		
	Cash	670	3,105
	Other investment balances	13,579	1,738
	Debtors	1,628	918
<b>Total</b>		<b>2,015,938</b>	<b>2,011,510</b>
<b>Financial liabilities</b>			
	<b>Amortised cost</b>		
	Creditors	(2,998)	(5,656)
<b>Net Total</b>		<b>2,012,940</b>	<b>2,005,854</b>

### 17a. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised (gains) and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements.

		2024-25 £000	2023-24 £000
<b>Financial assets</b>			
	Fair value through profit and loss	(735)	(184,056)
	Amortised cost	6,102	-
		<b>5,367</b>	<b>(184,056)</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management therefore 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 Resources advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's 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.

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 pension fund 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 pension fund has determined that the following movements in market price risk are reasonably possible:

2024-25 - asset type	31 March 2025	Change	Value on increase	Value on decrease
	£000	%	£000	£000
Fixed Income	230,093	7.2%	246,660	213,526
Equities	1,122,363	11.8%	1,254,802	989,924
Multi asset Credit	219,440	7.3%	235,459	203,421
Property	370,820	6.0%	393,069	348,571
Infrastructure	230,921	7.3%	247,778	214,064
Private equity	60,066	7.3%	64,451	55,681
Liquidity and money market funds	14,658	0.9%	14,790	14,526
Other investment balances	13,579	0.9%	13,701	13,457
<b>Total</b>	<b>2,261,940</b>		<b>2,470,710</b>	<b>2,053,170</b>

2023-24 - asset type	31 March 2024	Change	Value on increase	Value on decrease
	£000	%	£000	£000
Fixed Income	153,080	5.4%	161,346	144,813
Equities	1,224,127	7.9%	1,320,833	1,127,421
Multi asset credit	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,125
Infrastructure	218,256	8.1%	235,935	200,577
Private equity	56,471	11.8%	63,135	49,807
Liquidity and money market funds	18,304	3.9%	19,018	17,590
<b>Total</b>	<b>2,005,750</b>		<b>2,156,482</b>	<b>1,855,019</b>

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 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 pension fund 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%:

<b>Assets exposed to interest rate risks</b>	<b>Market value</b>	<b>Value on 1% rate increase</b>	<b>Value on 1% rate decrease</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 31 March 2025	<b>230,093</b>	232,394	227,792
As at 31 March 2024	<b>153,080</b>	154,610	151,549

### 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 pension fund 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 5.4% strengthening or weakening of the pound against foreign currencies.

<b>Assets exposed to currency risk</b>	<b>Value</b>	<b>Change</b>	<b>Value on foreign exchange rate increase</b>	<b>Value on foreign exchange rate decrease</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
As at 31 March 2025	<b>374,901</b>	5.4%	395,146	354,656
As at 31 March 2024	<b>429,167</b>	5.6%	453,200	405,134

### Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. 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 selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Money market funds and the bank account have the highest credit ratings from a leading ratings agency and the fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The table below shows the credit rating of the fund's money market and bank deposit holdings at 31 March 2025:

<b>Fund/Account</b>	<b>Rating*</b>	<b>31 March 2025 £000</b>	<b>31 March 2024 £000</b>
<b>Money market funds</b>			
BlackRock Institutional Sterling Liquidity Fund	AAAmmf	7,441	9,608
LGIM Sterling Liquidity Fund	AAAmmf	5,021	5,117
Northern Trust Sterling Liquidity Fund	AAAmmf	2,196	4
<b>Bank deposit account</b>			
NatWest Bank plc	A+	760	359
<b>Total</b>		<b>15,418</b>	<b>15,088</b>

\* Long-term Fitch rating

### 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 position 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 the bank account held by the global custodian which holds cash relating to investment activities, the other is the pension fund linked bank current and deposit account arrangement which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the pension 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 2025

#### 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	20.3*	-
2025	20.3*	-

\* The rates have been updated from those quoted in the 2022 valuation report to reflect the revision of the contribution rate payable from 1 April 2024 for the employer London Borough of Southwark and the employers grouped with London Borough of Southwark.

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	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

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: [LB Southwark Pension Fund - 2022 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 and the 2020 cost management valuation process have both been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). This outcome is in line with the approach taken in the 2022 valuation.

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

11. 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 in compliance with the Regulations and to assess whether the valuations are being carried out in a not inconsistent way and in line with the aims of solvency and long-term cost efficiency.

The review for the 2022 valuations was completed in August 2024 and the official summary report and the documents containing the statistics comparing the valuation results across funds are available from the following website: <https://www.gov.uk/government/publications/lgps-ew-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2022>. The London Borough of Southwark Pension Fund did not receive any "flags" in relation to the approach and outcomes of the 2022 valuation in the Section 13 review.

In addition, 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 2025**

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

As required by *IAS 26 Accounting and Reporting by Retirement Benefit Plans*, in addition to the triennial valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities every year using assumptions in line with IAS 19 to provide an estimate of the actuarial present value of promised retirement benefits.

As an actuarial valuation has not been prepared at the date of these financial statements, the promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2022.

	31 March 2025 £m	31 March 2024 £m
Fair value of net assets	2,270	2,239
Actuarial present value of promised retirement benefits	(1,652)	(1,901)
Surplus/(deficit) in the fund as measured for IAS 26	618	338

These figures are prepared only for the purpose of providing the information required by IAS 26 and are not relevant to calculations undertaken for funding purposes.

Key assumptions used are:

	31 March 2025	31 March 2024
Discount rate	5.80% p.a.	4.80% p.a.
Pension increases	2.50% p.a.	2.60% p.a.
Salary increases	4.00% p.a.	4.10% p.a.

## 21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Contributions due - employees	265	855
Contributions due - employers	1,250	1,320
Sundry debtors	113	918
Prepayments	-	11
<b>Sub-total</b>	<b>1,628</b>	<b>3,105</b>
Cash balances*	670	15,232
<b>Total</b>	<b>2,298</b>	<b>18,337</b>

\*Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets. These balances are now shown in note 14 investment assets.

## 22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Benefits	(986)	(1,369)
Professional fees	(415)	(280)
Investment fees	(638)	(5,376)
Taxes	(954)	(797)
Other	(5)	(594)
<b>Total</b>	<b>(2,998)</b>	<b>(8,417)</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2024-25	Market Value 31 March 2025	Contributions Paid 2023-24	Market Value 31 March 2024
	£000	£000	£000	£000
Aegon UK	383	3,564	245	3,471
<b>Total</b>	<b>383</b>	<b>3,564</b>	<b>245</b>	<b>3,471</b>

## 24. AGENCY SERVICES

	2024-25 £000	2023-24 £000
Payments made on behalf of London Borough of Southwark	705	671
<b>Total</b>	<b>705</b>	<b>671</b>

The pension fund makes payment of discretionary added years pensions awarded to former employees of the London Borough of Southwark council on an agency basis. These payments are fully recovered from the council during the year.

## 25. RELATED PARTY TRANSACTIONS

The fund is administered by the London Borough of Southwark and the council is therefore a related party to the fund. The council recharged the fund £1.0m in 2024-25 (£0.9m in 2023-24) to recover costs incurred in the administration and governance of the fund during the year.

No officers' remuneration is paid directly by the fund; costs are instead recovered by council recharges which are disclosed within note 11 management expenses.

The council is also the single largest employer of members of the pension fund and contributed £40.2m in employer's contributions to the fund in 2024-25 (£37.8m in 2023-24).

The Pensions Advisory Panel (PAP) offers advice to the Strategic Director of Resources. 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 of interest at each meeting, which is then recorded in the minutes that are available on the council website

The council, via the Pension Fund, is a shareholder in London LGPS CIV Limited (the organisation set up to run pooled LGPS investments in London) and the net assets statement includes unquoted shares at cost £150k.

### 25a. KEY MANAGEMENT PERSONNEL

The council's Strategic Director of Resources, the Chief Investment Officer and the Head of Pensions Operations are considered key management personnel as they hold key positions in the financial management of the pension fund alongside their responsibilities to the London Borough of Southwark. Their remuneration pro-rata to the time spent on pension fund matters is set out below:

	2024-25 £000	2023-24 £000
Short term benefits	245	208
Post-employment benefits	18	14
Termination benefits	-	17
<b>Total</b>	<b>263</b>	<b>239</b>

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL ARRANGEMENTS

Outstanding capital commitments (investments) at 31 March 2025 totalled £72.9m (31 March 2024: £102.5m).

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 – Links to Key Fund Documents

The key Fund documents and policies can be accessed via the following links:

[Funding Strategy Statement](#)

[Investment Strategy Statement](#)

[Administration Strategy](#)

[Communications Strategy](#)

[Governance Compliance Statement](#)

[Risk Register](#)

## APPENDIX 4 – Post Pool Reporting 2024-2025

### Introduction

The Fund is a member of the London Collective Investment Vehicle (LCIV) Pool and made its first direct investment with LCIV (in the multi-asset credit fund) in March 2024. The Fund also has passive investments managed by Legal & General and BlackRock and a property fund investment managed by M & G which are all held in an oversight arrangement with LCIV and are therefore recognised as assets under the Pool. This arrangement enables the Fund to benefit from Pool fee savings.

The table below splits out the assets between those within the LCIV oversight arrangement, those held directly with LCIV and those completely outside the regional asset Pool.

<b><u>Pool Oversight</u></b>	<b>£000</b>	
Low Carbon Equities - Passive	794,395	
Over 5 Years Index Linked Gilts	230,093	
Property	43,521	
<b>Total assets under Pool oversight</b>	<b>1,068,009</b>	
<b><u>Asset-Pool Managed</u></b>		
Multi Asset Credit	<b>108,730</b>	
<b>Total assets under Pool</b>	<b>1,176,739</b>	<b>52%</b>
<b><u>Non Asset-Pool Managed</u></b>		
Equities (directly held)	235,825	
Equities	91,993	
Multi Asset Credit	110,710	
Property	78,999	
Infrastructure	230,921	
Private Equity	60,066	
Liquidity & money market	14,658	
Cash	12,964	
Other	765	
Property (directly held)	248,300	
<b>Total assets managed outside Pool</b>	<b>1,085,201</b>	<b>48%</b>
<b>Total Investment Assets</b>	<b>2,261,940</b>	

### 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 has been invoiced each year and is not broken down into detailed cost categories. The Fund has achieved estimated net savings of £3.9 million to date.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£	£	£	£	£
Set up costs	175,000	25,000	25,000	65,000	85,000	85,000	85,000	76,000	73,000	694,000
Annual service charge	-	75,000	65,000	25,000	25,000	25,000	25,000	25,000	25,000	290,000
<b>Total Costs</b>	<b>175,000</b>	<b>100,000</b>	<b>90,000</b>	<b>90,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>101,000</b>	<b>98,000</b>	<b>984,000</b>
Fee savings	(535,126)	(601,487)	(384,777)	(534,000)	(578,000)	(583,000)	(480,000)	(509,000)	(726,000)	(4,931,390)
<b>Net savings realised</b>	<b>(360,126)</b>	<b>(501,487)</b>	<b>(294,777)</b>	<b>(444,000)</b>	<b>(468,000)</b>	<b>(473,000)</b>	<b>(370,000)</b>	<b>(408,000)</b>	<b>(628,000)</b>	<b>(3,947,390)</b>

### Ongoing investment management costs

The following table sets out the investment management costs incurred during 2024-25. 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 and BlackRock and the M&G property fund units.

	Asset pool		Non-Asset pool	Fund total
	Direct £	Indirect £	Direct £	£
Ad Valorem	183,225	65,147	10,474,719	10,723,091
As a % of investments held	0.008%	0.003%	0.463%	0.474%

### LCIV – additional information

More information on the London CIV, including contact details, can be found at the London CIV website: [www.londonciv.org.uk](http://www.londonciv.org.uk).

## APPENDIX 5 – Pensions Operations Key Performance Indicators at 31 March 2025

Ref	Casework KPI	Total number of cases open at 31 March 2024 (starting position)	Total number of new cases created in the year (1 April 2024 to 31 March 2025)	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	6	252	248	96.12%	347	98.3%
A2	New Dependent member benefits	0	63	62	98.41%	162	100%
A3	Deferred member benefits	5	253	247	95.74%	232	97.89%
A4	Active member retirements	4	155	154	96.85%	479	99.58%
A5	Deferred benefits	69	670	628	84.98%	592	90.00%
A6	Transfers in (including interfunds in, club transfers)	148	336	410	84.71%	473	88.9%
A7	Transfers out (including interfunds out, club transfers)	155	389	465	85.48%	581	78.9%
A8	Refunds	4	44	47	97.92%	43	91.49%
A9	Divorce quotations issued	3	30	28	84.85%	12	80.00%
A10	Actual divorce cases	0	1	1	100%	1	100%
A11	Member estimates requested either by scheme member and employer	1	791	774	97.72%	884	99.88%
A12	New joiner notifications	0	410	410	100%	287	100%
A13	Aggregation cases	18	41	27	45.76%	4	18.18%
A14	Optants out received after 3 months membership	18	96	91	79.82%	54	75.00%

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	97.3%	94.57%
B2	Communication issued confirming the amount of dependents pension	10 days	99.2%	91.00%
B3	Communication issued to deferred member with pension and lump sum (quotation)	15 days	90.8%	95.49%
B4	Communication issued to active member with pension and lump sum (quotation)	15 days	94.1%	91.11%

Ref	Casework KPI	Suggested Fund Target	% Completed within fund target in year	% completed in previous year
B5	Communication issued to deferred member with confirmation of pension and lump sum (actual)	15 days	88.2%	91.53%
B6	Communication issued to active member with confirmation of pension and lump sum (actual)	15 days	92.6%	91.07%
B7	Payment of lump sum (both active and deferreds)	15 days	96.3%	94.90%
B8	Communication issued with deferred benefit options	30 days	97.2%	93.22%
B9	Communications issued to scheme member with completion of transfer in	15 days	86.1%	90.00%
B10	Communications issued to scheme member with completion of transfer out	15 days	88.3%	92.09%
B11	Payment of refund	10 days	92.4%	96.88%
B12	Divorce quotation	45 days	89.8%	95.00%
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%	100%
B15	Member estimates requested by scheme member and employer	10 days	90.6%	93.88%

Ref	Engagement with online portals	Percentage as at 31 March 2025			
C1	% of active members registered	13.87%			
C2	% of deferred member registered	9.38%			
C3	% of pensioner and survivor members	12.99%			
C4	% total of all scheme members registered for self-service	12.01%			
C5	Number of registered users by age	Age Group	Registered Count	Not Registered Count	Percentage Registered
		Less than 20	0	40	0.00%
		20-29	106	1,815	5.52%
		30-39	354	4,792	6.88%
		40-49	580	6,464	8.23%
		50-59	904	8,103	10.04%
		60-69	1,374	10,251	11.82%
		70-79	313	5,589	5.30%
		80+	48	7,531	0.63%
C6	% of all registered users that have logged onto the service in the last 12 months	42.66%			
	<b>Communication</b>	Total			
C7	Total number of telephone calls received in year	8,628			
C8	Total number of email and online channel queries	35,680			
C9	Number of scheme member events held in year (total of in-person and online)	8			
C10	Number of employer engagement events held in year (in-person and online)	3			

Ref	Engagement with online portals	Percentage as at 31 March 2025
C11	Number of active members who received a one-to-one (in-person and online)	30
C12	Number of times a communication (i.e. newsletter) issued to:	
	a) Active members	1
	b) Deferred members	1
	c) Pensioners	1

Ref	Resources	
D1	Total number of all administration staff (FTE)	22
D2	Average service length of all administration staff	8 years 10 months
D3	Staff vacancy rate as %	18.18%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1: 1213
D5	Ratio of administration staff (excluding management)	1: 1570

	Data Category	Value	
	<b>Annual Benefit Statements</b>		
E1	Percentage of Annual Benefit Statements (ABS) issued as at 31 August	76.5%	
		All deferred statements were sent out on time.  There was a delay in distributing active member statements due to late year-end employer returns because of validation and formatting issues.  A phased ABS run was therefore undertaken over October, November and December 2024.	
	Short commentary if less than 100%		
	<b>Data Category</b>		
E3	Common data score	98.72%	
E4	Scheme specific data score	92.03%	
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	<b>Status</b>	<b>Percentage</b>
		Active	0.00%
		Deferred	10.17%
		Pensioner	0.94%
E6	Percentage of active, deferred and pensioner members with an email address held on file	<b>Total</b>	<b>66.52%</b>
		Active	85.95%
		Deferred	62.81%
		Pensioner	50.95%
	<b>Employer performance</b>	<b>Value</b>	
E7	Percentage of employers set up to make monthly data submissions	97%	
E8	Percentage of employers who submitted monthly data on time during the reporting year	50.5%	

# APPENDIX 6 – Actuarial Statement 2024-2025

## 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%	0
2024	20.3%*	0
2025	20.3%*	0

*\*The rates have been updated from those quoted in the 2022 valuation report to reflect the revision of the contribution rate payable from 1 April 2024 for the employer London Borough of Southwark and the employers grouped with London Borough of Southwark.*

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	4.05% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts *	2.3% p.a.
Rate of increases in pensions in payment * (in excess of Guaranteed Minimum Pension)	2.3% 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
Current active members 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://www.southwarkpensions.co.uk/media/o43hrk0o/actuarial-valuation-report.pdf>
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, and the 2020 cost management valuation process have both been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). This outcome is in line with the approach taken in the 2022 valuation.

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

11. 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 in

compliance with the Regulations and to assess whether the valuations are being carried out in a not inconsistent way and in line with the aims of solvency and long term cost efficiency.

The review for the 2022 valuations was completed in August 2024 and the official summary report and the documents containing the statistics comparing the valuation results across funds are available from the following website: <https://www.gov.uk/government/publications/lgps-ew-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2022>. The London Borough of Southwark Pension Fund did not receive any “flags” in relation to the approach and outcomes of the 2022 valuation in the Section 13 review.

In addition, 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 2025