

---

**THE LEPROSY MISSION**  
**CENTRAL PENSION SCHEME**

**TRUSTEES' REPORT AND FINANCIAL**  
**STATEMENTS**

**31 December 2020**

**SCHEME REGISTRATION NUMBER 10140987**

## **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

---

### **SCHEME**

The Scheme was established with the main purpose of providing pensions for employees of The Leprosy Mission International (the Principal Employer) and its associated bodies upon their retirement. The Scheme was closed to future accrual from 31 March 2013.

### **EMPLOYER**

The Leprosy Mission International (the Principal Employer) and its associated bodies are set out in note 3 of the financial statements.

### **PENSION SCHEME COMMITTEE**

The Scheme is administered by Trustees through the Pension Scheme Committee. The Leprosy Mission International (the Principal Employer) may, by deed or written instrument, appoint new or additional Trustees or remove any Trustee from office. The following members of the Pension Scheme Committee served during the year and met twice in the year.

Alan D Gray (Member Nominated Trustee)  
Deborah Rees (Employer Nominated Trustee)  
Ralph Turner (Employer Nominated Trustee / Chairman)  
Stewart E S Smith (Employer Nominated Trustee) (deceased 1 April 2021)  
Trevor D Durston (Member Nominated Trustee)

### **PENSION SCHEME ADMINISTRATOR**

First Actuarial LLP  
Network House  
Basing View, Basingstoke  
Hampshire RG21 4HG

### **BANKER**

Barclays Bank plc  
Richmond & Twickenham Business Centre  
8 George Street, Richmond  
Surrey TW9 1JU

### **ACTUARY**

Peter Shellswell FIA  
First Actuarial LLP  
Network House  
Basing View, Basingstoke  
Hampshire RG21 4HG

### **AUDITOR**

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

### **INVESTMENT MANAGER**

Legal & General Investment  
Management Ltd(LGIM)  
1 Coleman Street  
London  
EC2R 5AA

### **INVESTMENT ADVISOR**

First Actuarial LLP  
Network House  
Basing View, Basingstoke  
Hampshire  
RG21 4HG

### **SOLICITOR**

BDB Pitmans LLP  
The Anchorage  
34 Bridge Street  
Reading  
RG1 2LU

# **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

## **REPORT OF THE TRUSTEES**

---

### **INTRODUCTION**

The Trustees present their report on the Scheme for the year ended 31 December 2020.

The Scheme is governed by the trust deed and rules and has been granted registered scheme status by HM Revenue and Customs. In accordance with the Trust Deed the Scheme is administered by trustees, which consists of five members who are listed above. At least two persons are appointed by the principal employer and at least two persons are selected by the members using an election procedure approved by the Trustees which is consistent with the provision of section 256 of the 2004 Pensions Act that the quorum for meetings of trustees be set at three trustees at least one of whom must be a principal employer appointed trustee and at least one must a member nominated trustee. Trustees operate as individual trustees and by law must act in good faith to protect the interest of all members of The Leprosy Mission Central Pension Scheme. All members of the Scheme are contracted-in to the state second pension. Further information about the Scheme is given in the explanatory booklet, which is issued to all members.

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

## **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

### **REPORT OF THE TRUSTEES (continued)**

---

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

#### **FINANCIAL DEVELOPMENT OF THE SCHEME**

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995. The net assets of the Scheme increased by £1,558,310 during the year to £25,587,020 at 31 December 2020. The financial statements and notes thereto are included on pages 20-35 of the report and financial statements.

#### **CHANGES TO THE PENSION SCHEME**

There were no changes to the scheme rules during the year.

#### **MEMBERSHIP**

	<u>2020</u>	<u>2019</u>
Employed Members with preserved benefits	14	15
Deferred Members with preserved benefits	105	115
Pensioners	<u>178</u>	<u>169</u>
Total	<u>297</u>	<u>299</u>

#### **ACTUARIAL POSITION**

The last actuarial valuation was carried out as at 31 December 2018 and the actuarial certificates and report on actuarial liabilities are set out on pages 12 to 14. In accordance with the Statutory Funding Objective (SFO), the Scheme should hold assets at least equal to the Technical Provisions. The Technical Provisions are equal to the value of benefits in respect of service up to the effective date of the valuation. The Scheme's Technical Provisions were funded to a level of 100% at the date of the last triennial valuation. This valuation revealed the Scheme was in surplus on the statutory funding objective agreed between the employers and the pension scheme trustees. As a result, no Recovery Plan was required.

The Trustees and the employers have agreed to pay contributions to the Special Pensions Account to cover the estimated administration expenses of the Scheme. The contributions will be paid by TLMI (Principal employer) and all other participating employers from 1 January 2020 to 31 December 2022 as shown in the table below. The amounts are payable in equal monthly instalments from 1 January 2020 for a period of three years.



**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**REPORT OF THE TRUSTEES (continued)**

	Valuation at 31.12.2018	Valuation at 31.12.2015
<b><u>Participating Employers (TLM)</u></b>	(£ pa)	(£ pa)
The Leprosy Mission International	57,200	113,400
The Leprosy Mission International England & Wales	22,000	46,100
The Leprosy Mission International Trading Limited	4,500	7,700
The Leprosy Mission International Northern Ireland	3,600	7,200
The Leprosy Mission International Scotland	2,700	5,600
Total contributions	90,000	180,000

The next actuarial valuation is due at 31 December 2021 and the results are expected by November 2022.

**SPECIAL PENSION ACCOUNT**

A lump sum of £1million was paid into a Special Pension Account (previously Escrow Account) on 11 January 2012. The Pension Trustees and the Employers have agreed to pay future pension contributions into the Special Pension Account from 1 June 2015.

By a 'Security Agreement' made on 30 June 2015 between The Leprosy Mission International and the Trustees, The Leprosy Mission International has granted charge over the 'Special Pension Account' (previously Escrow Account) account in favour of the Trustees to secure all present and future liabilities of the employers to the Scheme up to a maximum of the entire aggregate liability of the employer measured as a debt due under Section 75(2) of the Pensions Act 1995.

Release of funds from the Special Pension Account to the main scheme or to the employer will occur after an actuarial valuation if the funding level of the Scheme reaches below 80% or combined funding level exceeds 108%. TLMI and the pension trustees will issue a release notice to Rathbones Investment Management Ltd with an amount sufficient to either increase the funding level of the Scheme to 80% or to reduce the combined funding level to 108% on the statutory funding objective basis.

## **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

### **REPORT OF THE TRUSTEES (continued)**

---

The results of the 31 December 2018 triennial valuation showed that the Combined Funding Level of the Scheme was 111% and that the excess funds above the 108% trigger were £706,000. Originally, the Trustees and the Employers agreed that a refund of £600,000 would be taken by TLMI on behalf of all the Employers. After further discussion, it was agreed that the refund amount should be £360,000.

The refund will be paid in equal monthly instalments of £15,000 over a 24-month period commencing on 4 October 2020. A first payment was made on 4 January 2021 which including backdated payments to 4 October 2020 totalling £45,000.

Under regulatory guidelines, Trustees are also required to tell Members what would happen in the hypothetical situation that the Scheme had discontinued and Trustees had sought to secure the benefits with an insurance company. Buying insurance policies is expensive because insurers need to take a very cautious view and to make a profit. At the last valuation date on

31 December 2018, the actuary's calculations indicated that, if this had occurred, the Scheme's assets would have been around 67% of the cost of the associated premium – TLM would have been liable for the balance. If TLM had been unable to pay the required amount and became insolvent, it would be expected that the Pension Protection Fund would have taken over the Scheme and paid compensation to members.

It should be borne in mind that a pension scheme is a long-term arrangement and a current shortfall of assets does not affect the ongoing operation of the Scheme nor does it mean that it will fail to meet its obligation to members.

Further information on the Pension Protection Fund is available from the Pension Protection Fund website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Alternatively you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

### **PENSION INCREASES**

As at 1 April 2020, the Trustees were able to increase by 2.4% (2019: 3.3%) that portion of all pensions in payment in excess of Guaranteed Minimum Pension. Preserved pensions were increased in accordance with statutory requirements. Pensions earned between post 1997 and pre 2009 were increased by 2.4% (2019: 3.3%).

### **TRANSFER VALUES**

Transfer values are calculated in accordance with regulations made under Section 97 of the Pension Schemes Act 1993. The method of calculating transfer values is established by the Trustees acting on the advice of the Scheme Actuary. Payments made during the year reflected the value of the members' accrued benefit rights, with no allowance for the discretionary benefits.

### **CONTRIBUTIONS**

Contributions are required to be paid to the Scheme in accordance with the rates and the due dates specified in the Schedule of Contributions agreed between the Employer and the Trustees.

## **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

### **REPORT OF THE TRUSTEES (continued)**

---

#### **INVESTMENT REPORT**

The overall investment policy of the Scheme is determined by the Trustees in consultation with the Investment Advisor. Given the long-term nature of a pension fund's liabilities, the investment objectives have been to maximise the overall return from income and capital appreciation, without resorting to a high-risk profile. The Trustees at their meeting on 4 February 2018, agreed to invest its main pension fund in pooled investment vehicles. This decision was made to protect the scheme investments against fluctuations and sought to better match and align investments with liabilities.

The investment fund was transferred to LGIM and managed and invested in pooled investment funds. First Actuarial LLP was appointed as the Investment Advisor. The funds were invested in five collective investment funds managed by LGIM and the performance was reported on a quarterly basis. The investment advisor attends the Trustees' meeting once a year to give an extensive performance report.

The Trustees last reviewed the investment strategy in October 2019 and a strategic position was agreed under which the combined allocation to the BNY Mellon Real Return Fund and the LGIM leveraged LDI funds should equal 50% of total Scheme assets. The remaining 50% of total Scheme assets will be split equally between the two equity funds.

The actual allocation of the Scheme's assets is not regularly rebalanced back to the strategic position and will vary over time as market conditions change but will be monitored and rebalanced at the discretion of the Trustees.

The Trustees will review the strategic asset allocation periodically, and at least every three years, to ensure that the investment strategy remains consistent with the Trustees' funding objectives. As part of such a review, the Trustees will consider the risks associated with the investment strategy.

The Special Pension Account continued to be managed by Rathbone Investment Management. The Trustees have given guidelines which require that any single equity investment held in the portfolio of more than 5% of the value of the total portfolio should be specially reported to the Pension Scheme Trustees.

#### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS**

The mandates put in place by the Trustees specify how rights attaching to the Scheme's segregated investments are acted upon. This includes restrictions on certain investments prohibited by the sponsoring employer's charitable covenant and a requirement to consider these, and social, ethical and environmental factors when making investment decisions. The Trustees have less influence over the underlying investments within pooled investment vehicles held by the Scheme but review the managers' policies and statements of compliance in respect of these matters.

#### **REMUNERATION OF INVESTMENT MANAGER**

The total fee levied in 2020 was £116,210 (2019: £95,287). In addition to these administration costs, indirect costs are charged within the pooled investment vehicles.

# **THE LEPROSY MISSION CENTRAL PENSION SCHEME**

## **REPORT OF THE TRUSTEES (continued)**

---

### **GUARANTEED MINIMUM PENSION (GMP)**

GMP reconciliation against HMRC data has been completed; there were 29 pensioners whose GMP payment was at least 50 pence per week different to that of HMRC. The net overpayment to date is £42,000 and the Principal Employer agreed to underwrite this expense.

The Trustees and the Principal Employer agreed to correct the pension to the amount that HMRC state should be in payment and not to request overpayments.

GMP Equalisation and the recent High Court ruling in a case involving Lloyds Banking Group is relevant to TLM CPS Trustees. They have a duty to make sure that equal pension benefits are paid to men and women and this principle of equalisation applies to all members since 17 May 1990. The Actuary will advise the Trustees as soon as the Government issues guidance on the various options available and this may require legal advice.

### **ADMINISTRATION**

First Actuarial LLP are Scheme Administrators. The costs of administration are shown on page 20.

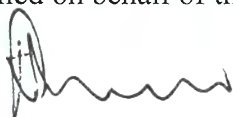
### **CUSTODIAN ARRANGEMENTS**

Citibank and HSBC provide custodianships of the investments managed by Legal & General Investment Management (LGIM). Citibank provides custodianship for equities, US Treasury and Japanese Government bonds. HSBC provides the custodianship for UK equities, corporate bonds and all other overseas government bonds.

### **FURTHER INFORMATION**

Any enquiries about the Scheme, including requests from individuals for information about their benefits or complaints, should be sent to The Scheme Administrator, c/o The Leprosy Mission Central Pension Scheme, 80 Windmill Road, Brentford, Middlesex TW8 0QH or by email ([gladstone.worthington@leprosymission.org](mailto:gladstone.worthington@leprosymission.org)).

Signed on behalf of the Trustees



Ralph Turner

# **THE LEPROSY MISSION CENTRAL PENSION SCHEME IMPLEMENTATION STATEMENT**

---

## **Introduction**

An investment in equities (shares) brings with it an entitlement to vote at general meetings of the companies whose shares are held. Some of the Scheme's assets are invested in equities and the Statement of Investment Principles (SIP) includes wording relating to the Trustees' voting and engagement policies.

This Implementation Statement provides an assessment of how, and the extent to which, the voting and engagement policies described in the SIP were followed over the Scheme Year.

In addition, it summarises the voting record of the Scheme's investment managers and provides information on the significant votes made in respect of the Trustees' equity holdings. Information is also provided on how the Scheme's investment managers make use of the services of proxy voting advisers.

## **Relevant Investments**

The Scheme's assets are invested in pooled funds managed by Legal & General Investment Management (LGIM) and some of those funds include an allocation to equities.

Over the course of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- BNY Mellon Real Return Fund; and
- LGIM Ethical Global Equity Index Fund (both currency hedged and unhedged versions)

## **Voting and Engagement Policies in the SIP**

The Trustees believe that financially material considerations, including Environmental, Social and Governance (ESG) factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.

The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole.

The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.

The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

These statements remain a fair description of the Trustees' stance.

The Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by each investment manager's own policies on such matters.

## THE LEPROSY MISSION CENTRAL PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

All of the Schemes' assets continued to be invested in pooled funds over the year.

The Trustees will normally select investment managers who are signatories to the United Nations Principles for Responsible Investment (UNPRI) and who publish the results of their annual UNPRI assessment.

All of the Scheme's investment managers remain signatories to the UNPRI.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustees when selecting and monitoring investment managers and the Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The investment adviser also provides regular updates on the investment managers' actions regarding ESG factors and shareholder engagement.

In August 2019, the Investment Adviser provided information on the ESG characteristics of the pooled funds used by the Scheme. The Investment Adviser has confirmed that that information remained valid over the course of the Scheme Year.

The Investment Adviser has also provided analysis of LGIM and BNY Mellon's voting records to assist the Trustees in the preparation of this Statement.

No changes were made to the funds or managers used over the course of the Scheme Year.

### Investment Managers' Voting Record

A summary of the investment managers' voting records is:

Investment Manager	LGIM	BNY Mellon
Period	Calendar Year 2020	Year to 31 March 2020
Number of votes	66,242	2,400
Split of votes:		
For	82%	85%
Against	17%	13%
Did not vote/abstained	1%	2%

#### Notes

*Split of votes may not sum to 100% due to rounding*

*The LGIM statistics are based on the manager's full voting record rather than votes related solely to the funds held by the Scheme.*

## THE LEPROSY MISSION CENTRAL PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

*The BNY Mellon statistics are based on a sample of the manager's funds which include an allocation to equities and the data provides a meaningful representation of the manager's overall voting record.*

The data shown for BNY Mellon is based on the most recent information provided by the manager to the Trustees' Investment Adviser at the date of preparing this Statement. Although the data shown for BNY Mellon is not for the same period as the Scheme Year, the data is representative of the manager's approach to voting and it is unlikely that analysis for the actual Scheme Year would be materially different.

### Use of proxy investment advisers

Investment Manager	LGIM	BNY Mellon
Who is their proxy voting adviser?	ISS and IVIS	ISS
How is the proxy voting adviser used?	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.	Only used in the case of a conflict of interest

### Significant votes

Based on information provided by the Trustees' Investment Adviser, the Trustees have identified significant votes in eight separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment managers are listed in the Appendix. The majority of these votes related to companies which were held only by LGIM.

To ensure a more detailed assessment of BNY Mellon's voting record was undertaken, the Trustees also considered their voting record in significant votes based on companies in which BNY Mellon invested.

The Trustees' analysis of voting in significant votes included a comparison with the voting records of other major investment managers.

### Description of Voting Behaviour

The Trustees' analysis of LGIM's and BNY Mellon's voting records did not raise any concerns.

Both managers are able to demonstrate a willingness to vote against management on a wide range of subjects and both have made public announcements relating to their voting policies.



**THE LEPROSY MISSION CENTRAL PENSION SCHEME  
IMPLEMENTATION STATEMENT (continued)**

---

Comparison of the managers' voting records with those of other managers indicates that both take voting seriously, make detailed information publicly available via their websites and are less inclined to simply wave through a proposal brought by company management than is the case for many of their competitors.

Looking at significant votes in categories where the votes were brought by shareholders, both LGIM and BNY Mellon demonstrate a tendency to support such motions. Both voted in favour of all five of the most significant votes they cast on matters relating to Environmental and Socially Responsible policies.



.....  
Signed on behalf of the Trustees of the Leprosy Mission Central Pension Scheme

Date: 23 April 2021



## Actuarial Certificate for the purposes of Section 227(5) of The Pensions Act 2004

Name of scheme: The Leprosy Mission Central Pension Scheme

### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2018 to be met by the end of the period specified in the Recovery Plan.

### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 3 October 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	Date:
Name: Peter Shellswell	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: First Actuarial LLP Network House Basing View Basingstoke Hampshire RG21 4HG	



## Actuarial Certificate for the purposes of Section 225 of the Pensions Act 2004

Name of scheme: The Leprosy Mission Central Pension Scheme

### Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 3 October 2019.

Signature:	Date:
Name: Peter Shellswell	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: First Actuarial LLP Network House Basing View Basingstoke Hampshire RG21 4HG	

# THE LEPROSY MISSION CENTRAL PENSION SCHEME

## REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service at the valuation date or date of leaving if earlier. This is assessed using the assumptions agreed between the Trustees and the Employers and set out in the Statement of Funding Principles dated 3 October 2019, which is available to the Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2018. Since that date two actuarial updates have been carried out, the most recent of which was as at 31 December 2020.

	31 December 2020	31 December 2019	31 December 2018
The value of the technical provisions was	£22,782,000	£21,528,000	£20,760,000
The value of the assets (excluding AVCs) was	£25,563,877	£24,006,365	£20,776,000

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

### Method

The actuarial method to be used in the calculation of the technical provisions is the projected unit method.

### Significant actuarial assumptions

Assumption	31 December	2020	2019	2018
Discount rate	Derived from prudent assumptions of the returns on the underlying assets based on a long-term allocation of 50% growth assets and 50% matching assets.	3.2% pa	3.8% pa	4.3% pa
Retail Prices Index (RPI) inflation	Derived by considering the future level of inflation implied by the UK gilt yield curves produced daily by the Bank of England at a duration of 15 years less an inflation risk premium of 0.1% pa.	3.3% pa	3.3% pa	3.5% pa
Consumer Prices Index (CPI) inflation	Derived by reducing the RPI inflation assumption by a prudent margin of 0.8% pa.	2.5% pa	2.5% pa	2.7% pa
Pension increases in payment	The assumed pension increase rate for benefits linked to RPI and CPI inflation, but subject to an annual cap, is set consistently with the relevant inflation assumption and calculated by reference to a probability distribution derived from historic inflation.			
Mortality before and after retirement	102% S3PMA (males) and 110% S3PFA (females) with future improvements in line with CMI 2018 with an assumed long-term rate of improvement of 1.5% pa.			
Partner/Spouse	75% of males and 65% of females are assumed to be married at retirement or earlier death, with husbands three years older than their wives.			
Cash commutation allowance	Members are assumed to commute pension to provide 60% of the maximum tax-free cash.			

The Scheme does not hold any annuities in the name of the Trustees.

## THE LEPROSY MISSION CENTRAL PENSION SCHEME

### SUMMARY OF CONTRIBUTIONS

---

According to the Schedule of Contributions which was in place in the year, all contributions should be paid to the Special Pension Account.

During the year ended 31 December 2020 the contributions paid to the Special Pension Account (SPA) by the employers were as follows:-

#### Contributions from Employers

Contributions paid under the Schedule of Contributions for:

Contributions were paid into SPA:	£	
The Leprosy Mission International	52,433	*
The Leprosy Mission International England & Wales	30,733	**
The Leprosy Mission International Northern Ireland	3,600	
The Leprosy Mission International Scotland	2,700	
The Leprosy Mission International Trading Limited	4,500	
Total contributions	<u>93,966</u>	

\* The December 2020 contribution of £4,767 was credited into the SPA account on 2 January 2021.

\*\* TLM EW contribution includes a backdated amount of £3,842 plus overpayment of £4,891 for the current year, which will be adjusted in 2021.

The Special Pension Account (SPA) is included as a restricted fund in The Leprosy Mission International's (principal employer) Balance Sheet (see page 4 for further details).

Approved by the Trustees and signed on their behalf by:-



Ralph Turner

# **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE LEPROSY MISSION CENTRAL PENSION SCHEME**

---

## **Opinion**

We have audited the financial statements of the Leprosy Mission Central Pension Scheme for the year ended 31 December 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, and of the amount and disposition at that date of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of and the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE LEPROSY MISSION CENTRAL PENSION SCHEME (continued)**

---

### **Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:



## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE LEPROSY MISSION CENTRAL PENSION SCHEME (continued)**

---

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.**

Based on our understanding of the Scheme, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements and reporting frameworks for pension schemes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Pensions Acts 1995 and 2004 and associated Regulations.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to income and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting any relevant correspondence with the Pensions Regulator and HMRC;
- Consideration of scheme compliance with applicable laws including the Pension Acts of 1995, 2004, 2008, 2011, and 2014, and the Pension Schemes Acts of 1993, 2015 and 2017;
- Consideration of scheme compliance with applicable regulations including 2018 SORP Financial Reports of Pension Schemes, Occupational Pension Schemes (Disclosure of information) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of our report**

This report is made solely to the Scheme's Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

*Haysmacintyre LLP*

Haysmacintyre LLP  
Statutory Auditor  
London

18 June 2021

**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEES OF THE LEPROSY MISSION CENTRAL PENSION SCHEME**

---

We have examined the summary of contributions payable to the Leprosy Mission Central Pension Scheme, for the Scheme year ended 31 December 2020 which is set out on page 15.

**Statement about contributions payable under the schedule of contributions**

In our opinion contributions for the Scheme for the year ended 31 December 2020, as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 3 October 2019.

**Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Special Pensions Account and the timing of those payments under the Schedule of Contributions.

**Respective responsibilities of the Trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any member of the Scheme and for monitoring whether contributions are made by the employers in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

**Use of our Statement**

This statement is made solely to the Scheme's Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our work, for this statement, or for the opinions we have formed.

*Haysmacintyre LLP*

Haysmacintyre LLP  
Statutory Auditor  
London

18 June 2021

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2020**

**FUND ACCOUNT FOR THE YEAR ENDED 31 December 2020**

	Note	2020 £	2019 £
<b>Contributions &amp; benefits</b>			
Benefits payable	5	959,682	875,130
Leavers: Individual transfers to other schemes		-	32,477
Pension Protection Fund		41,586	29,317
Administrative expenses		119,702	130,153
		<u>1,120,970</u>	<u>1,067,077</u>
<b>Net (Withdrawals) from dealings with members</b>		<u>(1,120,970)</u>	<u>(1,067,077)</u>
<b>Returns on Investments</b>			
Investment Income	6	105	332
Change in Market Value of Investments	7	2,795,385	4,394,888
Investment Management Charges		(116,210)	(95,287)
<b>Net Returns on investments</b>		<u>2,679,280</u>	<u>4,299,933</u>
<b>Net increase/(decrease) in the fund during the year</b>		<u>1,558,310</u>	<u>3,232,856</u>
<b>Net assets of the scheme:</b>			
Opening Balance as at 01.01.2020		<u>24,028,710</u>	<u>20,795,854</u>
<b>Closing balance as at 31.12.2020</b>		<u>25,587,020</u>	<u>24,028,710</u>

The notes on pages 22 to 35 form part of the Financial Statements

# THE LEPROSY MISSION CENTRAL PENSION SCHEME

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2020

### STATEMENT OF NET ASSETS (available for benefits) AS AT 31 December 2020

	Note	2020 £	2019 £
Investment Assets	7		
Pooled Investment Vehicles		25,619,382	24,015,934
AVCs		23,143	22,345
		<u>25,642,525</u>	<u>24,038,279</u>
Current Assets and Liabilities			
Bank balances		40,972	67,509
Debtors and prepayments	9	28,666	26,283
Creditors and accruals	10	<u>(125,143)</u>	<u>(103,361)</u>
		(55,505)	(9,569)
<b>Net Assets of the Scheme as at 31.12.2020</b>		<u>25,587,020</u>	<u>24,028,710</u>

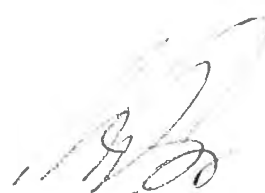
The notes on pages 22 to 35 form part of these Financial Statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme Year. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on page 14 of the Annual Report and these financial statements should be read in conjunction with it.

Approved and authorised for issue by the Trustees on 23 April 2021 and signed on their behalf by:



Ralph Turner



Alan Gray

# THE LEPROSY MISSION CENTRAL PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2020

---

### 1. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes (revised 2018).

### 2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees and Advisors section on page 1 of this Report.

### 3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

#### 3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

#### 3.2 Contributions

Normal, deficit and additional funding contributions from the employer are accounted for at the rates and the due dates specified in the Schedule of Contributions which were recommended by Scheme Actuary and agreed between the Employer and the Trustees.

#### 3.3 Benefits

Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustees of his or her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

#### 3.4 Transfer values

Individual transfers to and from the Scheme are accounted for when monies are received or paid.

#### 3.5 Income from investments and deposits

Income from investments and deposits is dealt with on an accruals basis. All investment income is stated inclusive of any related taxation recoverable but net of any irrecoverable overseas withholding taxes and costs of collection where applicable. Income from pooled investment vehicles is stated net of management fees.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**3.6 Valuation of investments**

Pooled investment vehicles are valued at the bid price provided by the investment manager, or at mid price or single price, if bid price is not available.

Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable.

Acquisition costs are included in the purchase cost of investments.

**3.7 Administrative expenses**

Expenses are shown on an accruals basis. The Scheme bears all the costs of administration.

**3.8 Foreign Currencies**

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the yearend date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

**3.9 Going Concern**

The directors have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The directors have made this assessment in respect to a period of one year from the date of approval of these accounts. After reviewing the company's forecasts and projections, which are being regularly updated in light of the ongoing Covid-19 pandemic, the directors are of the opinion that the company will have sufficient resources to meet its liabilities as they fall due. The directors consider that there are no material uncertainties with respect to going concern and accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

**4. CONTRIBUTIONS RECEIVABLE: FROM EMPLOYER**

Contributions are required to be paid in accordance with the rates and due dates specified in the Schedule of Contributions agreed between the employer and the Trustees. The Scheme is a multi-employer scheme. Each statutory employer is liable to provide financial support to the Scheme. An agreement is in place which states that all the required contributions will be paid to the Special Pension Account, as explained on page 4. These are set out below.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 December 2020**

	2020	2019
	£	£
The Leprosy Mission International - Deficit Funding	52,433	113,400
The Leprosy Mission England & Wales - Deficit Funding	30,733	46,100
The Leprosy Mission Scotland - Deficit Funding	3,600	5,600
TLM Trading - Deficit Funding	2,700	7,700
The Leprosy Mission Northern Ireland - Deficit Funding	4,500	7,200
Total: Contributions paid into Special Pension Account	<u>93,966</u>	<u>180,000</u>

**5. Benefits Payable**

	2020	2019
	£	£
Pensions	895,764	873,602
Commutations and lump sum retirement benefits	<u>63,918</u>	<u>1,528</u>
	<u>959,682</u>	<u>875,130</u>

**6. Investment Income**

	2020	2019
	£	£
Interest on cash deposits	<u>105</u>	<u>332</u>
	<u>105</u>	<u>332</u>



**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

**7. Pooled Investments**

**a. Investment Assets**

Reconciliation of investments held at the beginning and the end of the year.

	Value at 01.01.2020	Purchases	Sale Proceeds	Change in Mkt. Value	Value at 31.12.2020
	£	£	£	£	£
LGIM - Ethical Global Equity Index	6,048,735	-	157,500	700,756	6,591,991
LGIM - Ethical Global Equity Index-GBP Hedged	6,720,530	-	157,500	707,505	7,270,535
LGIM - Matching Core Real Short Series 1	2,256,885	-	-	759,174	3,016,059
LGIM - Newton/Mellon Real Return	8,989,784	-	876,139	627,152	8,740,797
	24,015,934	-	1,191,139	2,794,587	25,619,382
AVC Investments	22,345	-	-	798	23,143
<b>TOTAL INVESTMENT</b>	<b>24,038,279</b>	<b>-</b>	<b>1,191,139</b>	<b>2,795,385</b>	<b>25,642,525</b>

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 sales of investments during the year.

**b. Pooled Investment Vehicles Comprise:**

	2020	2019
	£	£
LGIM - Ethical Global Equity Index	6,591,991	6,048,735
LGIM - Ethical Global Equity Index GBP Hedged	7,270,535	6,720,530
LGIM - Matching Core Real Short Series 1	3,016,059	2,256,885
LGIM - Mellon Real Return	8,740,797	8,989,784
	25,619,382	24,015,934

Investments more than 5% of the net assets of the Scheme are:

	2020	2019
	£	£
LGIM - Ethical Global Equity Index	6,591,991	6,048,735
LGIM - Ethical Global Equity Index GBP Hedged	7,270,535	6,720,530
LGIM - Matching Core Real Short Series 1	3,016,059	2,256,885
LGIM - Mellon Real Return	8,740,797	8,989,784

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

**7. Pooled Investments**

**c. Investment Fair Value Hierarchy**

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the purposes of this analysis daily prices funds have been included in (1) weekly priced funds in (2) monthly net asset values for Absolute Return funds in (3) and monthly net asset values for Private Equity funds in 3.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

As at 31.12.2020	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	25,619,382	-	25,619,382
AVC investments	-	23,143	-	23,143
	-	25,642,525	-	25,642,525

As at 31.12.2019	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	24,015,934	-	24,015,934
AVC investments	-	22,345	-	22,345
	-	24,038,279	-	24,038,279

**d. Transaction Costs**

The investment manager's charges in the year are shown on page 6 which is inclusive of all direct transaction costs and comprises fees and commissions. The amount of indirect costs on pooled fund assets is not separately provided to the Scheme.

# THE LEPROSY MISSION CENTRAL PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 December 2020

#### 7. Pooled Investments

##### e. Tax

The Leprosy Mission Central Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

#### 8. AVC Investments

The Trustees hold assets invested separately from the main fund in the form of money purchase policies securing additional benefits for those members who, prior to 31 March 2013, had elected to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 5 April confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments valued by the Standard Life Assurance Company at the year end date are as follows:

	2020	2019
	£	£
Standard Life Assurance Company	23,143	22,345
	<u>23,143</u>	<u>22,345</u>

#### 9. Debtors

	2020	2019
	£	£
Sundry Debtors	28,666	26,283
	<u>28,666</u>	<u>26,283</u>

#### 10. Creditors and Accruals

	2020	2019
	£	£
The Leprosy Mission International	7,620	22,260
Sundry accruals - Benefits Payable	72,604	33,288
- Expenses	37,170	40,357
HM Revenue & Customs	7,749	7,457
	<u>125,143</u>	<u>103,361</u>

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**11. Employer Related Investments**

There were no employer related investments at any time during the year.

**12. Contingent Assets (Special Pension Account)**

In accordance with The Recovery Plan that was agreed after the actuarial valuation as at 31 December 2009, £1 million was placed into a Special Pension Account (Escrow) with Rathbones Investment Management Limited on 11 January 2012. The release of funds from the Special Pension Account (Escrow) is explained in the Trustees' report on page 4.

The Special Pension Account is invested in accordance with the investment strategy agreed for the main fund and the performance is monitored on a quarterly basis. At 31 December 2020, the Special Pension Account fund balance was £3,464,156 (2019: £3,011,234).

**13. Related Party Transactions**

The Leprosy Mission International (TLMI) is the principal employer of the Scheme. TLMI provides accounting services to the Scheme and a fee of £30,000 (2019: £30,000) was charged to the Scheme. At 31 December 2020, an amount of £7,620 (2019: £22,600 owed to TLMI) was owed to TLMI through its Inter-company accounts.

**14. Scheme Developments**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women for unequal guaranteed minimum pension benefits (GMP). This is known as GMP equalisation. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

In November 2020, a further judgment in the Lloyds Banking Group case widened the scope of GMP equalisation to cover revisiting past transfer out payments and where necessary paying top up payments.

Under the ruling schemes are required to backdate benefit adjustments to allow for GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at future meetings and decisions will be made as to the next steps. However, this will take some time, as to avoid any rework, the Trustee will wait for further guidance about GMP equalisation from government and relevant industry working groups.

# THE LEPROSY MISSION CENTRAL PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2020

### 15. Investment Risks

#### Market Risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market Risk comprises three types of risk; Currency Risk, Interest Rate Risk and Other Price Risk. These three risks are considered in turn below.

#### Currency Risk

Market Risk arising from changes in foreign exchange rates.

Exposure & Management: Currency Risk arises because some of the investments are held in overseas markets via pooled investment vehicles. When selecting a pooled investment vehicle, the Trustees consider the exposure to overseas markets and the investment manager's currency hedging approach. The position for the pooled investment vehicles held is set out below.

Fund	Risk	Additional Information
LGIM Matching Core Funds	No currency risk	
LGIM Ethical Global Equity Index Fund - GBP Hedged	Low currency risk	Invests in overseas equity markets but the associated Currency Risk is mitigated by hedging developed market currency exposure back to Sterling.
LGIM Newton Real Return Fund	Moderate currency risk	Invests in a global portfolio of assets. For each overseas investment, the investment manager will consider whether to retain currency exposure or whether to hedge back to Sterling. In making this decision, the investment manager will assess whether the expected return is considered appropriate for the associated level of Currency Risk. Typically, no more than 50% of the fund will be exposed to overseas currencies.
LGIM Ethical Global Equity Index Fund	High currency risk	Invests in overseas equity markets. The resulting currency exposure is not hedged back to Sterling.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**Note 15: Investment Risks (continued)**

**Interest Rate Risk**

Market Risk arising from changes in market interest rates.

Exposure & Management: Interest Rate Risk arises principally from the allocation to Liability Matching Assets which are invested in derivatives, bond-related instruments and fixed income and variable rate securities. The Liability Matching Assets are held because their sensitivity to interest rates acts to reduce the volatility of the Scheme's funding position. If interest rates were to fall, the value of the Liability Matching Assets would rise and partially offset the increase in the actuarial liabilities that would result from the lower discount rate. Similarly, if interest rates were to rise, the Liability Matching Assets would fall in value as would the actuarial liabilities.

Interest Rate Risk also arises from bond investments held within the **Newton Real Return Fund**.

**Other Price Risk**

Market Risk arising from changes in market prices (other than those arising from Currency Risk or Interest Rate Risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Exposure & Management: Other Price Risk arises principally from the allocation to Growth Assets and, to manage this risk, a diversified portfolio of Growth Assets is held. This is designed to avoid excessive reliance on a single asset class or region and, in particular, to reduce the impact of a large fall in equity markets.

**Credit Risk**

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure & Management: The Scheme is directly exposed to Credit Risk through cash balances and investments in pooled investment vehicles. The Scheme is also indirectly exposed to Credit Risk arising on the financial instruments held within the pooled investment vehicles.

The Trustees, in conjunction with their investment adviser, carry out due diligence checks on the funds and investment managers used and, on an ongoing basis, monitor any changes to the regulatory and operating environment.

The mitigation of Direct Credit Risk for each of the Scheme's investments is as follows:

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**Note 15: Investment Risks (continued)**

Cash

Cash is held with a bank that is investment grade rated.

Investments in Pooled Investment Vehicles

The Trustees' investments in pooled investment vehicles are made through a unit-linked insurance policy written by Legal and General Assurance (Pensions Management) Limited. Assets backing the policy are held in a long-term fund separate to Legal & General's shareholder and other assets. The insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Direct Credit Risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight.

Via LGIM's investment platform (and through the insurance policy described above), the Trustees invest in the Newton Real Return Fund. The underlying Newton fund is structured as an Open-Ended Investment Company and the assets backing the pooled funds are ring-fenced from the assets of the investment manager and from other funds held within the open-ended investment vehicle.

**Indirect Credit Risk**

Indirect Credit Risk arises from the financial instruments held within the pooled investment vehicles. The position for each of the Scheme's investments is set out below.

Credit Risk from Stock Lending Only

The funds below invest in asset classes which are not exposed to Credit Risk. However, the investment manager may enter into securities lending transactions which introduces Credit Risk. The risk is reduced through the use of collateral.

**LGIM Ethical Global Equity Index Fund**

**LGIM Ethical Global Equity Index Fund - GBP Hedged**

Credit Risk from the Underlying Investments

The funds listed below invest in asset classes which are exposed to Credit Risk.



**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

**Note 15: Investment Risks (continued)**

<b>Fund</b>	<b>Information</b>
<b>LGIM Newton Real Return Fund</b>	<p>Invests in a wide variety of asset classes including bonds, derivatives and cash balances. From time to time, investments may be chosen by the investment manager to deliberately take Credit Risk if the return is considered appropriate for that level of risk.</p> <p>The investment manager may participate in stock lending to generate additional income for the fund. The associated Credit Risk is mitigated through the use of collateral.</p>
<b>LGIM Matching Core Funds</b>	<p>Invests in government securities, cash and derivative instruments. There is no material Credit Risk on the allocation to government securities and the cash is invested in high quality money market products. All derivative exposure is collateralised daily.</p>

**Other Investment Risks**

Inflation Risk

The risk that inflation, or expectations of future inflation, will adversely impact the funding position.

Management: Inflation Risk is reduced because the Liability Matching Assets will react to inflation changes in a similar way to the liabilities which reduces the volatility of the funding position.

Real Return Risk

The risk that the assets do not deliver a long-term return in excess of inflation.

Management: The Growth Assets are expected to provide real returns over the longer term.

**Solvency and Employer Covenant Risk**

The risk that the assets fall short of the amount required to pay all benefits and expenses as they fall due and that insufficient assets are recoverable from the Employer to meet the shortfall.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**Note 15: Investment Risks (continued)**

Management: In determining the funding and investment strategy, the Trustees consider the strength of the Employer's covenant.

**Longevity Risk**

The risk that unexpected improvements in longevity increase the value of the liabilities.

Management: Advice is sought from the Scheme Actuary on suitable longevity assumptions for funding purposes. The Trustees have decided to retain Longevity Risk for the time being but will monitor any changes in longevity expectations through the actuarial valuation process and will consider the merits of investments that provide protection against this risk as appropriate.

**Realisation of Investments / Illiquidity Risk**

The risk of having to make a large realisation of assets at depressed prices.

Management: The majority of the Scheme's investments will be liquid and will be realisable for cash at relatively short notice without incurring high costs. However, the Trustees recognise that the liabilities are long-term in nature and that less liquid investments can have a place in the portfolio if they are considered to be sufficiently attractive.

**Investment Manager Risk**

The risk that an investment manager does not deliver returns in line with expectations.

Management: The Trustees take independent advice on the selection of funds and the ongoing suitability of the chosen investment managers is regularly monitored. The assessment of ongoing suitability includes consideration of qualitative factors in addition to analysis of the manager's performance.

**Structure of the Pooled Funds**

The structures of the pooled funds used by the Trustees are summarised and each of the funds falls into one of the following legal structures:

Unit-linked Insurance Policy

These pooled funds are accessed via an insurance policy and the assets backing the investment are held in a long-term fund alongside assets backing other pooled funds. The long-term fund is held separately from shareholder assets.

When a contribution is paid into the pooled fund, new investments are made by the fund manager and new units are created. Similarly, if an investor redeems part of their holding, underlying assets will be sold and units will be cancelled.

The total value of the units will always equal the total value of the underlying investments.

Unit Trust

These pooled funds are established under trust law and the assets backing the investment are held within a trust which is kept separate from the assets of the investment manager.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

---

**Note 15: Investment Risks (continued)**

When a contribution is paid into a unit trust, new investments are made by the fund manager and new units are created. Similarly, if an investor redeems part of their holding, underlying assets will be sold and units will be cancelled.

The total value of the units will always equal the total value of the underlying investments.

Open-Ended Investment Company

These pooled funds are established as companies and investors purchase shares rather than units. An open-ended investment company may contain several pooled funds but the asset backing each pooled fund will be segregated from the assets backing other pooled funds within the structure and from the assets of the investment manager.

When a contribution is paid into an open-ended investment company, new investments are made by the fund manager and new shares are created. Similarly, if an investor redeems part of their holding, underlying assets will be sold and shares will be cancelled.

The total value of the shares will always equal the total value of the underlying investments.

**Investment Trust**

Despite the name, these products are structured as companies rather than trusts. Assets within an Investment Trust are segregated from the assets of the investment manager.

Investors wishing to invest in an investment trust will purchase shares from an existing investor via a stock exchange. The amount invested passes to the investor selling the shares (not to the investment trust) and no new investments are made by the investment manager as a consequence of the investment.

An investor wishing to exit an investment trust will sell their units via a stock exchange. No investments within the investment trust will be sold to make the payment. A unit trust's share price will be driven by investor supply and demand. It is possible the shares to trade at a premium, or discount, to the net asset value of the underlying assets.

**THE LEPROSY MISSION CENTRAL PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2020**

**Note 15: Investment Risks (continued)**

<b>LGIM Funds</b>	
<b>Legal Structure</b>	Unit-linked insurance policy
<b>Insurer</b>	Legal and General Assurance (Pensions Management) Limited  (Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority)
<b>Investment Manager</b>	LGIM  (Authorised and regulated by the Financial Conduct Authority)

<b>Newton Real Return Fund</b>	
<b>Legal Structure</b>	Open-Ended Investment Company
<b>Additional Details</b>	BNY Mellon Investment Funds  Incorporated in England and Wales under the OEIC Regulations  Qualifies as an Undertakings for the Collective Investment in Transferrable Securities (UCITS) scheme  Authorised by the Financial Conduct Authority
<b>Investment Manager</b>	Newton Investment Management Limited  (Authorised and regulated by the Financial Conduct Authority)