

THE LEPROSY MISSION
CENTRAL PENSION SCHEME

TRUSTEES' REPORT AND FINANCIAL
STATEMENTS

31 December 2022

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 the other participating employers listed below:

The Leprosy Mission England & Wales, The Channel Islands and The Isle of Man

The Leprosy Mission Scotland

The Leprosy Mission Northern Ireland

The Leprosy Mission Trading Limited

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 three times in the year.

Alan D Gray (Member Nominated Trustee)

Deborah Rees (Employer Nominated Trustee)

Ralph Turner (Employer Nominated Trustee / Chairman)

Trevor D Durston (Member Nominated Trustee)

Gordon Brown (Employer Nominated Trustee)

PENSION SCHEME ADMINISTRATOR

First Actuarial LLP

Network House

Basing View, Basingstoke

Hampshire RG21 4HG

ACTUARY

Peter Shellswell FIA

First Actuarial LLP

Network House

Basing View, Basingstoke

Hampshire RG21 4HG

INVESTMENT MANAGER

Legal & General Investment

Management Ltd(LGIM)

1 Coleman Street

London EC2R 5AA

SOLICITOR

Osborne Clarke LLP

3 Forbury Place,

23 Forbury Road,

Reading, RG1 3JH

BANKER

Barclays Bank plc

Richmond & Twickenham Business Centre

8 George Street, Richmond

Surrey TW9 1JU

AUDITOR

J W Hinks LLP

19 Highfield Road

Edgbaston, Birmingham

B15 3BH

INVESTMENT ADVISOR

First Actuarial LLP

Network House

Basing View, Basingstoke

Hampshire RG21 4HG

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 2022.

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 be 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 decreased by £6,393,588 during the year to £22,492,475 at 31 December 2022. The financial statements and notes thereto are included on pages 21-34 of the report and financial statements.

CHANGES TO THE PENSION SCHEME

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

MEMBERSHIP

	<u>2022</u>	<u>2021</u>
Employed Members with preserved benefits	12	13
Deferred Members with preserved benefits	97	100
Pensioners	177	178
Total	<u>286</u>	<u>291</u>

ACTUARIAL POSITION

The last actuarial valuation was carried out as at 31 December 2021 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 126% 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 LEPROSY MISSION CENTRAL PENSION SCHEME

REPORT OF THE TRUSTEES (continued)

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 current contributions 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 new contribution agreed as part of 31.12.2021 valuation will commence from 01 January 2023 for three years.

	Valuation at 31.12.2021	Valuation at 31.12.2018
<u>Participating Employers (TLM)</u>	(£ pa)	(£ pa)
The Leprosy Mission International	57,400	57,200
The Leprosy Mission International England & Wales	20,500	22,000
The Leprosy Mission International Trading Limited	5,800	4,500
The Leprosy Mission International Northern Ireland	3,600	3,600
The Leprosy Mission International Scotland	2,700	2,700
Total contributions	<u>90,000</u>	<u>90,000</u>

The next actuarial valuation is due at 31 December 2024 and the results are expected by November 2025.

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 2021 triennial valuation showed that the Combined Funding Level of the Scheme was 141% and that the excess funds above the 108% trigger were £7,655,000. The Trustees and the Employers agreed that a refund of £1,080,000 would be taken by TLMI on behalf of all the Employers.

The refund will be paid in equal monthly instalments of £30,000 over a 36-month period commencing on 1 January 2022.

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 2021, the actuary's calculations indicated that, if this had occurred, the Scheme's assets would have been around 96% 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. 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 2022, the trustees were able to increase the pension in accordance with the Scheme rules as below;

Pension	Amount of Increase
Pension earned before 6 April 1997	In line with Retail Prices Index, subject to a maximum of 3% per annum.
Pension earned after 5 April 1997 and prior to 6 April 2008	In line with Retail Prices Index, subject to a maximum of 5% per annum.
Pension earned after 5 April 2008 and prior to 6 April 2011	In line with Retail Prices Index, subject to a maximum of 3% per annum.
Pension earned after 5 April 2011	In line with Consumer Prices Index, subject to a maximum of 3% per annum.

The RPI and CPI of September 2021 were 4.9% and 3.1% respectively. The Guaranteed Minimum Pension (GMP) was increased according to applicable statutory increases.

Where the first such increase is to take effect on a 1 April when the pension has been in payment for less than 12 months, the increase can be limited to 1/12 of the full increase for each complete month for which the pension has been in payment on that 1 April.

THE LEPROSY MISSION CENTRAL PENSION SCHEME

REPORT OF THE TRUSTEES (continued)

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.

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 2021 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.

THE LEPROSY MISSION CENTRAL PENSION SCHEME

REPORT OF THE TRUSTEES (continued)

As has been well publicised, Kwazi Kwarteng's mini budget in September 2022 had a very dramatic impact on the gilt market. This caused gilt yields to soar and the value of pension scheme liabilities to plummet. LDI funds, which move in line with pension scheme liabilities, also fell sharply and LDI leverage increased dramatically as a consequence.

At the height of the crisis, some LDI funds were forced to sell gilts in order to control leverage. This opened up the possibility of wider contagion; a scenario under which gilt sales would further depress the gilt market, forcing more LDI funds to sell gilts – which would drive values even lower. To prevent this scenario, the Bank of England (BoE) intervened by stating that it would purchase gilts as required to support the market. This had the desired result and, in effect, established a floor for the price of gilts.

The BoE's intervention was time limited and came with conditions which were designed to ensure that, when the BoE stepped away, the gilt market would not come under threat from systemic risks or from speculators. The conditions required that LDI providers:

- reduced the standard operating leverage of their LDI solutions thereby increasing the capacity to withstand a material increase in gilt yields;
- lowered leverage limits, thereby requiring that future recapitalisation payments would be requested after a smaller movement in gilt yields; and
- shortened recapitalisation periods, thereby ensuring that, when a leverage limit was reached, leverage would be brought back down to target sooner.

These changes were understandable and have undoubtedly materially reduced the risk of an LDI recapitalisation crisis arising again in the future.

The Scheme invested in an LDI fund at the time of the gilt market volatility and this fund operated as expected, continuing to match the Scheme's liabilities throughout the period. The Trustees had previously taken a decision not to fully hedge the Scheme's liabilities, as measured on a gilts-related basis, with the consequence that the gilt market volatility was beneficial for the Scheme's funding position; the fall in value of the liabilities was not fully offset by the fall in value of the LDI holding meaning the funding position improved. Towards the end of 2022, the Trustees changed the Scheme's investment strategy, removing the allocation to LDI and significantly increasing the extent to which the assets matched the liabilities.

Under the revised investment strategy, the Scheme's assets are invested in LGIM's buyout aware funds. These are funds, which are invested in the same way as the investment strategy used by insurers to back buyout policies. The rationale for this investment strategy is that it closely aligns the Scheme's assets to changes in buyout prices arising for fluctuations in market conditions.

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

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 2022 was £110,045 (2021: £120,914). In addition to these administration costs, indirect costs are charged within the pooled investment vehicles.

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 21.

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).

Signed on behalf of the Trustees


Ralph Turner

THE LEPROSY MISSION CENTRAL PENSION SCHEME IMPLEMENTATION STATEMENT

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Leprosy Mission Central Pension Scheme
Scheme Year	1 January 2022 to 31 December 2022
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

The Trustees have reviewed the extent to which their policy relating to the exercise of rights (including voting rights) attaching to the investments was followed over the Scheme Year and this statement confirms the outcome of that review.

In previous years, the Implementation Statements have summarised the voting behaviour of the Scheme's investment managers and included details of the most significant votes cast and the use of the services of proxy voting advisers. This information was used by the Trustees as part of their ongoing assessment as to whether the funds used by the Scheme remained appropriate. If assessment of the voting behaviour had identified material concerns, the ultimate sanction available to the Trustees would have been to move assets out of a pooled fund where the investment manager's voting record was found to be inadequate.

Investment manager voting relates to equity investments and, although funds which included exposure to equity markets were held by the Scheme during the Scheme year, by 31 December 2022, all funds which included an allocation to equities had been removed from the Scheme's investment strategy. Consequently, the Trustees could not take any action even if a review of the voting records of previously held funds identified any concern. For this reason, the Trustees have concluded that a review of voting behaviour would not be beneficial for the purpose of this Implementation Statement.

THE LEPROSY MISSION CENTRAL PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

The Trustees' Policy Relating to the Exercise of Rights

Summary of the Policy

The Trustees' policy in relation to the exercise of rights (including voting rights) attaching to the investments is set out in the SIP. A summary of this wording is as follows:

- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustees wish to encourage best practice in terms of stewardship.
- 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 the investment manager's own policies on such matters.
- When selecting a pooled fund, the Trustees consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustees (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their Investment Adviser to raise the Trustees' concerns with the investment manager.

Has the Policy Been Followed During the Scheme Year?

Although the Trustees no longer invest in funds holding exposure to equities, the Trustees' policy regarding the exercise of rights remains unchanged and would be applied if an investment in a fund with equity exposure is selected in the future, although such action is not anticipated.

The Trustees' opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments was followed during the Scheme Year and, in reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustees' belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.

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

- During the Scheme Year, the Trustees introduced an allocation to LGIM's Buyout Aware Funds. In considering whether LGIM's Buy-out Aware Funds were appropriate for the Scheme, the Trustees received a presentation from LGIM. This presentation included a discussion on how ESG factors are incorporated within the Funds. However, because the funds do not include an allocation to equities, consideration of the exercise of voting rights was not relevant.
- The investment managers used by the Scheme throughout the course of the Scheme Year were UNPRI signatories.

Conclusions

None of the assets that the Scheme invested in by the end of the Scheme Year have voting rights attached. The Trustees will continue to assess whether this continues to remain the case over the next period and will be mindful of potential managers' voting records should the Scheme need to select additional funds.



..... Date: 21 June 2023
Signed on behalf of the Trustees of the Leprosy Mission Central Pension Scheme



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

Name of Scheme: The Leprosy Mission Central Pension Scheme (the Scheme)

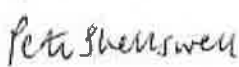
Adequacy of rates of contributions

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 2021 to continue to be met for the period for which the Schedule is to be in force.

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 18 October 2022.

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: 18 October 2022
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 2021 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 18 October 2022.

Signature: <i>Peter Shellswell</i>	Date: 18 October 2022
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 18 October 2022, 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 2021. Since that date an actuarial update has been carried out as at 31 December 2022.

	31 December 2022	31 December 2021
The value of the technical provisions was	£18,315,000	£22,898,000
The value of the assets was	£22,431,000	£28,873,000

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		Value as at 31 December 2022	Value as at 31 December 2021
Discount rate	Derived from prudent assumptions of the returns on the underlying assets based on a long-term asset allocation of 50% growth assets and 50% matching assets.	5.10% pa	3.50% pa
Retail Prices Index (RPI) inflation	Derived by considering the future level of RPI inflation implied by the UK gilt yield curves produced daily by the Bank of England for a duration appropriate to the Scheme's liabilities, less an inflation risk premium of 0.10% pa.	3.30% pa	3.65% pa
Consumer Prices Index (CPI) inflation	Derived by reducing the RPI inflation assumption by a prudent margin of 0.45% pa.	2.85% pa	3.20% pa
Pension increases in payment	The assumed pension increase rates for benefits linked to RPI and CPI inflation, but subject to an annual cap, are set consistently with the relevant inflation assumption and calculated using the Black-Scholes model with volatility of 1.3%.		
Mortality before and after retirement	100% S3PMA_Middle (males) and 100% S3PFA_Middle (females) tables with future improvements in line with the latest CMI model with a 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 40% 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 2022 the contributions receivable in the Special Pension Account (SPA) by the employers were as follows:-

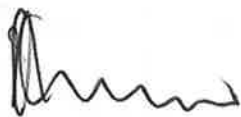
Contributions from Employers

Contributions paid under the Schedule of Contributions for:

Contributions were paid into SPA:	£
The Leprosy Mission International	57,200
The Leprosy Mission International England & Wales	22,000
The Leprosy Mission International Northern Ireland	4,500
The Leprosy Mission International Scotland	3,600
The Leprosy Mission International Trading Limited	2,700
Total contributions receivable	<u>90,000</u>

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 (the 'scheme') for the year ended 31 December 2022 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of 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 Auditor's 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 other information comprises the information included in the annual report³, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report³. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 trustees' responsibilities statement set out on page 2, 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 to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and discussed the policies and procedures regarding compliance.

Specific areas considered were as follows:

- Enquiring with management and others to gain an understanding of the organisation itself including operations, financial reporting and known fraud or error.
- Evaluating and understanding the internal control system.

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

- Confirming investment valuations and bank balances directly with investment managers and bankers.
- Testing to ensure that contributions have been received in accordance with the Schedule of Contributions.
- Testing benefits payable to members.
- Performing analytical procedures as expected or unexpected variances in account balances or classes of transactions appear.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected all irregularities including those leading to material misstatements in the financial statements or non-compliance with regulation, even though we have properly planned and performed our audit in accordance with auditing standards.

This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the scheme's trustees, as a body, in accordance with Regulation 3 of 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 auditor's 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.

JW Hinks LLP

JW Hinks LLP, Statutory Auditor

19 Highfield Road,
Edgbaston, Birmingham, B15 3BH

Date: *21 June 2023*

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 2022 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 2022, 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.

JW Hinks LLP

JW Hinks LLP
Statutory Auditor
Birmingham

21 June 2023

THE LEPROSY MISSION CENTRAL PENSION SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2022

FUND ACCOUNT FOR THE YEAR ENDED 31 December 2022

	Note	2022	2021
		£	£
Contributions & benefits			
Benefits payable	5	948,589	994,350
Leavers: Individual transfers to other schemes		-	-
Pension Protection Fund		14,221	22,374
Administrative expenses		160,198	129,106
		<u>1,123,008</u>	<u>1,145,830</u>
Net (Withdrawals) from dealings with members		<u>(1,123,008)</u>	<u>(1,145,830)</u>
Returns on Investments			
Investment Income	6	1,050	15
Change in Market Value of Investments	7	(5,161,585)	4,565,772
Investment Management Charges		(110,045)	(120,914)
Net Returns on investments		<u>(5,270,580)</u>	<u>4,444,873</u>
Net (decrease)/increase in the fund during the year		<u>(6,393,588)</u>	<u>3,299,043</u>
Net assets of the scheme:			
Opening Balance as at 01.01.2022		<u>28,886,063</u>	<u>25,587,020</u>
Closing balance as at 31.12.2022		<u>22,492,475</u>	<u>28,886,063</u>

The notes on pages 23 to 34 form part of the Financial Statements

THE LEPROSY MISSION CENTRAL PENSION SCHEME
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2022


STATEMENT OF NET ASSETS (available for benefits) AS AT 31 December 2022


	Note	2022 £	2021 £
Investment Assets	7		
Pooled Investment Vehicles		22,221,688	28,896,087
AVCs		12,407	12,855
		<u>22,234,095</u>	<u>28,908,942</u>
Current Assets and Liabilities			
Bank balances		14,489	129,671
Debtors and prepayments	9	331,033	28,970
Creditors and accruals	10	(87,142)	(181,520)
		<u>258,380</u>	<u>(22,879)</u>
Net Assets of the Scheme as at 31.12.2022		<u><u>22,492,475</u></u>	<u><u>28,886,063</u></u>

The notes on pages 23 to 34 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 21 June 2023 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 2022

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).

The financial statements have been prepared on the going concern basis which the Trustees believe to be appropriate based on their expectations for a 12 month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Scheme to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

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.

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

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.

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.

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

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.

	2022	2021
	£	£
The Leprosy Mission International - Deficit Funding	57,200	57,200
The Leprosy Mission England & Wales - Deficit Funding	22,000	22,000
The Leprosy Mission Scotland - Deficit Funding	3,600	3,600
TLM Trading - Deficit Funding	2,700	2,700
The Leprosy Mission Northern Ireland - Deficit Funding	4,500	4,500
Total: Contributions paid into Special Pension Account	<u>90,000</u>	<u>90,000</u>

5. Benefits Payable

	2022	2021
	£	£
Pensions	930,297	925,356
Commutations and lump sum retirement benefits	<u>18,292</u>	<u>68,994</u>
	<u>948,589</u>	<u>994,350</u>

6. Investment Income

	2022	2021
	£	£
Interest on cash deposits	<u>1,050</u>	<u>15</u>
	<u>1,050</u>	<u>15</u>

THE LEPROSY MISSION CENTRAL PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2022

7. Pooled Investments

a. Investment Assets

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

	Value at 01.01.2022	Purchases	Sale Proceeds	Change in Mkt. Value	Value at 31.12.2022
	£	£	£	£	£
LGIM - Ethical Global Equity Index	8,215,566	-	7,866,787	- 348,779	-
LGIM - Ethical Global Equity Index-GBP Hedged	9,181,508	-	8,055,862	- 1,125,646	-
LGIM - Matching Core Real Short Series 1	3,410,026	3,038,645	4,342,130	- 2,106,541	-
LGIM - Newton/Mellon Real Return	8,088,987	3,784,615	11,059,758	- 813,844	-
LGIM Buy-Out Aware Fixed Short		4,871,583	84,000	- 90,101	4,697,482
LGIM Buy-Out Aware Fixed Long		4,407,623		- 252,081	4,155,543
LGIM Buy-Out Aware Real Short		7,423,365	126,000	- 139,411	7,157,954
LGIM Buy-Out Aware Real Long		6,495,444		- 284,734	6,210,710
	28,896,087	30,021,275	31,534,537	- 5,161,137	22,221,688
AVC Investments	12,855	-		- 448	12,407
TOTAL INVESTMENT	28,908,942	30,021,275	31,534,537	- 5,161,585	22,234,095

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:

	2022	2021
	£	£
LGIM - Ethical Global Equity Index	-	8,215,566
LGIM - Ethical Global Equity Index GBP Hedged	-	9,181,508
LGIM - Matching Core Real Short Series 1	-	3,410,026
LGIM - Mellon Real Return	-	8,088,987
LGIM Buy-Out Aware Fixed Short	4,697,482	-
LGIM Buy-Out Aware Fixed Long	4,155,543	-
LGIM Buy-Out Aware Real Short	7,157,954	-
LGIM Buy-Out Aware Real Long	6,210,710	-
	<u>22,221,688</u>	<u>28,896,087</u>

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

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

	2022	2021
	£	£
LGIM - Ethical Global Equity Index	-	8,215,566
LGIM - Ethical Global Equity Index GBP Hedged	-	9,181,508
LGIM - Matching Core Real Short Series 1	-	3,410,026
LGIM - Mellon Real Return	-	8,088,987
LGIM Buy-Out Aware Fixed Short	4,697,482	-
LGIM Buy-Out Aware Fixed Long	4,155,543	-
LGIM Buy-Out Aware Real Short	7,157,954	-
LGIM Buy-Out Aware Real Long	6,210,710	-
	<u>22,221,688</u>	<u>28,896,087</u>

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 31.12.2022	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	22,221,688	-	22,221,688
AVC investments	-	12,407	-	12,407
	<u>-</u>	<u>22,234,095</u>	<u>-</u>	<u>22,234,095</u>

As at 31.12.2021	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	28,896,087	-	28,896,087
AVC investments	-	12,855	-	12,855
	<u>-</u>	<u>28,908,942</u>	<u>-</u>	<u>28,908,942</u>

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

7. Pooled Investments

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.

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:

	2022	2021
	£	£
Standard Life Assurance Company	12,407	12,855
	<u>12,407</u>	<u>12,855</u>

9. Debtors

	2022	2021
	£	£
The Leprosy Mission International	195,000	-
Cash in transit	105,000	-
Sundry Debtors	31,033	28,970
	<u>331,033</u>	<u>28,970</u>

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

10. Creditors and Accruals	2022	2021
	£	£
The Leprosy Mission International	-	59,214
Sundry accruals - Benefits Payable	2,655	35,663
- Expenses	76,151	78,836
HM Revenue & Customs	8,336	7,807
	<u>87,142</u>	<u>181,520</u>

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 2022, the Special Pension Account fund balance was £3,074,851 (2021: £3,647,298).

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 (2021: £30,000) was charged to the Scheme. At 31 December 2022, an amount of £195,000 (2021: £59,214 owed to TLMI) was owed by 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.

THE LEPROSY MISSION CENTRAL PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

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.

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 Buy-Out Aware Fixed Short	No exposure	LGIM's Buyout Aware funds are not exposed to currency risk.
LGIM Buy-Out Aware Fixed Long	No exposure	
LGIM Buy-Out Aware Real Short	No exposure	
LGIM Buy-Out Aware Real Long	No exposure	

THE LEPROSY MISSION CENTRAL PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2022

Note 15: Investment Risks (continued)

Interest Rate Risk

Market Risk arising from changes in market interest rates.

Exposure & Management: LGIM's Buyout Aware funds are exposed to Interest Rate Risk.

This arises from the funds' allocations to derivatives, bond-related instruments and fixed income and variable rate securities. The LGIM Buyout Aware funds 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 LGIM Buyout Aware funds would rise and offset the increase in the actuarial liabilities that would result from the lower discount rate.

Similarly, if interest rates were to rise, the Buyout Aware funds would fall in value as would the actuarial liabilities.

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 from the inflation sensitivity of the LGIM Buyout Aware Real Short Fund and the LGIM Buyout Aware Real Long Fund.

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 2022

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.

Indirect Credit Risk

Indirect Credit Risk arises from the financial instruments held within the pooled investment vehicles.

LGIM's Buyout Aware Funds invest in credit instruments and derivatives which result in the Scheme being exposed to Indirect Credit Risk. The credit held within the Buyout Aware funds is investment grade credit which mitigates the associated credit risk. In addition, risk on the derivatives is reduced through all derivative exposure being collateralised daily.

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 allocation to LGIM's Buyout Aware funds has been designed to 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 assets are expected to move broadly in line with the liabilities and it is accepted that the assets may not keep up with inflation if the liabilities lag behind inflation also.

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 2022

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 pooled funds held by the Scheme 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.

THE LEPROSY MISSION CENTRAL PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2022

Note 15: Investment Risks (continued)

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

Newton Real Return Fund	
Legal Structure	Open-Ended Investment Company
Additional Details	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
Investment Manager	Newton Investment Management Limited (Authorised and regulated by the Financial Conduct Authority)

