

LONDON PENSIONS FUND AUTHORITY

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

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London Pension Fund Authority Statement of Accounts

INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

Directors	Sir Merrick Cockell (Chairman) Terence Jagger Dermot McMullan Tamlyn Nall Nigel Topping Dr Barbara Weber Tony Newman (appointed 19 October 2018) Ruth Dombey (appointed 19 October 2018) Christina Thompson (appointed 1 January 2019)
Chief Executive	Robert Branagh (appointed 1 April 2018)
S151 Officer	Abigail Leech
Business Address	2nd Floor 169 Union Street London SE1 0LL
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU
Bankers	Lloyds Bank 4th Floor 25 Gresham Street London EC2V 7HN
Lawyers	Eversheds Sutherland Eversheds House 70 Great Bridgewater Street Manchester M1 5ES

London Pension Fund Authority Statement of Accounts FOR THE YEAR ENDED 31 MARCH 2019

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London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

1 Narrative Report

Format of the Statement of Accounts

The primary function of the London Pensions Fund Authority (LPFA) is as an Administering Authority within the Local Government Pension Scheme.

The London Pension Fund Authority's Statement of Accounts for the financial year ending 31 March 2019 consists of:

- the **Statement of Responsibilities**;
- the **Annual Governance Statement**; and
- three separate sets of financial statements

The **Pension Fund accounts**, consisting of;

- the Pension **Fund Account** which shows the Fund's income and expenditure for the year;
- the **Net Assets Statement** which shows the net assets of the Fund at 31 March 2019;
- Notes and accounting policies to support the Pension Fund accounts

The **Operational Accounts** represent the cost of the governance and administration of the pension scheme and residual liabilities and the recharge of these costs to the Pension fund and Residual accounts. **The Residual Liabilities accounts** detail the provisions created to settle the liabilities of the Greater London Council ('GLC') to pay past employees of the GLC and Inner London Educational Authority ('ILEA') who have become injured due to exposure to asbestos. The past employees are paid via the pensions payroll and the costs are then recharged to the Residual accounts, which funds these costs via a levy. **The Operations and Residual** statements consist of:

The **Comprehensive Income and Expenditure Account** which is a summary of the resources generated and consumed by the LPFA in the year. The statement shows the accounting costs in the year of providing services in accordance with the generally accepted accounting practices. The LPFA does not raise taxation to cover expenditure;

The **Balance Sheet** which sets out the financial position of the LPFA at 31 March 2019. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the LPFA. The net assets of the LPFA (assets less liabilities) are matched by the reserves held by the LPFA;

The **Cash Flow Statement** shows the changes in cash and cash equivalent assets of the LPFA during the reporting period. The statement shows how the LPFA generates and uses cash and cash equivalents by classifying cash flows as operating and financing activities. The overall total agrees to the Cash position shown in the balance sheet;

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the LPFA; and

Notes to support the accounts.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

The Pension Fund Annual Report

The LPFA is required to prepare an Annual Report of its activities for distribution to its members. The Pension Fund Statement of Accounts is included within the Annual Report, together with other information in line with best practice guidance.

Funding

The LPFA incurs costs in the discharge of its functions as the administering authority of the Fund. These costs are detailed in the Operational Account. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the LPFA charges its costs to the Fund under its management as they are incurred and there is no formal recharge procedure.

Any costs, charges and expenses incurred in administering the Residual Liabilities are met by the Levy on the Greater London and Inner London authorities.

Review of the Statements

The 2018/19 budget had initial approval from the Board on 11 December 2017 and was submitted to the Mayor of London for comment. The final budget was approved by the Board in February 2018.

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Pension Fund budget comparison

	Actual 2018/19 £000	Budget 2018/19 £000	Variance 2018/19 £000
Dealings with members and employers			
Contributions	152,833	145,922	6,911
Transfers in	55,907	11,492	44,415
Benefits Payable	(266,157)	(252,975)	(13,182)
Transfers out	(14,169)	(11,492)	(2,677)
Net dealings with members and employers	(71,586)	(107,053)	35,467
Management Expenses			
Investment management *	(32,163)	(39,973)	7,810
Administration	(2,500)	(1,862)	(639)
Oversight & Governance	(1,856)	(2,001)	145
Investment Services Fee	(1,181)	(1,768)	587
Total Management Expenses	(37,700)	(45,604)	7,903
Returns on Investments			
Net investment Income	91,490	54,900	36,590
Taxes on Income	54	-	54
Change in Market Value *	416,691	253,900	162,791
Total return on investments	508,235	308,800	199,435
Net inflow/(outflow) to the Fund	398,948	156,143	242,805

Dealings with members and employers:

For employer contributions, additional income was received in excess of that budgeted as a result of 7 employers that have transferred into the scheme during the financial year, 4 occurring in the last two months of the year.

Transfers are in excess of the budget as a result of a number of bulk transfers in.

* Management Expenses:

Investment management fees include fees deducted from investment funds and budgeted figures have been amended accordingly to allow for comparison. A corresponding adjustment is reflected in accrual and budgeted Change in Market Value.

Returns on Investments:

Total return on investments were above budget. This increase is due to a significant increase in the returns on global equities

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Operational Accounts budget comparison

	Actual 2018/19 £000	Budget 2018/19 £000	Variance 2018/19 £000
Administration			
Administration services fee per LPP SLA	1,810	1,862	(52)
Pensions Agency	-	-	-
Employers Services	119	-	119
HR Service	62	-	62
IT Service	49	-	49
Marketing/Communications	15	-	15
Value Added Business	6	-	6
Premises	129	-	129
Total Administration	2,188	1,862	326
Oversight & Governance			
Board	230	142	88
Executive Committee	242	171	71
Governance services fee per LPP SLA	1,657	1,653	4
Central Corporate Costs	197	343	(146)
Deficit contribution	302	291	11
Finance	48	-	48
Other Corporate costs	(679)	-	(679)
Total Oversight & Governance	1,997	2,600	(603)
Total operational costs	4,184	4,462	(278)
Funded by:			
Charge made to pension fund	(3,848)	(3,863)	15
Recharge to residual liabilities	(601)	(599)	(2)
Movement in reserves			
Total Funding	(4,449)	(4,462)	13
Net deficit/(surplus)	(265)		(265)

The actual expenditure excludes adjustments for IAS19 Employee Benefits charges as these do not form part of the usual management accounting process. Although included in expenses these charges are reversed out later and do not have a direct impact on the bottom line.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities

LPFA is responsible for compensation payments in respect of former Greater London Council (GLC), Inner London Education Authority (ILEA) and London Residual Body (LRB) staff. These payments are not chargeable to the pension fund and are recovered by a levy on London boroughs. These budgets contain significant uncertainties in the form of injury claims for asbestosis, dating back to the GLC and ILEA. The LPFA has established a significant provision for known and expected claims, the costs of which will be met through the levy on London boroughs.

Greater London

The budgeted levy requirement in 2018/19 was £10,318k. Pension costs were higher than expected and there have been changes made to the asbestosis provision. However it remains extremely difficult to forecast the sums likely to be paid, both in year and over the longer term, on dealing with asbestosis claims. The LPFA has engaged an expert advisor to support the management of claims as they are submitted, and to agree estimates of future claims.

Greater London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension Retirement Costs	(8,631)	(6,324)	(2,307)
Management Expenses	(256)	(255)	-
Asbestosis Provision (known cases + direct costs)	(734)	(3,233)	2,499
Interest Payable and Receivable	250	17	233
Levy	10,318	10,318	-
Net inflow/(outflow) to Balances	947	523	424

Inner London

The budgeted levy requirement in 2018/19 was £13,065k. As with the Greater London budget pension, costs were higher than expected. The asbestosis provision spending was also significantly under budget. However, again as on the Greater London levy, the asbestosis claims remain a significant variable factor and this led to an increase in the asbestosis provision.

Inner London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension Retirement Costs	(11,754)	(10,632)	(1,122)
Management Expenses	(263)	(344)	81
Asbestosis Provision (known cases + direct costs)	(18)	(292)	274
Interest Payable and Receivable	-	20	(20)
Levy	13,065	13,065	-
Net inflow/(Outflow) to Balances	1,030	1,817	(787)

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Retirement Benefits

The Fund financial statements disclose the liability to pay retirement benefits under IAS 26. The Fund's pension liabilities relate to the obligation to pay retirement benefits to its pensioners, active and deferred members. IAS19 liabilities are disclosed in both the Operational and Residual Liabilities statements.

Date the Statement of Accounts were authorised for issue

The Statement of Accounts were authorised for issue by the Audit and Risk Committee on **xx** July 2019. Post balance sheet events have been considered up to the date the accounts were signed off by the auditor.

Further Information

Further information about these accounts is available from Local Pensions Partnership Ltd, 2nd Floor, 169 Union Street, London SE1 0LL. In addition further information on the LPFA performance in service and corporate areas can be seen alongside a summarised version of the accounts in the LPFA Annual Report, which can be requested at the address above.

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

2 Statement of Responsibilities for the Statement of Accounts

LPFA's responsibilities

LPFA is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (the "Section 151 officer").
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

- The preparation of the LPFA's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom
- Keeping proper financial records and accounts and maintaining an effective system of financial control

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgments that were reasonable and prudent
- Taken reasonable steps for the prevention and/or detection of fraud and/or other irregularities
- Complied with the code

Certificate of Approval

I certify that the statement of accounts presents a true and fair view of the financial position of the LPFA at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

.....

Abigail Leech, Section 151 Officer

Dated: xx July 2019

London Pension Fund Authority Statement of Accounts

3 Annual Governance Statement 2018/19

Scope of Responsibility

From April 2016, the majority of LPFA's functions have been outsourced to the Local Pensions Partnership Ltd (LPP) under a Service Level Agreement (SLA). LPP is a business which is owned jointly with Lancashire County Council. As a shareholder and a client, the LPFA has an important role in ensuring that the LPP remains accountable and provides the necessary assurance to the Authority that services are being delivered.

As an LGPS administering authority and a statutory corporation, the statutory and regulatory responsibilities of the Board remain. LPFA is responsible for the strategic aspect of pension fund management; however, the implementation of the Board's strategy and policies is being carried out by LPP.

LPFA remains responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Board is informed of regulatory changes prior to decisions being made, often with the input of LPP as a key service provider to LPFA. LPFA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economic, efficient and effective factors.

In discharging this overall responsibility, LPFA is responsible for ensuring that its functions are exercised within an effective risk management framework and that strong governance controls are in place. The operational aspects of this have been outsourced to LPP but the LPFA Board remains responsible for monitoring the robustness of these arrangements.

engagement to ensure that the Fund continues to deliver benefits of scale and that it is serviced as per the terms set out in the Shareholder Agreement. As such, significant time and resource will be given to oversight of respective areas within LPP particularly Investment, Administration and Employer Risk but also of LPP itself including its long term financial and structural sustainability.

LPFA's Governance Framework

LPFA's governance framework comprises the systems, processes, culture and values, by which LPFA is directed and controlled, and the activities for which it is accountable. It enables the Administering Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

LPFA's Constitutional Document clearly defines the roles of Principal Officers, which provides greater clarity in effective working relationships across the Authority. The Board, at its first meeting of the financial year, reviews the membership and confirms the Chair of its Standing Committee and assesses whether the Constitutional Document is still 'fit and proper' in delivering its governance arrangements. The Authority is kept informed of the partnership's governance framework and will continue to enhance the Shareholder relationship and ensure LPP are operating effectively and meeting their obligations under the Shareholder Agreement.

London Pension Fund Authority Statement of Accounts

LPFA conducted an evaluation of the Board by an external third party in the Summer of 2018, which led to positive conclusions regarding the effectiveness of the Board as a group. Following this review, a number of recommendations are being implemented on LPFA's governance and wider relationship with stakeholders to help ensure it continues to deliver a high-quality, cost-effective pensions service in line with its mission statement. The outcome of the Board evaluation structured the agenda for the Strategy Away Day in September 2018, which also consisted of a presentation on LPFA's Constitution. The recommendations have been documented into an action plan which is reviewed regularly by the Managing Director and reported to the Board on a quarterly basis.

During the financial year, we saw the retirement of several long serving LPFA Board members who were key to the formation of LPP. Following an open and transparent appointment process by the Greater London Authority (GLA), we welcomed Tony Newman and Ruth Dombey in December 2018 and Christina Thompson in January 2019 as new Board members. Appropriate induction programmes were put in place and relevant training and information provided to enable the new Board Members to perform their roles effectively.

LPFA's Governance Framework - Local Code of Corporate Governance

A key component of LPFA's governance framework is the Local Code of Corporate Governance (the "Code"), which was approved and adopted in July 2018. This Code is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*

This Code sets out the governance systems, processes and controls used by LPFA in the delivery of its functions and encompasses the following:

- LPFA's vision, objectives and decision-making process, including training and induction program
- Approach to Environmental, Social, Governance arrangements, including responsible investment and climate change
- LPFA's decision making, reporting and oversight of the partnership
 - Committee structures, performance monitoring and how the use of resources are monitored
 - How fraud, risk management and conflicts of interest policies are managed, including the division of responsibilities between LPFA and LPP
 - Officer-specific functions, including the roles of both the s151 Officer and the Monitoring Officer
- The role of the Audit & Risk Committee and whistleblowing procedures
 - Arrangements to ensure the effective financial monitoring from the partnership and use of future resources
- The Local Pension Board and its remit.
 - How LPFA meets the requirements of the relevant accounting standards in relation to the publication of a statement on internal control.

London Pension Fund Authority Statement of Accounts

LPFA will continue to control its governance affairs, with the operational aspects outsourced to LPP under an SLA. The Local Code of Corporate Governance was updated in July 2019 to reflect the enhancements implemented during the year. It will be further reviewed by the LPFA Audit & Risk Committee in July 2020. The Code is available on LPFA's website: www.lpfa.org.uk

LPFA's Risk Management Framework

Governance is an essential risk management tool. The LPFA Board promotes a culture of risk management and ensures that this permeates throughout the organisation. The LPFA is supported in its risk oversight by the Audit and Risk Committee which is responsible for oversight and advice to the Board on current risk exposures and future risk strategy, including the strategy for managing liabilities and the oversight of the embedding and maintenance of a supportive culture in relation to the management of risk throughout the business.

Highlights of the Risk Management Process – designed to:

- (1) Identify and prioritise the risks to the achievement of LPFA's policies, aims and objectives: LPFA identifies and mitigates a range of risks arising from the external environment (immediate and longer term).*
- (2) Evaluate the likelihood of those risks being realised and the impact should they be realised:*
- (3) Manage them efficiently, effectively and economically: the risk register is maintained by risk professionals who devise adequate controls with monitoring exercised by the Board. The key controls in place are also stress tested on a regular basis to ensure that they are sufficiently resilient to enable the Fund to meet its strategic objectives.*

The above process is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable (not absolute) assurance of effectiveness. The Fund's assets are audited annually by both external and internal auditors. As part of the audit process, the robustness of LPFA's internal controls system and procedures are also checked.

During 2018, the LPFA commenced a review of its Risk Framework to ensure that it remained adequate in light of the expansion of the Fund, its outsourcing activities and the macro environment within which it was operating. The Risk Management Framework, and the risk register will be further refreshed during 2019/20 with additional risks and stronger mitigating controls. This process will be facilitated by the Audit & Risk Committee with constructive discussions held at Board level towards the overall enhancement of the framework.

LPP delivered a comprehensive training session to the Audit & Risk Committee and Investment Panel on LPFA's Risk Appetite statement to precede work commencing in earnest on the 2019 Valuation. The Audit & Risk Committee, as the only standing committee of the Authority, advised the Board on the Authority's overall risk appetite, tolerance and strategy taking into account all relevant factors. A summary of LPFA's risk appetite statement will be published on LPFA's website ahead of the triennial valuation 2019.

The activities of the Audit and Risk committee in 2018/19 will be disclosed in the Pension Fund Annual Report and on LPFA's website. Any enhancements made to the governance framework during the year have been reflected in the Code and actions taken and planned are identified below.

London Pension Fund Authority Statement of Accounts

Annual Governance Statement Action Plan

The Annual Governance Statement for the 2017/18 reporting period contained a number of action points to be completed during 2018/19. LPFA's progress
Action plan 2018/19

Issue	Action	Outcome	Lead Officer	Completion Date
Continuing work as an active shareholder	Enhance the relationship with LCC/LCPF and demonstrate strategic and tactical oversight of LPP	The Chair of LPFA and Managing Director meets with LCPF and LPP on a monthly basis and will continue to do so throughout the strategic period.	Managing Director	Throughout the financial year.
Overseeing the implementation of the outcome from the LPP corporate structure review to ensure that appropriate governance arrangements are in place to meet the challenges of FCA compliance.	Working with LPP on the outcome of the Corporate Structure review and inform the Board of any FCA implications.	The outcome of the review was reported to the LPFA Board and communicated to LPP. Robust controls have been implemented into the business to tighten any gaps identified	Managing Director	December 18
To make reasonable efforts to divest provided that this will result in no material financial detriment The previous AGS mentions working with LPPI on the delivery of the LPFA's Climate Change policy.	Continue to work with LPPI on the delivery of LPFA's Climate Change Policy.	The work with LPPI continues to be delivered and reported to the Board on a quarterly basis.	Managing Director	Throughout the financial year. LPFA commits to implementing this policy on climate change by 2020, including all necessary divestment required in line with the policy.
Monitoring of Service Level Agreement (SLA) between LPFA and LPP with particular interest in the employer and member experience.	The Managing Director monitors the SLA with regular meetings with LPP representatives. LPFA also host events/forums in the interest of Members and Employers in view of providing support and improving their experience.	Monthly meetings are held with the Managing Director and LPP on the compliance of the SLA and various reports tracking progress are also submitted. A Fund Member Forum, Employer Forum and Employer Practitioner Conference was held throughout the year.	Managing Director	Ongoing

Annual Governance Statement Action Plan

Issue	Action	Lead Officer	Completion Date
The Board Chairman's appointment term comes to an end in December 2019	Investment in succession planning, knowledge share/handover of LPFA's history, including building blocks in the decision making of LPP. Ensuring effective induction programmes are in place	Managing Director/GLA/Chairman	October/November 2019
LPFA's Staff Governance Handbook has not been updated since the incorporation of LPP	LPP to support the governance review following the appointment of LPFA's additional resources.	Managing Director	Summer 2019
Extra resources are required on the LPFA Executive team and thereafter transition the appropriate responsibilities to the relevant appointed personnel.	Scope job descriptions and advertise as appropriate. Provide an effective induction programme and training. Clarity of roles and responsibility to ensure there is no crossover with LPP.	LPFA Board, Managing Director	Autumn 2019
Update of the LPFA's Compliance Policies	Review and update the compliance policies and assess whether they remain appropriate.	Managing Director	Autumn 2019
Effectiveness review of the Audit & Risk Committee (ARC)	To carry out an internal evaluation facilitated by LPP. The outcome will be reported to the LPFA Board.	Managing Director	November 19
There is no standalone policy on Responsible Investment (RI).	Introductory Board training session on RI and current approaches to RI in Pooled Funds. Following this, a plan will be established to produce a RI policy before the end of the calendar year.	Managing Director/s.151 Officer	December 19
To explore whether the Investment Panel should be a standing committee of the authority or continue as a sub-group of the Board.	Clarity on the IP's role and decision-making powers. Develop terms of reference.	Managing Director	Autumn 2019
Risk register review and Risk Management Framework	LPP to facilitate the review of LPFA's Risk Framework and MD/s151 officer to participate the direction of its risk tolerances. Volunteered ARC members to partake in internal review.	Managing Director/s.151 Officer	December 19
Increased financial and strategic oversight of LPP	LPP to provide a new 5 year strategic and financial plan to provide a sustainable business with limited reliance on Shareholders in the future.	LPFA Board/Managing Director/s151 Officer.	Autumn 2019
	More regular (monthly) financial oversight of LPP financial performance	Managing Director/s151 Officer	May 2019

London Pension Fund Authority Statement of Accounts

We propose to further enhance our governance arrangements by taking steps to address the above matters over the coming year. We believe that these steps will address the need for improvements that may be identified in our review of the effectiveness of these arrangements and we will monitor their implementation and operation as part of our next annual review.

Signed
Robert Branagh, Chief Executive

Dated: 31 July 2019

Signed
Sir Merrick Cockell, Chairman

Dated: 31 July 2019

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Independent auditor's report to the members of the London Pensions Fund Authority

Report on the Audit of the Pension Fund Financial Statements

Opinion

TO BE ADDED

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**Independent auditor's report to the members of the London Pensions Fund
Authority**

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Report on the Audit of the Financial Statements

Opinion

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

5 Fund Account

2017/18		Notes	2018/19
£'000	Dealing with members, employers and others directly involved in the Fund		£'000
180,904	Contributions	6	152,833
165,434	Transfers from other Pension Funds	7	55,907
346,338			208,740
(245,692)	Benefits	8	(266,157)
(16,828)	Payments to and on account of leavers	9	(14,169)
	- Capital Funding costs		448
(262,520)			(279,879)
83,818	Net additions/(withdrawals) from dealings with members		(71,138)
(47,779)	Management Expenses	10a	(37,700)
36,040	Net additions/(withdrawals) including fund management expenses		(108,839)
	Returns on investments		
95,158	Investment Income	12a	91,490
(44)	Taxes on Income	13	54
185,999	Profit and Loss on disposal and change in market value	14a	416,691
281,113	Net returns on investments		508,236
317,152	Net increase/(decrease) in net assets available for benefits during the year		399,397
5,337,122	Opening net assets of the scheme		5,654,274
5,654,274	Closing net assets of the scheme		6,053,671

London Pension Fund Authority Statement of Accounts Net Assets Statement as at 31 March 2019

31-Mar-18		Notes	31-Mar-19
£'000			£'000
	Investment assets		
5,375,018	Investment assets	14	5,820,092
176,792	Cash balances	17	170,013
115,959	Current assets	19	70,820
(13,495)	Current liabilities	20	(7,255)
5,654,274	Net assets of the Fund available to fund benefits at the period end		6,053,671

31-Mar-18		Notes	31-Mar-19
£'000			£'000
5,337,122	Balance as at 1 April		5,654,274
317,152	Movement in net assets available for benefits during the year		399,397
5,654,274	Balance at 31 March		6,053,671

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 23

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Abigail Leech, Section 151 Officer

Dated:

London Pension Fund Authority Statement of Accounts

6 Notes to the Fund Accounts for the year ended 31 March 2019

1 General information

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- the Local Government Pension Scheme (Amendment) Regulations 2018.

The LPFA is registered with the Register of Occupational and Personal Pension Schemes - Reference 100016237.

The Pension Fund is subject to Triennial Valuations by an independent actuary. Employers' contributions are determined by the actuary to ensure that in the long term the Pension Fund's assets match its liabilities. The LPFA's Actuary is Barnett Waddingham, who have supplied an actuarial statement. This is shown in Section 7 and should be read in conjunction with these accounts.

2 Basis of Preparation

The statement of accounts summarises the funds transactions for the 2018/19 financial year and its financial position at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) which is based upon International Financial Reporting Standards (IFRS) as amended for the public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 24 to these accounts.

3 Accounting standards issued, but not yet adopted

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 16 Leases - It replaces IAS17 and requires lessees to recognise both assets and liabilities on the balance sheet, for all leases (now including operating leases).
- IAS 7 Statement of cash flows: disclosure initiative - The amendments to IAS 7 improve the information provided by entities about their financing activities.
- IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses - This relates to deferred tax assets on debt instruments measured at fair value.

The impact of the standards issued but not yet adopted cannot yet be quantified.

London Pension Fund Authority Statement of Accounts

4 Summary of Significant Accounting Policies

General Principles

The Pension Fund Statement of Accounts summarise Fund transactions for the 2018/19 financial year and its position as at 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS). The accounts summarise the transactions of the Fund and report on the net assets at the disposal of the LPFA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in note 25 and actuarial statement.

The financial statements and accounts have been prepared on a going concern basis.

Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Actuary, in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on an accruals basis in accordance with the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from Other Schemes

Individual transfers in/out are accounted for when the receiving scheme agrees to accept the liability. The liability normally transfers when a payment is made, unless the receiving scheme has agreed to accept liability in advance of the receipt of funds.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and included in Transfers in.

Bulk transfers in/out, where the receiving scheme has agreed to accept the liability prior to receipt and the necessary employee consents have been obtained, are accounted for in accordance with the bulk transfer terms signed by qualified actuaries appointed by the two pension schemes involved in the bulk transfer.

Investment Income

All investment income receipts and payments are accounted for on an accruals basis.

Income from pooled investment vehicles accumulation units is not paid but is reinvested automatically.

Investment market value changes comprise all realised and unrealised profits/losses during the year.

Dividends and interest on quoted investments are accounted for when received or quoted ex dividend.

Property-related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Taxation

The Pension Fund is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers a withholding tax in the country of origin, unless exemption is permitted. Tax deducted in some European countries is recovered.

London Pension Fund Authority Statement of Accounts

Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

Management Expenses

Although not a requirement of the code, pension fund administrative expenses are broken down to enhance transparency in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)", into the following categories:

- Administration expenses
- Oversight and governance expenses
- Investment management fees

Administration expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all activities the pension scheme must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;
- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
- Associated project expenses.

Oversight and governance expenses consist of the following:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension fund;
- Operation and support of the pensions committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;
- Governance and voting services;
- Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);

Investment management fees

Investment management expenses are expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. In accordance with the CIPFA guide local government pension management expenses 2016, this includes expenses directly invoiced by investment managers and any fees payable to fund managers which are deducted from fund assets. Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses.

Local Pensions Partnership Investments Limited is responsible for managing all investment managers. Fees of the investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under management and there is also a fee payable based on a percentage of out-performance against an agreed benchmark, for some managers.

London Pension Fund Authority Statement of Accounts

Financial Assets

Financial assets are included in the net asset statement on a fair value basis as at the reporting date in accordance with IFRS 9. The asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value are recognised by the Fund in the Fund account as part of the change in market value.

The fair value is established in accordance with IFRS 13 for each category of investment by obtaining sufficient data as follows:

Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market.

Fixed interest securities are recorded at net market value based on their current yields.

Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers using guidelines of the British Venture Capital Association. This includes the use of discounted cash flow models which are independently audited.

Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

Investment assets are allocated and disclosed within the fair value hierarchy, being within levels 1, 2 or 3.

Property valuation

Directly held freehold properties are included at the open market value as at the year-end. The directly held property was valued at open market value at 31 March 2019 by an independent valuer, GVA Grimely Limited ('GVA'). The Properties have been valued individually on the basis of Fair Value, in accordance with the RICS Valuation – Global Standards 2017. VPGA 1 – Valuations for inclusion in financial statements which adopts the definition of Fair Value adopted by the International Accounting Standards Board (IASB) in IFRS 13. This is an internationally recognised basis and is defined as: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

GVA regards Fair Value as Identical to Market Value, defined within the Global Valuation Standards as:-

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash without significant risk of change in value.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end.

Foreign currency transactions are translated to sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value.

London Pension Fund Authority Statement of Accounts

Derivatives

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value.

Futures contracts' value is determined using exchange prices at the reporting date.

Exchange traded options' value is determined using the exchange price for closing out the option at the reporting date. Over the counter (OTC) contract options' value is determined by the investment manager using the Black Scholes pricing model.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Fund managers invest on behalf of the LPFA in accordance with the Investment Management Agreement and the Statement of Investment Principles, subject to the Local Government Pension Scheme ("LGPS") guidelines (England and Wales).

Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with 4(2)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 18). Contributions to AVCs are paid to the AVC providers by employers or contributors and are specifically for the provision of additional benefits for individual contributors.

Financial liabilities

Financial liabilities are included in the Fund account at fair value if they exist at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to a liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits is calculated in accordance with IAS 26, every year using the results of the last Triennial Actuarial Valuation, estimated income and expenditure for the year, fund returns for the year and details of any new retirements for the year that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 23).

5 Critical Accounting Estimates and Judgment

Unquoted Private Equity, Hedge Funds, Property Funds and Infrastructure Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving factors which include the valuations of companies deemed comparable to the asset being valued, the future cash flow expectations and discount factors used. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association or Institutional Limited Partners Association. Most private equity and infrastructure assets were transferred to a pooled vehicle during the year. The value of unquoted private equities and infrastructure at 31 March 2019 was £954m (£1,104m at 31 March 2018). There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19 and IAS26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuarial Statement on page 56 of this report. This estimate is subject to significant variances based on changes to the underlying assumptions.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Pension Fund Information

The last full triennial valuation of the LPFA Fund was carried out as at 31 March 2016 in accordance with the Funding Strategy Statement of the fund. The funding level was 96%. New contribution rates for employers following analysis of the 2016 valuation came into effect from 1 April 2017. The rates are determined for each employer by the actuary to be sufficient to fund the annual cost of benefits and to clear the deficit.

Details of the participating employer bodies and their individual contribution rates for the year ended 31 March 2019 are set out on pages 58-65.

Employees pay contributions determined by their full time equivalent pay at the rates set out below:

Pay Range 2017/18	Pay Range 2018/19	50/50 Section	
£0 - £13,700	£0 - £14,100	5.50%	2.75%
£13,701 - £21,400	£14,101 - £22,000	5.80%	2.90%
£21,401 - £34,700	£22,001 - £35,700	6.50%	3.25%
£34,701 - £43,900	£33,701 - £45,200	6.80%	3.40%
£43,901 - £61,300	£45,201 - £63,100	8.50%	4.25%
£61,301 - £86,800	£63,101 - £89,400	9.90%	4.95%
£86,801 - £102,200	£89,401 - £105,200	10.50%	5.25%
£102,201 - £153,300	£105,201 - £157,800	11.40%	5.70%
£153,301 and above	£157,801 and above	12.50%	6.25%

The fund membership was as follows:

2017/18		Fund Membership	2018/19
Numbers			Numbers
18,537	Active members		19,489
26,911	Deferred beneficiaries		28,222
34,625	Pensioner / Dependents		35,541
4,393	Undecided leavers and Frozen refunds		5,536
84,466			88,788

The number of participating employers as at 31 March 2019 was 142 (2018 - 142).

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

6. Contributions

By Category

2017/18		2018/19
£000		£000
71,051	Employers - normal	75,896
30,801	Employers - additional	38,529
38,429	Employers - one off deficit payment	-
39,096	Members - normal	37,428
1,527	Cessation valuations	981
180,904		152,833

By Authority

2017/18		2018/19
£000		£000
58,855	Scheduled bodies	60,241
120,282	Admitted bodies	90,511
419	Community admission body	558
1,348	Transferee admission body	1,523
180,904		152,833

Additional deficit contribution

Employers in the fund continue to approach LPFA regarding additional one off contributions to the fund in order to assist in clearing their respective deficit positions LPFA enters into these discussions supported by statements from the fund actuary.

7. Transfers in from other pension funds

2017/18		2018/19
£000		£000
154,685	Group transfers	46,145
10,749	Individual transfers	9,762
165,434		55,907

The Group transfers related to Redbridge, Kingston College, Carshalton College, Bromley College, Bexley College and North West London College merging their scheme with existing participating employers

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8. Benefits

By Category

2017/18		2018/19
£000		£000
212,289	Pensions	226,698
30,562	Commutation and lump sum retirement benefits	33,348
2,841	Lump sum death benefits	6,111
245,692		266,157

By Authority

2017/18		2018/19
£000		£000
159,098	Scheduled bodies	165,417
85,111	Admitted bodies	98,277
474	Community admission body	316
968	Transferee admission body	2,105
41	Resolution body	42
245,692		266,157

9. Payments to and on account of leavers

2017/18		2018/19
£000		£000
684	Refunds to members leaving service	14,175
13,132	Payments for members joining state scheme	(6)
2,972	Group transfers	-
40	Individual transfers	-
16,828		14,169

10a. Management Expenses

2017/18		2018/19
£000		£000
44,614	Investment Management	33,344
1,806	Administration	2,500
1,359	Oversight & Governance	1,856
47,779		37,700

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

10b. Investment Expenses

2017/18		2018/19
£000		£000
41,555	Management fees	27,035
2,588	Performance related fees	2,551
181	Custody fees	-
274	Transaction fees	155
-	Exchange differences	3,557
16	Other fees	47
44,614		33,344

The management expenses are grossed up to include fees netted against the investment value, in line with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016). This adjustment has an equal impact on management expenses and the change in the market value of investments. There is no impact on the overall net assets of the scheme.

11a. Investment Income

2017/18		2018/19
£000		£000
1,321	Income from equity	36,050
450	Income from bonds	-
42,189	Private Equity and Infrastructure income	18,805
5,338	Rents from property	32,148
43,486	Pooled Investments - Unit trusts and other managed funds	-
2,021	Interest on cash deposits	3,039
353	Other	1,448
95,158		91,490

11b. Property income and expenses

2017/18		2018/19
£000		£000
5,868	Property income	32,714
(530)	Property expenses	(566)
5,338		32,148

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

12. Investments

Market Value at 31 March 2018		Market Value at 31 March 2019
£000		£000
	Pooled investments	
601,145	Fixed interest securities	271,774
2,400,971	Equities	2,482,565
328,293	Property	288,757
267,734	Credit	449,316
592,989	Private Equity	586,895
510,869	Infrastructure	367,434
27,713	Commodity funds	33,890
408,128	Managed funds	343,680
-	Diversified	704,606
10,269	Cash Instruments	-
167,360	Direct property	268,780
	Other investment balances	
58,849	Cash held by investment managers	22,360
81	Investment income due	34
617	Amounts receivable for sales	-
5,375,018	Net investment assets	5,820,092

The prior year pooled investments category has been reanalysed to be consistent with the current year and to provide greater detail of the underlying assets. Two categories have been disaggregated: Private equity/infrastructure, into its constituent parts; and Pooled Investments into Credit, Equities, Fixed Interest Securities and Managed Funds.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

12a. Reconciliation of Movements in Investments

Period 2018/19	Market Value at 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during in the year	Market Value at 31 March 2019
	£000	£000	£000	£000	£000
Pooled investments					
- Fixed interest securities	601,145	135,000	(453,167)	(11,204)	271,774
- Equities	2,400,971	-	(260,000)	341,594	2,482,565
- Credit	267,734	175,000	(1,456)	8,038	449,316
- Private Equity	592,989	90,388	(158,135)	61,653	586,895
- Infrastructure	510,869	106,963	(269,590)	19,193	367,435
- Property	328,293	16,420	(64,374)	8,418	288,757
- Managed funds	408,128	108,284	(258,388)	85,656	343,680
- Commodity funds	27,713	15,939	(10,742)	980	33,890
- Diversified funds	-	717,779	-	(13,173)	704,606
- Cash Instrument	10,269	-	(10,280)	11	0
Property	167,360	96,503	-	4,917	268,780
	5,315,471	1,462,277	(1,486,131)	506,081	5,797,698
	5,315,471	1,462,277	(1,486,131)	506,081	5,797,698
Other investment balances					
Cash held by managers	58,849			(89,390)	22,360
Amount receivable for sale of investments	617				-
Investment income due	81				34
Amounts payable for purchases	-				-
	5,375,018			416,691	5,820,092

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

12a. Investments (continued)

Net Investment Assets (Prior year comparative)

Period 2017/18	Market Value at 31 March 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during in the year	Market Value at 31 March 2018
	£000	£000	£000	£000	£000
Fixed interest securities	56,649	26,705	(82,316)	(1,038)	-
Equities	44,647	986	(42,396)	(3,237)	-
Pooled investments					
- Fixed interest securities	224,626	388,716	(43,000)	30,803	601,145
- Equities	2,406,082	196,883	(168,581)	(33,413)	2,400,971
- Credit	-	267,095	(3,067)	3,706	267,734
- Private Equity	800,820	851,781	(1,069,086)	9,474	592,989
- Infrastructure	346,135	855,274	(670,896)	(19,644)	510,869
- Property	253,047	126,811	(34,120)	(17,445)	328,293
- Managed funds	664,337	40,597	(506,496)	209,690	408,128
- Commodity funds	33,183	13,174	(14,639)	(4,005)	27,713
- Cash Instrument	27,431	25,141	(41,159)	(1,144)	10,269
Liquidity Fund	9,723	-	(9,723)	-	-
Property	110,020	51,737	-	5,603	167,360
	4,976,700	2,844,900	(2,685,479)	179,350	5,315,471
Derivative contracts					
- Forwards	3,921	353,831	(364,525)	6,773	-
- Options	143	1,673	(1,432)	(384)	-
Futures	-	4,791	(5,051)	260	-
	4,980,764	3,205,195	(3,056,487)	185,999	5,315,471
Cash held by managers	3,255				58,849
Amount receivable for sale of investments	421				617
Investment income due	3,632				81
Amounts payable for purchases	(1,027)				-
	4,987,045				5,375,018

Some opening balances have been re-analysed following the change of custodian on 31 August 2017. The overall total remains the same as disclosed in the prior year accounts increasing both purchases and sales to reflect the transfer.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

12b. Analysis of Investments

31 March 2018		31 March 2019
£000		£000
	Pooled Funds - Additional Analysis	
	<u>UK</u>	
135,852	Fixed interest securities	271,774
-	- Unit trusts	
267,734	Credit	449,316
582,261	Private Equity	586,895
430,989	Infrastructure	367,308
202,799	Property	212,846
	Diversified Strategy	704,606
10,269	Cash instruments	-
	<u>Overseas</u>	
465,293	Fixed interest securities	-
2,400,971	Equities	2,482,565
10,728	Private Equity	-
79,880	Infrastructure	127
125,494	Property	75,911
27,713	Commodity funds	33,890
408,128	Managed Funds	343,680
-	- Hedge Funds	
5,148,111		5,528,918
167,360	Direct property	268,780
5,315,471		5,797,698

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

12c Investments

Analysis of Derivatives

Derivatives are used to hedge liabilities or hedge exposures to reduce risk to the fund. They are also used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the Investment Management Agreement between the LPFA and the various Investment Managers.

Futures

There were no directly held outstanding exchange traded futures contracts at 31 March 2019 (2018 - £nil).

Open Forward currency contracts

The net position on open forward currency contracts at 31 March 2019 amounts to £nil (2018 - gain of £1,130,571). This amount is reflected in the change in market value of investments.

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LPFA Accounts 31 March 2019 For the year ended 31 March 2019

12d Investments Analysed by Fund Manager

Market Value at 31 March 2018	% of Market value 31 March		Market Value at 31 March 2019	% of Market value 31 March
£000	%		£000	%
2,320,391	43.65%	LPPI Global Equities	2,437,012	42.03%
-	0.00%	LPPI Diversified Strategy	704,606	12.15%
578,913	10.89%	LPPI Private Equity	586,511	10.12%
263,069	4.95%	LPPI Credit	445,947	7.69%
712,004	13.39%	Insight Investment Management (Global)	388,853	6.71%
279,626	5.26%	LPPI Infrastructure	330,534	5.70%
135,852	2.56%	LPPI Fixed Income	271,774	4.69%
167,360	3.15%	Knight Frank	268,780	4.64%
202,799	3.82%	CBRE Global Investors	212,846	3.67%
125,494	2.36%	Aeolus Property	92,307	1.59%
13,410	0.25%	Pontoon Dock	30,541	0.53%
19,542	0.37%	Brookfield Howard Asset Management	17,494	0.30%
4,120	0.08%	Infrared Capital Partners	4,638	0.08%
4,665	0.09%	M&G Investment Management	3,369	0.06%
1,720	0.03%	Foresight Group	1,595	0.03%
3,348	0.06%	Impax Asset Management	384	0.01%
252,266	4.75%	Blackrock Management	381	0.01%
4,095	0.08%	Standard Chartered	126	0.00%
32,469	0.61%	Graham Trend	-	0.00%
43,316	0.81%	GSA Trend	-	0.00%
8,171	0.15%	LPPI Phaunos	-	0.00%
10,729	0.20%	Red Kite Mine Finance	-	0.00%
132,024	2.48%	Winton-EVO	-	0.00%
88	0.00%	Zouk Solar	-	0.00%
5,315,471	100%		5,797,698	100%
58,849		Cash held by investment managers	22,360	
617		Amounts receivable for sales	-	
81		Investment income due	34	
-		Amounts payable for purchases	-	
5,375,018			5,820,092	

LPFA Accounts 31 March 2019 For the year ended 31 March 2019

The following investments represent more than 5% of the net assets of the scheme:

Security	Market value 31 March 2018	% of Total Fund	Market value 31 March 2019	% of Total Fund
	£000		£000	
Global Equities	2,320,391	43.7	2,437,013	42.0
LPPI Credit	-	-	445,947	7.7
LPPI Diversified Strategy	-	-	704,606	12.1
LPPI Infrastructure	-	-	330,534	5.7
LPPI PE Investments (No.1) LP	578,913	10.9	586,511	10.1
Insight Liability Driven Investment (LDI) solutions plus LDI active '1'FD	407,593	7.7	343,300	5.9
Total	3,306,897	62.3	4,847,911	83.5

12d. Property Holdings

The fund's investment in property portfolio comprises investment in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

31 March 2018		31 March 2019	
£000		£000	
110,020	Opening Balance	167,360	
51,737	Purchases	96,503	
5,603	Change in Fair Value	4,917	
167,360		268,780	

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

13. Financial Instruments

The LPFA has financial liabilities carried at amortised cost and the carrying amount for instruments that will mature within the next twelve months from the net asset statement date is assumed to equate to the fair value.

The fair values of loans and receivables at 31 March 2019 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Assets are carried at fair value. When an asset or liability is translated at balance sheet date the gain/ loss is taken as unrealised but when the asset or liability is settled (i.e. received/ paid) the gain/ loss becomes realised.

LPFA has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Valuation of financial instruments carried at fair value

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

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities, futures and options.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure are based on valuations provided by the general partners of the funds in which the LPFA has invested. The valuations are determined using the guidelines set out by the British Venture Capital Association or International Limited Partners Association.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Fair value levels

Value at 31 March 2019	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit or loss	3,548,345	1,229,888	1,019,465	5,797,698
Financial liabilities at fair value through profit or loss	-	0	-	0
Net financial assets	3,548,345	1,229,888	1,019,465	5,797,698

Reconciliation of level 3 assets

	Market value 1 April 2018	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2019
	£000	£000	£000	£000	£000
Level 3	1,012,797	185,889	-254,383	75,162	1,019,465

Value at 31 March 2018	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit or loss	3,278,721	1,023,953	1,012,797	5,315,471
Net financial assets	3,278,721	1,023,953	1,012,797	5,315,471

In measuring the Level 3 investments it is possible that one or more of the inputs could be changed, by the valuing manager, to acceptable alternative assumptions. For example different earnings multiples could be used for a comparable company or industry sector. These assumptions may significantly change the valuation of the investment being valued. However, each investment is valued in isolation and changing assumptions for one investment may not be applicable to others. Therefore, carrying out a sensitivity analysis on the whole class may be inappropriate. The LPFA has a large portfolio of Level 3 investments and changes to the value of any one investment is not likely to have a significant impact on the value of the whole class of investments or to the value of the LPFA's total asset portfolio.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

14 Classification of Financial Instruments

Financial instruments held by the Fund at the year-end are categorised as follows:

Market Value at 31 March 2018	Category	Market Value at 31 March 2019
£000		£000
	Pooled investments	
2,400,971	- Equities	2,482,565
267,734	- Credit	449,316
592,989	- Private Equity	586,895
510,869	- Infrastructure	367,435
328,293	- Property	288,757
408,128	- Managed	343,680
27,713	- Commodities	33,890
	- Diversified	704,606
601,145	Fixed interest securities	271,774
10,269	Cash Instruments	-
5,148,111		5,528,918
	Finance assets - loans and Receivables	
58,849	Cash held by investment managers	22,360
81	Investment income due	34
617	Amounts receivable for sales	-
176,792	Cash balances	170,013
115,959	Current Assets – Note 19	70,820
352,298	Total - Loans and Receivables	263,227
	Finance liabilities - at amortised cost	
	- Amounts payable for purchase	-
(13,495)	Current liabilities – Note 20	(7,255)
(13,495)	Total - Loans and Receivables	(7,255)
5,486,914	Grand Total	5,784,891

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Nature and Extent of Risks Arising from Financial Instruments

LPFA's investment and hedging activity expose it to a variety of financial risks in respect of financial instruments and which are managed in line with LPFA's investment and funding strategy as set out in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

The procedures for risk management in relation to key financial instruments is set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require LPFA to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services of Practice and Investment Guidance.

Overall, LPFA manages risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators which limit the LPFA's overall borrowing;
- by following treasury management guidelines; and
- by approving an investment and funding strategy.

The primary risk arising from investments and hedging in financial instruments are market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk of loss from fluctuations in market prices which includes interest and foreign exchange rates, credit spreads, equity prices and volatility. The Fund is exposed to market risk from its investment and hedging activities, with the level of risk exposure depending on asset mix, market conditions, expectations of future price and yield movements. Most of the market risk arises from financial instruments held in investments in LPP pooled funds.

Market risk is managed in line with the risk management objectives within the Fund's ISS and FSS, which is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising return on risk. The Fund manages its market risk by establishing a well-diversified asset allocation across different asset classes, countries and currencies. The Fund also seeks to include assets which provide real term returns as well as cash flow generating assets that try to match the fund's liabilities.

Market Risk – Sensitivity Analysis

Several approaches are used to measure and monitor the market risk of the Fund including sensitivity analysis, expected volatility, VaR and stress testing. The methodology used may be based on historical data or using simulation techniques, depending on the measure and the type of risk.

The expected volatility over a 1-year time horizon is used as one risk measure for the Fund and is measured as a one standard deviation movement in the returns for each of the major asset classes in which the Fund is invested. The expected volatility provides a measure of the potential largest change in the value of the Fund in around 2/3rds of the time. The total fund volatility considers the expected interactions between the different asset classes, based on underlying volatilities and correlations of the assets.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

The approach makes assumptions on the potential distribution of prices and the potential movement and correlation in equity prices, interest and foreign exchange rates and credit spreads. The limitations of the approach are that the expected asset volatility and correlations may be different over the 1-year time horizon, the assumed distribution of prices may be different and it does not provide a measure of potential outcomes outside the one standard deviation movement.

2018 1 year expected volatility (%)	2018 % of Fund	Asset Class	2019 1 year expected volatility (%)	2019 % of Fund
19.3	49.0	Global Equities	17.4	45
24.0	10.3	Private Equity	25.7	9.8
20.7	7.5	Property	20.5	9.0
3.3	2.5	Fixed Income	3.3	4.5
17.3	5.0	Infrastructure	18.0	5.7
8.4	5.1	Credit	8.4	7.6
4.6	15.2	Total Return	4.5	13.3
0.0	5.4	Cash & LDI	0.0	4.6
11.9	100.0	Total Fund	11.8	100.0

The value of the Fund as at 31 March 2019 was £6,054m (2018: £5,654m) and the expected volatility was 11.8% (2018: 11.9%). Given these figures, we would expect that in roughly 2/3rds of outcomes the value of the Fund would lie between £6,693m (2018: £6,327m) and £5,278m (2018: £4,981m) in 12 months' time, expressed in today's equivalent present value.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main interest rate risk for the Fund is within the fixed income assets.

The Fund is also exposed to interest rate risk within its pension liabilities, which is managed using bonds through a liability-driven investment (LDI) programme.

The sensitivity of financial instruments in the Fund to interest rate movements is captured in the sensitivity analysis within the market risk section.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk through non-sterling investments, where the currency risk has not been hedged, while it holds sterling liabilities. The currency risk is mainly in the global equity, private equity, credit and infrastructure pooled portfolios.

The Board has established a currency hedge programme to dampen the effect of foreign currency fluctuations on the value of the non-sterling investment asset. The hedge currently covers 50% of the non-sterling exposure of the global equity portfolio, excluding emerging markets, and 100% of the total return portfolio. The currency hedge program is reviewed regularly as part of LPFA's investment strategy review.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Currency Risk Sensitivity Analysis

The increase in currency exposure over the year reflects the inclusion of currency risk from investments in private equity, infrastructure and credit in the table below.

The expected standard deviation of the Fund's significant currency exposure is based on 12m market implied volatilities as at 31 March 2019. The following tables summarise the Fund's currency exposure and expected 12m volatility by currency as at 31 March 2019 and as at the previous period end:

Value at 31 March 2018 (£m)	Implied volatility %	Currency	Value at 31 March 2019 (£m)	Implied volatility %
1436	8.6	USD	1481	9.3
55	10.3	JPY	43	10.7
440	7.2	EUR	447	8.1
121	7.8	CHF	88	9.0

The sensitivity of the Fund to currency movements is captured in the sensitivity analysis within the market risk section.

Credit Risk

Credit risk is the risk that the issuer or counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The main credit risk within the Fund arises mainly from investments in fixed income securities within the pooled funds, where the issuer may default or is unable to pay its obligation when due. The Fund seeks to minimise its credit risk by the selection of high quality counterparties, brokers and financial institutions.

Credit risk also arises with LPFA deposits held with banks and financial institution. During 2013/14 the LPFA joined a Group Investment Syndicate (GIS), operated by the Greater London Authority (GLA), under the supervision of the participants; the GLA, the London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC) and the Mayor's office for Policing and Crime (MOPAC). The GIS has an approved counterparty list using a sophisticated creditworthiness methodology. The methodology uses an average of the ranked ratings from the ratings agencies; Fitch, Moody's and Standard & Poor.

The sensitivity of the Fund to credit spreads is captured in the sensitivity analysis within the market risk section.

The LPFA believes it has managed its exposure to credit risk, and has had no experience of default and uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2019 was £151.3m (2018:£57.5m).

Liquidity Risk

Liquidity risk is the risk that LPFA has insufficient funds to meet its financial obligation when due. These obligations may arise from operating expenses, payment to members or to meet investment commitments.

LPFA manages its liquidity risk by forecasting future cash requirements and having immediate access to enough funds, either through cash holdings or holding highly liquid assets that can be readily liquidated if required. The LPFA has immediate access to its cash holdings with the GIS and Lloyds Bank Plc.

The LPFA defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2019, the value of illiquid assets (private equity, infrastructure, credit and real estate) was £1,920m, which represented 32.1% of the total LPFA assets (31 March 2018 £1,543m which represented 27.9% of the total LPFA assets).

All financial liabilities at 31 March 2019 are due within one year.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

16. Cash balances

31 March 2018		31 March 2019
£000		£000
176,792	Short term deposits	170,013
58,849	Pooled deposits placed by investment managers	22,360
235,641		192,373

17. AVC Investments

31 March 2018		31 March 2019
£000		£000
12,464	Prudential	12,810

AVC contributions of £1.52m (2018 - £1.73m) were paid directly to Prudential in the year.

18. Current assets

31 March 2018		31 March 2019
£000		£000
3,438	Contributions due - employees	1,972
4,545	Contributions due - employers	7,253
106,842	Transfer value receivable	43,961
1,134	Sundry debtors and prepayments	17,635
115,959		70,820

19. Current Liabilities

31 March 2018		31 March 2019
£000		£000
13,474	Sundry Creditors	1,540
	VAT	1,119
	Other Taxes	2,931
21	Benefits payable	1,664
13,495		7,255

The majority of creditors are with other entities and individuals, investment management and performance fees being the vast majority of this.

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For the year ended 31 March 2019

20. Related party transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. The LPFA has prepared this note in accordance with its interpretation and understanding of IAS24 and its applicability to the public sector using current advice and guidance. Mike O'Donnell (Board member) is the Executive Director of Corporate Services at London Borough of Camden. The London Borough of Camden paid employer contributions of £202K (2018:£287K) during the year. Stephen Alambritis (Board member) is the Leader of London Borough of Merton. No contributions were paid by the London Borough of Merton during the year (2018:nil). These two boroughs are Scheduled bodies in the Fund. The Mayor of London comments on the LPFA annual budget and the Greater London Authority is a participating employer of the pension scheme and paid employer contributions of £9,688K (2018:£4,526k) during the year. The LPFA Operational Account and Residual Liabilities account are deemed to be related parties and transactions relating to such are reflected elsewhere in these accounts. LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries on 19 October 2015. LPP is a related party of LPFA. The 50% share of LPP is consolidated within the operational accounts, using the equity method of accounting.

21. Contractual commitments

TO BE UPDATED

Outstanding capital commitments (investments) at 31 March 2019 totalled £xxxm (2018: £614.8m) based on:

Currency	Commitment	Exchange Rate	£
US\$	518,633,029	1.404	369,318,619
CHF	7,030,000	1.337	5,259,614
EUR	233,733,224	1.139	205,124,328
GBP	35,063,681	1.000	35,063,681
Total			614,766,242

These commitments relate to outstanding call payments due on unquoted Limited Partnership funds held in the Private Equity and Infrastructure parts of the portfolio.

The amounts "called" by these funds are both irregular in size and timing over a period of between 4 and 6 years from the date of each original commitment.

22. Post Balance Sheet events

There were no material events after the balance sheet date.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

23. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities in accordance with IAS 26, every year using the results of the Triennial Actuarial Valuation as at 31 March 2016, estimated income and expenditure for the year, fund returns for the year and details of any new retirements for the year that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

The present value of the Funded Obligation at 31 March 2019 for the Fund was £8,415m (2018:£8,083m). The net liability for the Fund at 31 March 2019 was £2,430m (2018:£2,552m).

Key Assumptions Used

Life expectancy from age 65 (years)		31 March 2018	31 March 2019
Retiring today :			
Males		21.4	20.4
Females		24.3	23.3
Retiring in 20 years:			
Males		23.8	22.2
Females		26.6	25.2

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The financial assumptions used for the purposes of the calculations are as follows.

	31 March 2018	31 March 2019
	% p.a.	% p.a.
RPI increases	3.35	3.45
CPI increases	2.35	2.45
Salary increases	3.85	3.95
Pension increases	2.35	2.45
Discount rate	2.55	2.40

These assumptions are set with reference to market conditions at 31 March 2019.

London Pension Fund Authority Statement of Accounts

7 Actuary's Statement as at 31 March 2019

Introduction

The last full triennial valuation of the London Pensions Fund Authority Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 24 March 2017.

Asset Value and funding level

The results for the Fund at 31 March 2016 were as follows

- The Fund as a whole had a funding level of 96% i.e. the assets were 96% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponds to a deficit of £183m which is lower than the deficit at the previous valuation in 2013.
- The contribution rate for each employer was set based on the annual cost of new benefits (primary rate) plus any adjustment (usually expressed as a lump sum payment) required to pay for their individual deficit (secondary rate).
- The assumptions used for each employer in setting these contributions varied based on the period that they were expected to continue in the Fund and the assessed strength of their covenant.
- The contributions for employers with a strong covenant that were expected to stay in the Fund over the long term were set using the same assumptions as the overall Fund results with an individual deficit recovery period of up to a maximum of 14 years.
- The contributions for less secure employers were set using more prudent discount rate assumptions and with a shorter maximum individual deficit recovery period than the more secure employers.

Updated position since the 2016 valuation

Using an approach consistent with the 2016 valuation, the funding position at 31 March 2019 is projected to have improved, primarily due to strong Fund asset returns and payment of deficit contributions. However the primary rate is likely to have increased due to changes in market conditions.

The 31 March 2019 actuarial valuation, which will set contribution rates to be paid by employers from 1 April 2020, is currently underway, and we are in the process of agreeing assumptions and methodologies with the Fund. In addition, there is uncertainty surrounding the future benefit structure of the LGPS, and the cost cap management process which was meant to bring in any revised benefit changes from 1 April 2019 has been paused. Therefore, we cannot provide an indication of possible results of the 2019 valuation at this stage.

Ross Anderson FFA

Associate, Barnett Waddingham LLP

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Based on any employer with whom the LPFA has had an economic transfer in 2018/19

Employer Body	Contribution rate %
Affinity Sutton	-
Age Concern London	-
All England Netball Assn	-
All Saints Educational Trust	-
Alley's School	18.7
Amicus Horizon Group	-
Archbishop Tenison's School	19.2
Arts Council of England	-
Assoc. Of Education Com	-
Association of Colleges	16.7
Ave Maria School	-
B E C T A	-
Babcock Critical Services Ltd.	17.5
Babcock Training Limited	17.7
Barnardos	-
Bethnal Green City Challenge	-
Bishop Thomas Gm School	14.9
Bondway Housing Association	-
Bouygues E&S Uk Limited	-
Briggs Marine Contractors Ltd	15.9
Brit. Amateur Gymnastic Assoc	-
Brit. Inst. Rec. Snd(Brit Lib)	-
British Athletics Federation	-
British Film Institute	12.2
British Mountaineering Coun.	-
British Sports Trust	-
Broadacres Housing Assn. Ltd	19.7
Bromley College	15.8
Broxbourne District Council	-
Brunel University	17.1
Bufvc	17.2
Burntwood School	-
C I L T	-
Capita Plc	28.9
Cardinal Vaughan	-
Career Development Institute	-

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For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
Caris Haringey	-
Castle Vale Community Housing Assoc.	-
CFBT Advice & Guidance	34.5
CFBT Education Trust	34.9
CFBT Strategies	-
Charlotte Sharman G.M.Prima	15.9
Chartered Institute of Housing	14.7
Children Schools & Families	-
Churchill Contract Services Ltd	19.9
City and Islington College	15
City of London	-
City of Westminster	27.1
City of Westminster College	16.4
City University	12
Cntr. For Environment Study	-
Cntr. School Speech & Drama (Ccssd)	14
Colfes Grammar School	-
Commission for Local Admin	14.6
Consortium of Rural Techs	-
Con for Awds In Care Health & Ed (Cache)	15.8
Coram's Fields	18.7
Cordwainers	-
Corpus Christi Rc Primary S	12.5
Council of National Academic Awards	-
DCLG	-
Dept. For Constitutional Affairs	-
Digby Stuart College	-
Divert Trust	-
Dulwich College	15.8
Dulwich Picture Gallery	-
Durand Academy	14.2
DVLA	-
Ealing, Hammersmith & West London College	-
East London Housing Association	-
East London Waste Authority	16.6
Elliott Grant Maint. School	-
Emanuel School	36.4
English Institute of Sport	12
Environment Agency	-
Epping Forest D C	-
Family Mosaic	-
Family Service Units	-
Firebuy Limited	-
Food Standard Scotland	16.7

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
Food Standards Agency	16.7
Forest Hill Vsa	42.5
Friars School	12.7
Futures Charitable Trust	-
G.L.E.Ltd	15.4
Gallions Housing Association	15.6
Geffrye Museum Trust	14.3
Genesis Housing Association Ltd	19
Gilbert Place Centre	-
GII Nexus	18.2
Godolphin & Latymer School	-
Goldsmiths, University of London	15.5
Gorseway Care Ltd	-
Graveney Grant Maint School	-
Greater London Authority	12
Greater London Council	-
Greater London Staff Assoc	-
Greenwich Community College	19.1
Greenwich Young Peoples Tht	-
Guinness Trustees Limited	-
Haberdasher Aske's	-
Hackney Downs School	-
Hertsmere Borough Council	-
Hillbrook G M School	-
Homes and Communities Agency	-
Honeywell Infants G M School	-
Honeywell Junior G M School	-
Horniman Museum	14.3
Hounslow Welcare	-
Housing Comp.Regis. (Crombie)	-
Ilea	-
Immanuel C of E Primary Sch	12
Inner Lndn Pbn & After Care	-
Inner London Magistrates Court	-
Inst Environment Health Off	12.2
Jewish Free School	-
Julian's Primary School	19.2
Kelly House Bail Hostel	-
Kettering Comm. Leisure Ltd	-
Kings College London	-
Kingston Univ Service Co Ltd	36.1
L A S E R	-
L B Hammersmith & Fulham	24.1
L B Richmond Upon Thames	-

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
L B Wandsworth	23.8
L.B. Of Lambeth - Dunraven School	13.7
La Sainte Union Convent School	15.4
Lambeth College	16.5
Laretraite High School	14.6
Laser Advisory Council Ltd	-
L.B. of Tower Hamlets	23.6
L.B of Waltham Forest	26.7
L.B. of Kingston On Thames	-
Lee Valley Leisure Trust Ltd	12.7
Lee Valley Reg Park Auth.	21.7
Lewisham Southwark College	12.9
LFEPA	14.9
Liverpool HAT	-
Local Auth Mutual Investment Trus	-
Local Pension Partnership	12
Local Pension Partnership Investments	12
London & East Anglia Group	-
London & East Anglian Group	-
London Artscom Ltd.	17.2
London Borough Barnet	-
London Borough Bexley	-
London Borough Brent	-
London Borough Bromley	-
London Borough Camden	23.8
London Borough Ealing	0
London Borough Enfield	27.2
London Borough Hackney	23.9
London Borough Haringey	-
London Borough Harrow	-
London Borough Hounslow	-
London Borough Islington	23.9
London Borough Lambeth	23.7
London Borough Lewisham	24.1
London Borough of Barking & Dagenham	-
London Borough of Camden	-
London Borough of Havering	-
London Borough of Lambeth	19.2
London Borough of Merton	-
London Borough of Newham	-
London Borough of Redbridge	-
London Borough of Sutton	-
London Borough Southwark	23.5
London Councils	12

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
London Diocesan Board	-
London Diocesan Fund	-
London Legacy Development Corporation	12
London Metro Uni (Nth Lond)	-
London Metro University	-
London Metropolitan University	16
London Nautical School	19.2
London Oratory R C School	-
London Pensions Fund Authority	12
London Residuary Body	-
London Sinfonietta	-
London South Bank Careers	-
London Thames Gateway	-
London Transport Users Commission	-
Maryward Settlement	17
Methodist Colleges,Schools	-
Middlesex Area Magistrates Court	-
Middlesex Area Probation Ct	-
Middx Assoc for The Blind	-
Milton Keynes Council	-
Mitie Managed Services Ltd	-
MOJ Shared Services	-
Morley College	17.7
Mountain Training Limited	21.3
Myrrh Ltd	-
Nat. Inst. Adult Cont Educat	16.5
Nat.Adv.Body Pub.Sec.Higher Ed	-
National Council for Voluntary Youth Ser	-
National Crime Agency	-
National Crime Intelligence Service	-
National Health Service	-
National Offender Management Service	-
National Probation Board	-
National Rivers Authority	-
Ne London Magistrates Court	-
Newcastle College (Rathbone)	35.6
Newlon Housing Trust	-
NIWA	-
North East London Pbn Cttee	-
North Hull Housing Action Tr.	-
North London Hospice Group	26
Notre Dame School	19.2
NSL Limited	21.6
Old Oak & Park Development Corporation	12

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
Old Ford Housing Association	40.2
Open College Network London Region	20.6
Our Lady of Victory Primary School	-
Peabody Trust	15.6
Penrose Hsg Ass.	-
Places for People	-
Poplar Harca	17.4
Prospects Services	20.4
R B Kensington & Chelsea	24.5
Radicle	-
Raine's Foundation School	17
RICS Bev Fund (Lionheart)	36.4
Roehampton University	15.5
Royal Borough of Greenwich	24.2
Royal Institute of Public Admin	-
Rps Rainer	-
S London Church Fund & Swk Diocesan	-
S S A F A Forces Help	25
S.K.I.L.L.	-
Sacred Heart School	12
Salesian G M College	-
Samuel Lewis Housing Trust	-
Se London Magistrates Court	-
Search Your Careers Service	-
Sense	-
Serco Limited	-
Serco Ltd. Marine Services	-
Shenley Leisure Ctr. Trust Ltd	31.7
Shoreditch College	-
SITA UK Ltd	23.1
SLCF & Southwark	-
Slough Borough Council	-
Sodexo Ltd	18.4
South Bank University	15.2
South East London Pbn Cttee	-
South Thames College	18.6
Southern Archaeology	-
Southfields G M School	-
Southwark College	-
Southwark Mediation Centre	-
Sport and Recreation Alliance Limited	18.8
Sport England	12
Sports Council	-
St Andrews R C School	13.8

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
St Annes	19.2
St Anthony's Catholic Prima	19.2
St Bernadette's School	17.7
St Christopher's Fellowship	19.1
St Francis Xavier	17.3
St Joseph Infants	19
St Joseph Juniors	14.2
St Martin in The Field	17.4
St Marylebone Housing Assn	-
St Marys RC Primary School	19.2
St Micheals School	15.2
St Pantile House Ass in Cam	-
St Thomas' School	-
St Thomas The Apostle	14.7
St.Francesca Cabrini Primar	19.2
Stonebridge H.A.T	-
Sulgrave Charitable Trust	-
Surrey Square Primary School	19.2
Sutton Centre for Indep Livin	-
Sutton Performing Arts Network	-
SW London Magistrates Court	-
Tandridge Leisure Ltd	17.1
Teachers	-
Tennant Housing Trust Ltd	-
Thames Water Utilities Ltd	-
The City Literary Institute	12.3
The Community College Hackney	16.1
The English & Media Centre	23.5
The Froebel Trust	23.4
The Guinness Partnership	14.2
The Museum Association	-
The Planning Inspectorate	-
The Radius Trust	16.6
The Pioneer Group	12.3
Three Rivers District Council	-
Thurlow Park School	-
Thurrock Borough Council	-
Tower Hamlets College	15.2
Tower Hamlets H A T	-
Transport for London	12
Trinity Laban	34.2
Trust Thamesmead	15.6
Turney School	19.2
Turnham School	19.2

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8 Employers participating in the Fund

Employer Body	Contribution rate %
U K H T (Wales) Ltd	-
Uk Anti-Doping Ltd.	12
Uk Film Council	-
Uk Sports Council	12
Univ Ass Contemp Euro Studi	-
University of Greenwich	16
University of Reading	-
University of St Mark & St John	20.3
University of Surrey	-
University of The Arts London	17.2
University of Westminster	14.3
Urban Learning Foundation	-
Valuation Office Agency	18.2
Valuation Tribunal Service	14.7
Waltham Forest Cbha Ltd	15.6
West London Waste Authority	18
West Midlands Pension Fund	-
Western Riverside Waste Authority	12
Westminster Kingsway College	13.8
Willowfield School	-
Woking Borough Council	-

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London Pension Fund Authority Statement of Accounts

Operational Accounts

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London Pension Fund Authority Stat
For the year ended 31 March 2019

9. Group Operational Account

Group Statement of Movement in Reserves

	Pension Reserve £000	Compen Absences Reserve £000	Total Unusable Reserves £000	General Reserve £000	Business Reserve £000	Valuation Reserve £000	Org Dev Reserve £000	Innovations Reserve £000	Capital Contribn. Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2018 brought forward	(15,630)	0	(15,630)	(2,684)					448	400	(1,837)	(17,467)
Movement in Reserves during 2017/18												
Surplus or (deficit) on provision of services				362							362	362
Share of Tax				(369)							(369)	(369)
Net Increase before Transfers to Earmarked Reserves				(7)							(7)	(7)
Transfers to/from Earmarked Reserves				448					(448)			
Remeasurements of the Net Defined Benefit Liability	1,354	-	1,354	-	-	-	-	-	-	-		1,354
Movement in year	(201)	-	(201)	201	-	-	-	-	-	-	201	
Accumulated Compensating Absences provision	-											
Increase/(Decrease) in Year	1,153		1,153	642					(448)		194	1,347
Balance at 31 March 2019 carried forward	(14,477)	-	(14,477)	(2,042)					()	400	(1,643)	(16,119)

London Pension Fund Authority Stat For the year ended 31 March 2019

Group Statement of Movement in Reserves

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	Pension Reserve £000	Compen Absences Reserve £000	Total Unusable Reserves £000	General Reserve £000	Business Reserve £000	Valuation Reserve £000	Org Dev Reserve £000	Innovations Reserve £000	Capital Contribn. Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2017 brought forward	(17,882)	(3)	(17,885)	(2,883)	50	20	53	40	448	400	(1,872)	(19,757)
Movement in Reserves during 2017/18	-	-	-	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on provision of services	-	-	-	(2,557)	-	-	-	-	-	-	(2,557)	(2,557)
Share of Tax	-	-	-	191	-	-	-	-	-	-	191	191
Net Increase before Transfers to Earmarked Reserves	-	-	-	(2,366)	-	-	-	-	-	-	(2,366)	(2,366)
Transfers to/from Earmarked Reserves	-	3	3	160	(50)	(20)	(53)	(40)	-	-	(3)	-
Remeasurements of the Net Defined Benefit Liability	2,555	-	2,555	-	-	-	-	-	-	-	-	2,555
Other movement - joint venture	-	-	-	2,101	-	-	-	-	-	-	2,101	2,101
Movement in year	(303)	-	(303)	303	-	-	-	-	-	-	303	-
Accumulated Compensating Absences provision	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	2,252	3	2,255	198	(50)	(20)	(53)	(40)	-	-	35	2,290
Balance at 31 March 2018 carried forward	(15,630)	-	(15,630)	(2,684)	-	-	-	-	448	400	(1,837)	(17,467)

London Pension Fund Authority Stat For the year ended 31 March 2019

Entity Statement of Movement in Reserves

	Pension Reserve £000	Compen Absences Reserve £000	Total Unusable Reserves £000	General Reserve £000	Business Reserve £000	Valuation Reserve £000	Org Dev Reserve £000	Innovations Reserve £000	Capital Contribn. Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2018 brought forward	(15,630)		(15,630)	888					448	400	1,736	(13,894)
Movement in Reserves during 2017/18				-								
Surplus or (deficit) on provision of services				(172)							(172)	(172)
Share of Tax				-								
Net Increase before Transfers to Earmarked Reserves				(172)							(172)	(172)
Transfers to/from Earmarked Reserves	-			448					(448)	-		
Remeasurements of the Net Defined Benefit Liability	1,570	-	1,570		-	-	-	-	-	-		1,570
Movement in year	(201)	-	(201)	201	-	-	-	-	-	-	201	
Accumulated Compensating Absences provision	-				-	-	-	-	-	-		
Increase/(Decrease) in Year	1,369		1,369	477					(448)		29	1,398
Balance at 31 March 2019 carried forward	(14,261)	-	(14,261)	1,365	-	-	-	-	()	400	1,765	(12,496)

London Pension Fund Authority Stat For the year ended 31 March 2019

Entity Statement of Movement in Reserves

	Pension Reserve £000	Compen Absences Reserve £000	Total Unusable Reserves £000	General Reserve £000	Business Reserve £000	Valuation Reserve £000	Org Dev Reserve £000	Innovations Reserve £000	Capital Contribn. Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2017 brought forward	(17,882)	(3)	(17,885)	1,736	50	20	53	40	448	400	2,747	(15,138)
Movement in Reserves during 2017/18	-	-	-	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on provision of services	-	-	-	(1,311)	-	-	-	-	-	-	(1,311)	(1,311)
Share of Tax	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase before Transfers to Earmarked Reserves	-	-	-	(1,311)	-	-	-	-	-	-	(1,311)	(1,311)
Transfers to/from Earmarked Reserves	-	3	3	160	(50)	(20)	(53)	(40)	-	-	(3)	-
Remeasurements of the Net Defined Benefit Liability	2,555	-	2,555	-	-	-	-	-	-	-	-	2,555
Movement in year	(303)	-	(303)	303	-	-	-	-	-	-	303	-
Accumulated Compensating Absences provision	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Year	2,252	3	2,255	(848)	(50)	(20)	(53)	(40)			(1,011)	1,244
Balance at 31 March 2018 carried forward	(15,630)		(15,630)	888					448	400	1,736	(13,894)

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Group Operational Account, Comprehensive Income & Expenditure Statement

31 March 2018 Entity £'000	31 March 2018 Group £'000		Notes	31 March 2019 Entity £'000	31 March 2019 Group £'000
4,470	4,470	Income	5	4,449	4,449
492	492	Other income	6	49	49
(5,765)	(5,765)	Expenditure	7-10	(4,245)	(4,245)
(803)	(803)	Cost Of Services		253	253
(508)	(508)	Financing and Investment Income and Expenditure		(425)	(425)
(1,311)	(1,311)	Surplus/(deficit) on Provision of Services		(172)	(172)
-	(1,246)	Share of surplus/ (loss) on Provision of services by LPP Joint Venture	16	-	534
(1,311)	(2,557)	Group Surplus		(172)	362
-	191	Tax (expense)/credit of LPP Joint Venture	16	-	(369)
(1,311)	(2,366)	Surplus/(deficit) for the financial year		(172)	(7)
		Items that will not be reclassified to surplus/ (deficit)			
2,555	2,555	Actuarial gains/(losses) on pension assets/liabilities	11	1,570	1,570
-	2,531	Share of actuarial gain of LPP Joint Venture	16	-	(196)
-	(430)	Share of Deferred tax on actuarial Loss in LPP Joint Venture	16	-	(20)
2,555	4,656	Other Comprehensive Income and Expenditure		1,570	1,354
1,244	2,290	Total Comprehensive Income and Expenditure		1,398	1,347

Financing and Investment Income and Expenditure is the net interest on the defined benefit liability and the nominal administration cost.

London Pension Fund Authority Statement of Accounts Group Balance Sheet as at 31 March 2019

31 March 2018 (Restated) Entity £'000	31 March 2018 (Restated) Group £'000	Notes	31 March 2019 Entity £'000	31 March 2019 Group £'000
-	-	Property, Plant & Equipment	13	-
201	201	Intangible Assets	14	-
201	201	Non-current assets		
372	372	Debtors	18	950
2,321	2,321	Bank		2,033
2,693	2,693	Current Assets	2,983	2,983
(1,158)	(1,158)	Creditors	19	(1,218)
(1,158)	(1,158)	Current Liabilities	(1,218)	(1,218)
		Non-current liabilities		
(15,630)	(15,630)	Pension liability		(14,261)
-	(3,573)	Provision in Joint Venture	16	(3,623)
(13,894)	(17,467)	Net assets	(12,496)	(16,119)
		Reserves		
888	(2,684)	General Reserve		1,365
400	400	New Premises Reserve		400
448	448	Capital Contributions Reserve		-
		Unusable reserves		
(15,630)	(15,630)	Pension Reserve		(14,261)
(13,894)	(17,467)		(12,496)	(16,119)

London Pension Fund Authority Statement of Accounts

Group Cashflow Statement for the year ended 31 March 2019

31 March 2018	31 March 2018		Notes	31 March 2019	31 March 2019
Entity	Group			Entity	Group
£'000	£'000			£'000	£'000
(1,311)	(2,366)	Net surplus/(deficit) on the provision of services		(172)	(7)
996	2,051	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	15	(110)	(275)
(315)	(315)	Net cash flows from Operating Activities		(282)	(282)
-	-	Investing Activities - acquisition on non-current assets	13 & 14	(6)	(6)
(315)	(315)	Net increase or (decrease) in cash and cash equivalents		(288)	(288)
2,636	2,636	Cash and cash equivalents at the beginning of the reporting period		2,321	2,321
2,321	2,321	Cash and cash equivalents at the end of the reporting period		2,033	2,033

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London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

10 Notes to the financial statements

General Information

The operational costs incurred by LPFA in administering the pension fund, residual liabilities fund and agency contracts are accumulated in the operational accounts and are reimbursed from the respective source.

1. Summary of Significant Accounting Policies

General Principles

The Statement of Accounts summarises LPFA's transactions for the 2018/19 financial year and its position at year-end of 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based upon International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost.

The financial statements and accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of receivables is written down and a charge is made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

Cash balances not required for immediate use are invested in accordance with LPFA's Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Comprehensive Income and Expenditure Statement during the year and appropriate accruals are made at year-end.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Employee Benefits

Benefits payable during employment

Employee benefits are those due to be settled in the financial year. They include salaries, bonuses, paid annual leave and paid sick leave for employees and are recognised as an expense in the year in which the employee renders services to LPFA. An accrual is made for leave and flexi-time carry-forward at the end of the financial year. This is reversed out through the movement in reserves statement.

Post-employment benefits

LPFA participates in the Local Government Pension Scheme (LGPS) administered by the LPFA. This is a funded, defined benefit scheme. Employees' and employers' contributions are paid in to the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Barnett Waddingham. The pension liabilities of the LPFA are included on the Balance Sheet on an actuarial basis i.e. an assessment of the future payments (retirement benefits) based on assumptions made by the Actuary about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities under IAS 19. In line with directions from Government, future pensions liabilities are now measured using the Consumer Prices Index. The Code of Practice requires the net pensions asset or liability be matched by a pensions reserve in the Balance sheet.

The movement in the defined benefit obligation is analysed into the following components:

- Service cost: the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.
- Interest cost: the change during the period in the defined benefit liability that arises from the passage of time.
- Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;
- Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the Actuary;
- Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;
- Estimated benefits paid (net of transfers in): Payments to discharge liabilities directly to pensioners;
- Contributions by scheme participants: the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the balance sheet. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent Liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Property, Plant and Equipment

Recognition

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Expenditure is capitalised on an accruals basis, provided that it yields benefits to LPFA and its services for more than one financial year.

Measurement

Assets, including those under construction, are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset in to working condition for its intended use. Assets are then carried in the balance sheet at depreciated cost.

Impairment

Asset values are reviewed at the end of each financial year for evidence of reductions in value.

Depreciation

Property, plant and equipment have been included in the balance sheet at their cost, net of depreciation. Depreciation is calculated using the straight-line method over the economic life of the investment to reflect the pattern of the consumption of economic benefits.

Whilst assets are under construction they are not depreciated but a valuation will be made at the time the asset is brought into use;

Economic life of Property, plant and equipment	
Classification:	
Computers	3 years
Servers	5 years

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by LPFA (e.g. software licences) is capitalised when it will bring benefits to LPFA for more than one financial year. The balance is amortised to the Comprehensive Income and Expenditure Statement through a straight-line depreciation charge over the economic life of the investment to reflect the pattern of the consumption of economic benefits:

Classification:	Useful life of asset:
Software licenses	5 years
Altair related (Pensions admin system)	10 years

Value Added Tax

LPFA is VAT registered, so all income and expenditure amounts exclude VAT, with the exception of where VAT is not fully recoverable.

Financial Assets / Liabilities

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another.

Financial assets are recognised by LPFA on the Balance Sheet, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

Joint Venture

The London Pensions Authority has a joint venture, Local Pensions Partnership (LPP), with the Lancashire County Pension Fund. This was established on 8 April 2016. It is owned in equal shares by London Pension Fund Authority (LPFA) and the Lancashire County Council and the LPP manages the administration and investment functions on behalf of the two funds.

In the accounts of the entity the value of the investment in LPP is disclosed at cost, being £nil. The cost of acquisition was £nil as LPP was acquired as a start up.

Group Accounts have been included recognising the LPFA's significant interest in the LPP. As a Joint Venture, the LPP is consolidated into the Fund's Group Accounts using the equity method. The judgement in defining LPP as a Joint Venture is reached due LPP being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two Funds have rights to the net assets of the arrangement. This remains the case in 2018/19.

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the General Fund Balance in the Movement on Reserves Statement. Where expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then applied to offset this charge.

General Reserve

The General Reserve is a usable reserve. During the year four reserves were transferred into the General Reserve, these reserves being: the Business Reserve, the Innovations Reserve, the Organisational Development Reserve and the Valuation Reserve.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Capital Contributions Reserve

This is a reserve which reflects the net funding of capital spending from the Pension Fund.

Premises Reserve

LPFA rented office accommodation under an operating lease agreement at Dexter House 2 Royal Mint Court until December 2014.

This reserve was established by LPFA in 2014 when the lease on Dexter House expired. The reserve was used to fund work to consider the options, and to fund the costs associated with moving premises. The reserve now remains in order to fund the possibly significant costs in re-instating Dexter House to its original state should LPFA be required to do so.

Valuation Reserve

The carrying out of the fund triennial valuation adds about £30,000 to the LPFA's operational costs in the valuation year. From 2016-17 the LPFA will put resources into the reserve to fund the 2019 valuation (in 2019-20).

Business Reserve

A business reserve will cope with planned one off and unexpected additional costs on our commercial operations. The reserve would be used to fund investment in obtaining new contracts, any costs of the loss of a contract, and any short-term additional resources to meet any problems on an existing contract.

Organisational Development Reserve

The reserve supports improvements in working practices, and the development and retention of staff, this would include funding temporary staff, consultancy, departure costs and similar type expenditure.

Innovations Reserve

The reserve is used to fund invest to save projects.

Certain reserves are kept to manage accounting processes and do not represent usable resources for LPFA. These are the Pensions Reserve and the Accumulated Leave Reserve.

Pension Reserve

The Pension Reserve has been set up to ring-fence the accounting for the pension costs. It merely represents the actuarially calculated deficit between the value of all pension liabilities and the assets held.

Accumulated Leave Reserve

The accumulated leave reserve has been set up to ring fence the accounting for the untaken leave accruals.

2. Accounting standards issued, but not yet adopted

IFRS 9 Financial instruments - Includes changes to the classification of financial assets and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

IFRS 16 Leases - It replaces IAS17 and requires lessees to recognise both assets and liabilities on the balance sheet, for all leases (now including operating leases).

The impact of the standards issued but not yet adopted cannot yet be quantified.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

3. Financial Risk Management

There is a robust budget setting process in place that includes: strategic business direction set by the Board, budget challenge by both Officers and the Audit and Risk Committee prior to the draft budget being presented to Board for its initial comment and approval prior to dispatch to the Mayor of London for formal consultation. Subsequently a revised budget paper, including comments and other changes is presented back to Board for final approval. The budget contains income generated from commercial contracts and assumptions have been made regarding renewal of those contracts. During the course of the year, as contracts are renewed, or not, then actual events may not accurately reflect the assumptions allowed for in the budget. Events affecting commercial contracts are reviewed as they happen and on a monthly basis as part of the budget monitoring arrangements.

4. Critical Accounting Judgements and Estimates

Useful Lives of Property, Plant and Equipment

LPFA estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded expenses and decrease the value of such within the balance sheet.

Pensions Liability

Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide LPFA with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Pensions Liability Guarantee

The LPFA has provided a guarantee, under the Admission Agreements, to settle the LPP and LPPI pension deficits in the event of both entities ceasing to trade and exiting the LGPS. To determine how this guarantee is treated within the LPFA financial statements requires several judgements to be made regarding the balance between financial risks such as the discount rate and non financial risks from such things as changes in life expectancy or final salaries of members. The non-financial risks falls within the definition of an insurance contract under IFRS 4. As the financial and non-financial risks are both significant, the guarantee has not been deemed to be a derivative under IAS 39. IAS 37 excludes obligations and contingencies arising from insurance contracts, but it does apply to other provisions, contingent liabilities and contingent assets of an insurer. The LPFA Admissions Agreement states that LPFA is providing a guarantee if LPP exits the LGPS. In such an event LPFA would suffer a loss equivalent to the amount required to settle the pensions liability. After consideration of IAS 28 and IAS 37, the possible liability to settle the pension deficit within LPP should be disclosed in LPFA financial statements, as a contingent liability in accordance with IAS 37 due to the very low probability of a cessation event triggering the LPFA guarantee.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

5 Income

2017/18		2018/19
£'000		£'000
3,857	Management Fee	4,295
-	Capital Funded by Pension Fund	(448)
613	Funded by Residual Liabilities	601
4,470		4,449

6 Other Income

£'000		£'000
136	Agency work	-
50	Bank interest	1
151	Other fees and charges	(1)
155	Fixed Asset recharge	49
492		49

7 Remuneration and Other Costs - Board members

2017/18		2018/19
£'000		£'000
	Emoluments and other costs - Board members	
164	Emoluments	154
8	Employers NI contributions	11
1	Training	-
1	Reimbursable Expenses	8
174		173

2017/18		2018/19
	£ 1 to £4,999	1
3	£5,001 to £10,000	4
4	£10,001 to £15,000	3
2	£15,001 to £20,000	1
1	£50,001 to £55,000	1

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

8a Remuneration and other costs - employees

2017/18		2018/19
£'000		£'000
254	Salaries	266
31	Employers NI contributions	32
106	IAS 19 Current service costs	90
10	Temporary staff	-
1	Training costs	21
(3)	Recruitment costs	-
6	Other employee related costs	1
411		431

8b Disclosure of remuneration for senior employees

The following table sets out the remuneration disclosures for Senior Officers whose salary is greater than £50,000 per year.

31-Mar-19				
Post Holder	Salary (including fees & allowances)	Bonus	Pension contributions	Total remuneration
	£		£	£
Managing Director	122,769	24,000	14,732	161,501

31-Mar-18				
Post Holder	Salary (including fees & allowances)	Bonus	Pension contributions	Total remuneration
	£		£	£
Managing Director*	149,733	24,900	20,223	194,856

* Left post in 31 March 2018

The number of other senior employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 as follows:

2017/18	Remuneration bands	2018/19
Number of employees		Number of employees
-	£50,000 - £54,999	2
1	£145,000 - £145,999	-
-	£170,000 - £174,999	1

Please note that the above includes bonus payments.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

9 Other services

2017/18		2018/19
£'000		£'000
57	Internal audit	187
41	External audit	41
467	Professional fees (including consultancy)	112
34	Insurance	16
54	Bank costs	24
12	Pensioner forum and meetings	18
114	Other miscellaneous services	270
163	Equipment and external support	49
92	Loss on Disposal of fixed assets	129
4	Communication	15
42	Subscriptions & publications	40
679	Bad debt provision	(679)
1,608	Management Charge - Governance	1,608
1,811	Management Charge - Pension Admin	1,811
5,179		3,641

10 Disclosure of Audit Costs

2017/18		2018/19
£'000		£'000
41	External audit - Code of audit practice	41
41		41

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

11 Retirement Benefit Obligations

Amounts recognised in the balance sheet are determined as follows:

2017/18		2018/19
£'000		£'000
23,211	Estimated employer asset	24,338
(38,841)	Present value of scheme liabilities	(38,599)
(15,630)	Net Pension Liability	(14,261)

Reconciliation of the opening and closing balance of the present value of the defined benefit obligation.

2017/18		2018/19
£'000		£'000
40,272	At 1 April	38,841
106	Service cost	90
1,078	Interest cost	975
(1,918)	Change in financial assumptions	1,721
-	Change in demographic assumptions	(1,790)
(718)	Estimated benefits paid (net of transfers in)	(1,258)
21	Contributions by scheme participants	20
38,841	As at 31 March	38,599

The movement in the fair value of plan assets over the year is as follows:

2017/18		2018/19
£'000		£'000
22,390	At 1 April	23,211
599	Interest on assets	580
637	Return on assets less interest	1,501
(29)	Admin expenses	(30)
311	Contributions by employer including unfunded	314
21	Contributions by scheme participants and other employers	20
(718)	Estimated benefits paid including unfunded net of transfers in	(1,258)
23,211	Assets	24,338

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Amounts recognised in Group Operational Account:

2017/18		2018/19
£'000		£'000
106	Service cost	90
479	Net interest on the defined liability (asset)	395
29	Admin expenses	30
614	Total Operating Charge	515

Amounts recognised in the Statement of Other Comprehensive Income and Expenditure:

2017/18		2018/19
£'000		£'000
637	Return on plan assets in excess of interest	1,501
1,918	Change in financial assumptions	(1,721)
-	Change in demographic assumptions	1,790
2,555	Re-measurements	1,570

The movement in the defined benefit liability:

2017/18		2018/19
£'000		£'000
(17,882)	At 1 April	(15,630)
(106)	Current service cost	(90)
311	Contributions by employer including unfunded	314
(479)	Interest costs	(395)
637	Return on plan assets in excess of interest	1,501
(29)	Admin costs	(30)
1,918	Actuarial gains/losses	69
(15,630)	Liabilities	(14,261)

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

The principle actuarial assumptions were as follows:

	31-Mar-19	31-Mar-18
Mortality rate for 65 year olds - retiring today		
Males	20.8	21.8
Females	23.6	24.6
Mortality rate for 65 year olds - retiring in 20 years time		
Males	22.6	24.1
Females	25.5	26.8

The following assumptions were also made:

- Members will exchange half of their commutable pension for cash at retirement.
- The proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

	31-Mar-19		31-Mar-18		31-Mar-17	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI Increases	3.4	0	3.3	0	3.6	0
CPI Increases	2.4	-1	2.3	-1	2.7	-0.9
Salary Increases	3.9	0.5	3.8	0.5	4.2	0.6
Pension Increases	2.4	-1	2.3	-1	2.7	-0.9
Discount Rate	2.4	-1	2.55	-0.75	2.7	-0.9

Sensitivity Analysis:

31-Mar-19	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	37,881	38,599	39,331
Projected Service Cost	89	91	94
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	38,606	38,599	38,592
Projected Service Cost	91	91	91
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	39,324	38,599	37,887
Projected Service Cost	94	81	89
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Obligation	39,970	38,599	37,275
Projected Service Cost	94	91	88

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Contributions to the Pension Fund during 2018/19

Contributions from the employer amounts to £314,000.

Impact on Authority's Cash flows

The next triennial valuation is due as at 31 March 2019 and may have an impact on the future liability cashflows, further detail on this can be found on page 56.

The authority expects to pay increased contributions in 2018/19 due to the change in structure of the LPFA, this should amount to £327k.

The weighted average duration of the defined benefit obligation for scheme members is 19 years.

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

As at date of the last asset breakdown report pension scheme assets comprised:

Asset breakdown		31 Jan 2019	
		% Quoted	% Unquoted
Equities			
	Seggregated:		
	Real Estate	1.4%	-
	Consumer Discretionary	4.3%	-
	Consumer Staples	6.3%	-
	Energy	0.6%	-
	Financials	5.4%	-
	Health Care	3.3%	-
	Industrials	5.1%	-
	Information Technology	6.1%	-
	Materials	1.3%	-
	Communication services	2.5%	-
	Utilities	1.0%	-
	Fixed Income & Other	0.0%	-
	Trade Cash/Pending	2.2%	-
	Synthetic Equity	0.6%	-
Private Equity		-	10.1%
Fixed Income		4.7%	-
Total Return		-	-
	Investment/Hedge funds and Unit trusts	14.0%	0.0%
Credit		-	7.9%
Infrastructure		-	6.0%
Real Estate		-	9.4%
Cash			
	Cash	2.2%	-
	LDI	5.2%	-
	Currency Hedge (Forward Contracts)	-	0.2%
BlackRock DDG*		0.0%	-
Total		66.3%	33.7%

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

12 Retirement Benefit Obligations

Employee Benefits

The LPFA had 3 out of 3 staff who are members of the Local Government Pension Scheme (LGPS) as at 31 March 2018. The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending of their rate of pay. The LPFA, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary as well as a past service cost of £nil (2016-17 £214k).

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to LPFA. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by LPFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services line in the Comprehensive Income and Expenditure Statement at the earlier of when LPFA can no longer withdraw the offer or when the authority recognises costs for a restructuring under IAS37. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of LPFA are members of the LGPS, administered by the LPFA. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for LPFA.

The Local Government Pension Scheme

LGPS is accounted for as a defined benefits scheme: The liabilities of the LPFA pension fund attributable to LPFA are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Discretionary Benefits

LPFA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

London Pension Fund Authority Statement of Account For the year ended 31 March 2019

13 Tangible assets

	IT equipment	Total
Cost	£'000	£'000
As at 1 April 2018	-	-
Additions	6	6
Disposals	(6)	(6)
As at 31 March 2019	-	-
Depreciation		
As at 1 April 2018	-	-
Depreciation charge	1	1
Disposals	(1)	(1)
As at 31 March 2019	-	-
Net Book Value		
At 31 March 2019	-	-
At 31 March 2018	-	-

14 Intangible assets

	Altair	Total
Cost	£'000	£'000
At 1 April 2018	513	513
Disposals	(513)	(513)
At 31 March 2019	-	-
Amortisation		
At 1 April 2018	312	312
Amortisation for the period	49	49
Disposals	(361)	(361)
At 31 March 2019	-	-
Net Book Value		
At 31 March 2019	-	-
At 31 March 2018	201	201

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

15 Adjustment for Non-Cash Items

2017/18	2017/18		2018/19	2018/19
Entity	Group		Entity	Group
£'000	£'000		£'000	£'000
23	23	Depreciation	1	1
132	132	Amortisation of intangibles	77	77
92	92	Loss on disposal of fixed assets	129	129
	1,055	Reverse share of profit/ loss in joint venture		(165)
730	730	Decrease/(increase) in receivables	(577)	(577)
-	-	(Increase)/decrease in prepayments	-	-
(284)	(284)	Increase/(decrease) in payables	60	60
		Increase/(decrease) in pension liability		
303	303	Transfer to pension reserve	201	201
995	2,050		(110)	(275)

16 Net investment in joint venture

LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries on 19 October 2015. The objective of LPP is to provide high quality, low cost pension administration, risk management and investment management services to London Pension Fund Authority (LPFA), Lancashire County Pension Fund and other LGPS clients.

The joint venture has been equity accounted and LPFA's fifty percent share of LPP's results are included, in the Group Comprehensive Income and Expenditure Statement and in the Balance Sheet. The results of the LPP Group are as follows:

50% Share of LPP	LPP Group		50% Share of LPP	LPP Group
2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement:		
(1,246)	(2,492)	Profit/ (loss) on ordinary activities before taxation	534	1,068
191	382	Taxation	(369)	(737)
2,531	5,062	Net actuarial gain/ (loss) on defined benefit pension schemes	(196)	(392)
(430)	(861)	Deferred tax on actuarial loss	(20)	(40)
1,046	2,091	Total Comprehensive income for the period	(51)	(101)
		Balance Sheet:		
11,798	23,596	Total assets less current liabilities	13,215	26,429
		Creditors: amounts falling due after more than one year		
(8,750)	(17,500)		(8,750)	(17,500)
(6,621)	(13,242)	Post-employment benefits	(8,088)	(16,176)
(3,573)	(7,146)	Net liabilities	(3,624)	(7,247)
		Represented by:		
460	920	Profit & loss account	(1,698)	(3,396)
(4)	(9)	Opening reserves on subsidiary company	(4)	(9)
(4,029)	(8,057)	Retirement benefit obligations reserve	(1,921)	(3,842)
(3,573)	(7,146)	Net value	(3,623)	(7,247)

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

17 Related Party Transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. Agency contracts and pension funds are related parties. LPFA Pension Fund, Residual Liabilities and the Greater London Authority are related parties and transactions relating to such are disclosed elsewhere within these accounts.

LPP and its subsidiaries are also related parties, details of which are in note 16.

The appropriate disclosures have been made in the Pension Fund accounts.

LPFA has a loan facility with LPP, but this was not drawn down as at 31 March 2019. The facility is for £17.5m, to be repaid within ten years of the withdrawal date, at a rate initially of 1.3% before draw down and at 4.25% thereafter.

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

18 Debtors

The LPFA does not have any transactions with NHS bodies and the significant majority of debtors are with other local authorities, the primary relationship with central government bodies is with Her Majesty's Revenues and Customs for VAT.

2017-18		2018/19
£'000		£'000
1,051	Other Local Authorities	950
(679)	Impairment of bad and doubtful debts	
372		950

Receivables from Central Government Bodies is comprised of a VAT rebate owed to LPFA. The total due from other entities and individuals is due to invoicing for agency contracts which started after 31st March in 2016.

19 Creditors

2017-18		2018/19
£'000		£'000
234	Central Government Bodies	54
924	Other Entities and Individuals	1,164
1,158		1,218

Payables to Central Government Bodies are comprised of PAYE.

20 Bank

2017-18		2018/19
£'000		£'000
2,321	Cash at bank comprises an allocation of the total cash	2,033

21 Financial Instruments

The operational account only holds cash as mentioned in note 18 above as well as payables and receivables, these are covered in notes 19 and 20.

22 Post Balance Sheet events

There were no material events after the balance sheet date.

London Pension Fund Authority Statement of Accounts

Residual Liabilities Accounts

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

Statement of Movement in Reserves

	General Fund Reserve			Pension Reserve			Total Reserves
	Greater London	Inner London	Total Reserves	Greater London	Inner London	Total Pension Reserves	
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 c/forward	12,171	2,638	14,809	(80,589)	(154,113)	(234,702)	(219,893)
Movement in Reserves during 2017/18							
Surplus/(deficit) on the provision of services	6,247	7,252	13,499	-	-	-	13,499
Contributions for unfunded benefits	(6,445)	(9,146)	(15,591)	6,445	9,146	15,591	-
Net interest on pension scheme liabilities	1,393	2,692	4,085	(1,393)	(2,692)	(4,085)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	2,909	5,961	8,870	8,870
Net movement in Reserves	1,195	798	1,993	7,961	12,415	20,376	22,369
Balance at 31 March 2018 c/forward	13,366	3,436	16,802	(72,628)	(141,698)	(214,326)	(197,524)
Movement in Reserves during 2017/18							
Surplus/(deficit) on the provision of services	6,229	7,391	13,619	-	-	-	13,619
Contributions for unfunded benefits	(6,217)	(9,628)	(15,845)	6,217	9,628	15,845	-
Net interest on pension scheme liabilities	1,669	3,286	4,955	(1,669)	(3,286)	(4,955)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	(933)	(1,903)	(2,836)	(2,836)
Net movement in Reserves	1,681	1,049	2,729	3,615	4,439	8,054	10,783
Balance at 31 March 2019 c/forward	15,047	4,484	19,531	(69,013)	(137,259)	(206,272)	(186,741)

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

Comprehensive Income and Expenditure Statement

31 March 2018			Notes	31 March 2019		
Greater London	Inner London	Total		Greater London	Inner London	Total
£000	£000	£000		£000	£000	£000
16,762	22,211	38,973		16,535	22,693	39,228
(8,927)	(11,833)	(20,760)		(8,631)	(11,754)	(20,385)
(261)	(434)	(695)	10	(256)	(263)	(519)
7,575	9,944	17,518	Cost of Services	7,648	10,677	18,324
			Financing and Investment Income and Expenditure			
(125)	-	(125)	Loan stock interest	(137)	-	(137)
(1,393)	(2,692)	(4,085)	Net interest on pension scheme liabilities	(1,669)	(3,286)	(4,955)
191	-	191	Interest and investment income	387	-	387
6,247	7,252	13,499	Surplus/(deficit) on Provision of Services	6,229	7,391	13,619
-	-	-	Surplus/(deficit) on revaluation of stock	-	-	-
2,909	5,961	8,870	Remeasurements of the Net Defined Benefit Liability	(933)	(1,903)	(2,836)
2,909	5,961	8,870	Other Comprehensive Income and Expenditure	(933)	(1,903)	(2,836)
9,156	13,213	22,369	Total Comprehensive Income and Expenditure	5,296	5,488	10,783

London Pension Fund Authority Statement of Accounts

As at 31 March 2019

Residual Liabilities Accounts
Balance Sheet

Greater London	Inner London	Total 31 March 2019		Greater London	Inner London	Total
£000	£000	£000		£000	£000	£000
37,818	1,100	38,918	Asbestosis Reimbursement	36,004	244	36,249
37,818	1,100	38,918	Non-current assets	36,004	244	36,249
65	858	922	Receivables	92	1,290	1,382
31,074	6,096	37,170	Cash and Cash equivalents	34,398	7,681	42,079
31,139	6,954	38,093	Current Assets	34,490	8,971	43,460
(59)	-	(59)	Trade and other payables	(49)	(2)	(51)
(6,610)	(871)	(7,481)	Provision	(4,535)	(824)	(5,359)
(6,669)	(871)	(7,540)	Current liabilities	(4,584)	(827)	(5,410)
(44,575)	(3,747)	(48,322)	Provision	(46,517)	(3,904)	(50,421)
(4,347)		(4,347)	LCC Stock	(4,347)		(4,347)
(72,628)	(141,698)	(214,326)	Unfunded pension liability	(69,013)	(137,259)	(206,272)
(121,550)	(145,445)	(266,995)	Non-current liabilities	(119,877)	(141,163)	(261,040)
(59,262)	(138,262)	(197,524)	Net liabilities	(53,966)	(132,775)	(186,741)
			Reserves			
13,366	3,436	16,802	General Fund reserve	15,047	4,484	19,531
(72,628)	(141,698)	(214,326)	Pension reserve	(69,013)	(137,259)	(206,272)
(59,262)	(138,262)	(197,524)	Total Reserves	(53,966)	(132,775)	(186,741)

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Residual Liabilities Accounts

Cashflow Statement

2017/18		Notes	2018/19
£000			£000
13,499	Net surplus/(deficit) on the provision of services		13,619
(18,588)	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	11	(6,125)
(5,089)	Cash flows from Operating Activities		7,494
8,870	Transfer to Pension Fund from reserve		(2,836)
3,781	Net Cash flows from Operating Activities		4,658
	Investing Activities		
(125)	Interest paid		(137)
191	Interest received		387
3,846	Net increase or decrease in cash and cash equivalents		4,908
33,324	Cash and cash equivalents at the beginning of the reporting period		37,170
	Cash and cash equivalents at the end of the reporting period		42,079

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

12 Notes to the Residual Liability Accounts

1. General information

The LPFA makes payments of annual statutory compensation following the abolition of the former Greater London Council (GLC) and Inner London Education Authority (ILEA). These payments are financed by way of a levy on all London Boroughs in respect of former Greater London liabilities and on Inner London Boroughs in respect of Inner London liabilities.

The residual liabilities accounts include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis. The costs of these claims will be met through a levy on London boroughs, and so the accounts also include a re-imburement to offset most of the provision, the balance being met by funds already taken from London boroughs, and held in reserves.

2. Summary of significant accounting policies

General Principles

The Statement of Accounts summarises LPFA's transactions for the 2018/19 financial year and its position at year-end of 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19: based upon International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, and not when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

Cash balances not required for immediate use are invested in accordance with LPFA's Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Comprehensive Income and Expenditure Statement during the year and appropriate accruals are made at year-end.

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that in probability, may require settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the balance sheet. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Overheads

Directly attributable overheads are charged to the appropriate service areas within the Residual Liabilities Account.

Interest on Balances

Cash balances not required for immediate use are invested in accordance with LPFA Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Income and Expenditure Account during the year and appropriate accruals are made at year-end.

Financial Assets/Liabilities

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another. Financial assets are recognised by LPFA on the Balance Sheet, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

Responsibility rested with LPFA for the administration of two outstanding undated loan stocks which were originally issued by the former London County Council. These loan stocks were included at their nominal value in the Residual Liabilities Balance Sheet. The loan stocks were substantially repurchased in 2005/06.

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account and the reserve is then appropriated back also so that there is no net charge to LPFA at this point.

General Fund reserve

The General Fund reserve is used to fund unexpected short term costs, principally relating to asbestosis claims.

Certain reserves are kept to manage accounting processes and do not represent usable resources for LPFA. This is the pension reserve.

Pension Reserve

The Pension Reserve is not cash backed and represents the actuarially calculated deficit between the value of all pension liabilities and the pension assets held.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

Accounting for Retirement Benefits

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The effect of recognising retirement benefits in the balance sheet is a net liability and a pension reserve in the combined residual liabilities accounts. This relates to the compensation payments which are met on an annual basis by levies on London boroughs.

These liabilities reflect the current actuarial value of future payments and do not affect income and expenditure in 2018/19.

The change in the net pension liability is analysed into the following components:

Current service cost: the increase in pensions liabilities as a result of a year's service;

Past service costs: the increase in liabilities as a result of changes to plan arrangements in the current year with subsequent effects to years of service earned by the employee in previous years;

Interest cost: the increase in the present value of the liabilities during the year as a result of moving one year closer to being paid;

Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;

Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the actuary;

Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;

Unfunded pension payments: the decrease in scheme liabilities due to payments made to pensioners in the year.

3. Financial Risk Management

The LPFA activities expose it to a variety of financial risks in respect of financial instruments. These have been outlined in the financial statements of the pension fund.

London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

4. Critical Accounting Estimates and Judgment

Provision

LPFA have set aside a provision for its liabilities to meet the costs of asbestosis claims from former employees of the GLC and the ILEA. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. LPFA also has an estimate of future reimbursement of these costs from the London boroughs. The LPFA has been exploring the possibility that insurers of the GLC and ILEA may be liable in part for these costs as well as awaiting the impact that recent legislation in this area may have on future costs. Any potential impact will take a number of years to assess.

Pensions Liability

Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide LPFA with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

5. Segmental Information

Management do not report segmental information in their monthly management accounts, hence the financial statements for the Residual Liabilities Account have been presented reflecting the non-segmental nature of the entity's operations.

6. Asbestosis Provision

The GLC is responsible for the settlement of claims made by former employees of the GLC and the ILEA who have become injured as a result of exposure to asbestos. Due to the long periods over which this illness can lay dormant the normal deadline for submitting injury claims has been waived. This means that the LPFA has liabilities estimated to last until about 2035. A provision has been established for the injury claims. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. The costs have been estimated in discussion with our legal advisers and take into account previous experience of claims over the last 20 years. The costs are met through the levy on the London boroughs. The future profile of claims is used to smooth any changes in the levy to, as far as possible, limit any changes to the levy, until it gradually decreases as the final liabilities are met. The LPFA does not fund these costs as they are passed on to the appropriate Greater London or Inner London Borough Councils who have a legal duty to reimburse the LPFA. As there is certainty that these costs will be reimbursed the future costs are offset by the reimbursed future income in the Comprehensive Income and Expenditure Statement and are shown separately on the balance sheet of the Residual Liability Fund. The movement in the asbestosis provision over the year is as follows.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

6. Asbestosis Provision (continued)

2017/18			2018/19				
Greater London	Inner London	Total	ASBESTOSIS PROVISION			Total	
£000	£000	£000	Greater London	Inner London	Greater London	Inner London	Total
£000	£000	£000	£000	£000	£000	£000	£000
(59,156)	(5,292)	(64,448)	At 1 April	(51,185)	(4,618)	(55,803)	
6,651	655	7,306	Decrease/(increase) to provision	(601)	(128)	(729)	
1,321	19	1,340	Amount used during the year	734	18	752	
(51,185)	(4,618)	(55,803)	At 31 March	(51,052)	(4,728)	(55,780)	
(44,575)	(3,747)	(48,321)	Non-current	(46,517)	(3,904)	(50,421)	
(6,610)	(871)	(7,481)	Current	(4,535)	(824)	(5,359)	
(51,185)	(4,618)	(55,803)		(51,051)	(4,729)	(55,780)	
			Amounts recoverable are as follows:				
37,818	1,100	38,918	Asbestosis reimbursement	36,004	244	36,249	
37,818	1,100	38,918		36,004	244	36,249	

7. Short Term Liabilities

2017/18			2018/19				
Greater London	Inner London	Total	SHORT TERM LIABILITIES			Total	
£000	£000	£000	Greater London	Inner London	Greater London	Inner London	Total
£000	£000	£000	£000	£000	£000	£000	£000
(6)	-	(6)	Tax due on payments made	(6)	-	(6)	
(12)	-	(12)	Unclaimed interest and principal	(12)	-	(12)	
(42)	-	(42)	Sundry Creditors	(31)	(2)	(34)	
(59)		(59)		(49)	(2)	(51)	

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

8. LCC Stock

The LPFA is responsible for London County Council loan stocks. In order to remove the need for a public interest audit requirement for the Residual Liabilities accounts LPFA has been exploring the possibility of redeeming LCC Stock held on the balance sheet. ComputerShare, the company who manage the Residual LCC Stock on behalf of LPFA, have now been contracted to commence this process. The Stock requires a 12 month notice period for such an exercise, that notice was given in the London Gazette on 28 February 2019 so the 2018/19 accounts may be the last set under the public interest audit regime.

The nominal value of the loans stocks are provided below. These are part of the Greater London levy responsibilities.

2017/18		LCC Stocks	2018/19
£000			£000
3,875	3% London County Council Stock		3,875
472	2.5% London County Council Stock		472
4,347			4,347

9. Retirement Benefit Obligations

The pension liability at 31 March has been determined by the LPFA's actuary Barnett Waddingham in accordance with IAS 19: Employee Benefits.

The LPFA is also responsible for compensation payments arising from added years in respect of former staff of the GLC and ILEA and the London Residuary Body (LRB). These payments are recoverable from levies on the London Boroughs. The LPFA inherited some staff from the GLC, ILEA and LRB. In circumstances where staff leave the LPFA with retained staff benefit entitlement the cost of the discretionary added years is also borne by the levy.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

9. Retirement Benefit Obligations (continued)

Life Expectancy from age 65 (years)

Greater and Inner London:

The assumed life expectations from age 65 are:		31 March 2018	31 March 2019
Retiring today:	Males	22.6	21.6
	Females	24.7	23.6

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London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

9. Retirement Benefit Obligations (continued)

	31 March 2018			31 March 2019		
	Greater London	Inner London	Total	Greater London	Inner London	Total
RETIREMENT BENEFIT OBLIGATIONS						
	£000	£000	£000	£000	£000	£000
The amounts recognised in the balance sheet are determined as follows:						
Present value of funded obligations	-	-	-	-	-	-
Impact of asset ceiling	-	-	-	-	-	-
Present value of unfunded obligations	72,628	141,698	214,326	69,013	137,259	206,272
Unrecognised past service costs	-	-	-	-	-	-
Pension Liability	72,628	141,698	214,326	69,013	137,259	206,272
The movement in the present value of unfunded obligations over the year is as follows:						
At 1 April	80,589	154,113	234,702	72,628	141,698	214,326
Current service cost	-	-	-	-	-	-
Interest cost	1,393	2,692	4,085	1,669	3,286	4,955
Change in financial assumptions	(2,909)	(5,961)	(8,870)	2,070	4,316	6,386
Change in demographic assumptions	-	-	-	(1,137)	(2,413)	(3,550)
Past Service Costs	-	-	-	-	-	0
Experience loss/(gain) on defined benefit obligation	-	-	-	-	-	0
Unfunded pension payments	(6,445)	(9,146)	(15,591)	(6,217)	(9,628)	(15,845)
At 31 March	72,628	141,698	214,326	69,013	137,259	206,272

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

9. Retirement Benefit Obligations (continued)

	31 March 2018			31 March 2019		
	Greater London	Inner London	Total	Greater London	Inner London	Total
	£000	£000	£000	£000	£000	£000
Amounts recognised in the income statement are as follows:						
Service cost	-	-	-	-	-	-
Administration expenses	-	-	-	-	-	-
Net interest on the defined liability (asset)	1,393	2,692	4,085	1,669	3,286	4,955
Total	1,393	2,692	4,085	1,669	3,286	4,955
Re-measurements in Other Comprehensive Income						
Return on plan assets in excess of interest	-	-	-	-	-	-
Other actuarial gains/(losses) on assets	-	-	-	-	-	-
Change in financial assumptions	(2,909)	(5,961)	(8,870)	2,070	4,316	6,386
Change in demographic assumptions	-	-	-	(1,137)	(2,413)	(3,550)
Experience gain/(loss) on defined benefit obligation	-	-	-	-	-	-
Changes in effect of asset ceiling	-	-	-	-	-	-
Re-measurements	(2,909)	(5,961)	(8,870)	933	1,903	2,836

Financial Assumptions for GL and IL:

	31-Mar-19		31-Mar-18		31-Mar-17	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI Increases	3.5	0	3.35	0	3.1	0
CPI Increases	2.5	-1	2.35	-1	2.2	-0.9
Pension Increases	2.5	-1	2.35	-1	2.2	-0.9
Discount Rate	2.2	0	2.4	0	1.8	0

London Pension Fund Authority Statement of Account For the year ended 31 March 2019

Residual Liabilities Accounts

9. Retirement Benefit Obligations (continued)

Sensitivity Analysis for GL:

	£000	£000	£000
<i>Present value of total obligation</i>		69,013	
Sensitivity to	+0.1%		-0.1%
<i>Discount rate</i>	68,415		69,618
<i>Pension increases and deferred revaluation</i>	69,615		68,416
Sensitivity to	+ 1 Year		- 1 Year
<i>Life expectancy assumptions</i>	71,526		66,589

Sensitivity Analysis for IL:

	£000	£000	£000
<i>Present value of total obligation</i>		137,259	
Sensitivity to	+0.1%		-0.1%
<i>Discount rate</i>	136,010		138,520
<i>Pension increases and deferred revaluation</i>	138,515		136,013
Sensitivity to	+ 1 Year		- 1 Year
<i>Life expectancy assumptions</i>	142,257		132,437

10. Administration Expenses

The administration expenses are the costs charged to the residual liabilities accounts from the operational accounts and comprise a share of the costs relating to administering the residual liabilities responsibilities. The costs for 2018/19 were £256k for the Greater London levy and £345k for the Inner London levy, this has reduced by £12k from 2017/18.

London Pension Fund Authority Statement of Accounts For the year ended 31 March 2019

Residual Liabilities Accounts

11. Reconciliation of Non-Cash Movements

2017/18		2018/19
£000		£000
(20,376)	Transfer to pension reserve	(8,054)
-	Proceeds on sale of assets	-
(222)	(Increase) in receivables	(459)
`	(Decrease) in payables	(8)
125	Interest paid plus adjustment to interest owed	137
(191)	Interest received	(387)
(8,645)	Movement in provisions	(23)
10,721	Decrease in asbestos reimbursement expenditure through asbestosis provision	2,670
(18,588)		(6,125)

12. Related Party Transactions

The LPFA Pension Fund Accounts and the LPFA Operational Accounts are related parties and transactions relating to such are disclosed elsewhere in the accounts.

13. Cash and Cash Equivalents

The cash at the bank and on short term deposit totals £42,079k, this was £37,171k in 31 March 2018.

14. Post Balance Sheet Events

There were no material events after the balance sheet date.

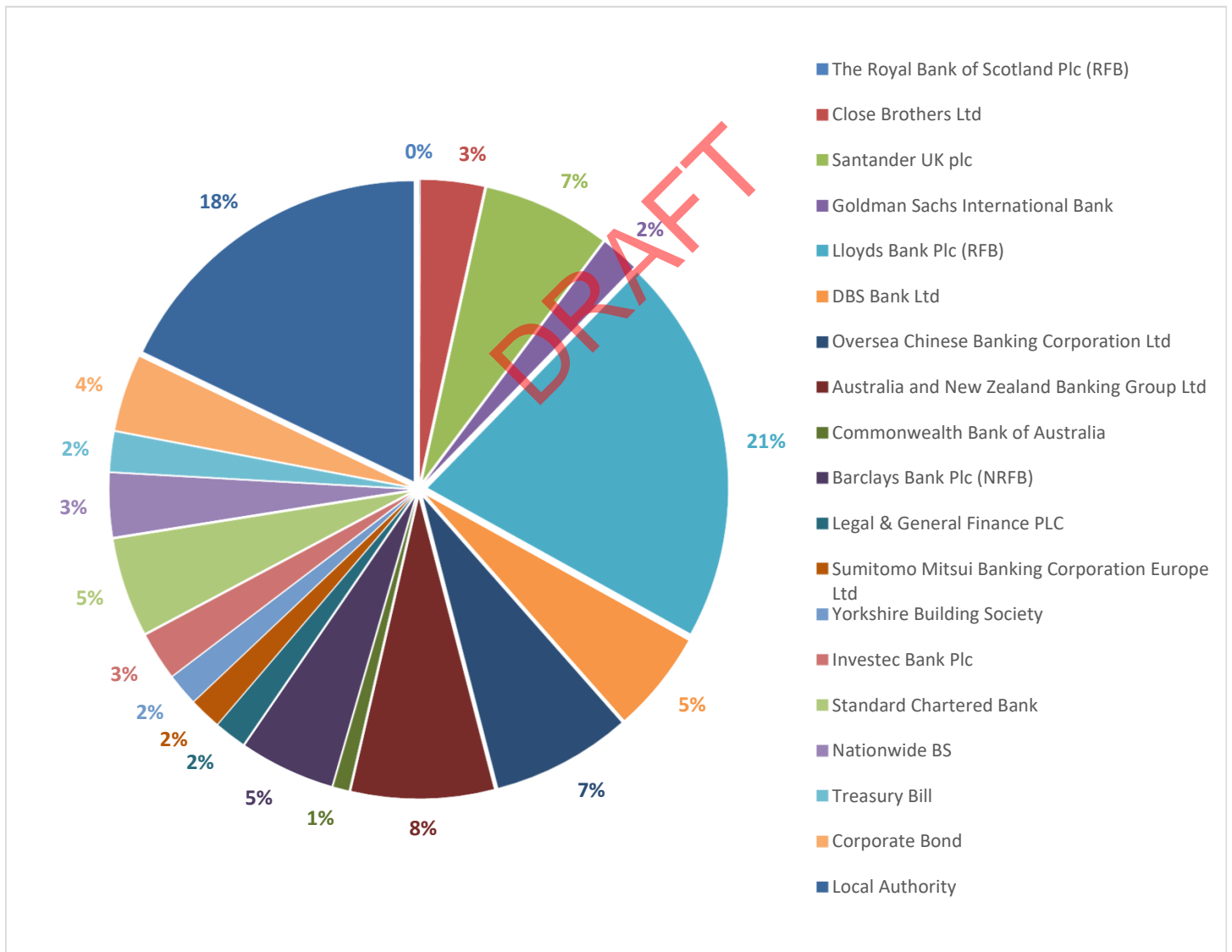
London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

15. Financial Instruments

Aside from the receivables and payables which are covered in notes 14 and 15 and the LCC stock covered in Note 8, the LPFA also has a cash balance on the residual liabilities account. A small balance is maintained with the LPFA's bank, Lloyds Bank, for ongoing costs, and the remainder is pooled with the GLA. The GLA holds 100% of pooled funds deposited across various banks, as per the breakdown below. As at 31st March 2019 the LPFA held £48,590k with the GLA compared to £31,911k at 31st March 2018, the balance each year being held within the LPFA bank account.

As at 31st March 2019



London Pension Fund Authority Statement of Accounts

For the year ended 31 March 2019

15. Financial Instruments

As at 31st March 2018

