



**London Pensions Fund Authority
Pension Fund Annual Report
Executive Summary 2022-23**

Executive summary

About us

We're the largest Local Government Pension Scheme (LGPS) Fund in London. We are committed to investing responsibly, providing a well-run, collaborative pension service and driving action on climate change.

In 2016, working with Lancashire County Council (LCC), we formed the Local Pensions Partnership Ltd (LPP) which is made up of [Local Pensions Partnership Investments Ltd](#) (LPPI) and [Local Pensions Partnership Administration Ltd](#) (LPPA).

We did this as part of the Government's reforms to create investment 'pools' from the 89 LGPS Funds in England and Wales to help reduce costs and improve investment performance. LPP is now one of eight national LGPS investment pools and is jointly owned by us and LCC. Since its creation, our Pool has made £153 million in savings.

Today, LPPA provides pensions administration services to more than 600,000 LGPS, Police and Firefighters' pension scheme members for around 1,900 employers.

LPPI also manages around £24.5 billion of pensions assets for investors using eight investment pooling vehicles.

“We're committed to providing a high-quality, cost-effective pension to benefit our 96,796 members, our 122 contributing employers, London's communities and our wider society.”

Executive summary continued

Chair's Statement



“Geopolitical, inflationary and economic events over the last year have created a difficult operating environment but I am pleased to say that the Fund remains well administered, effectively governed and our members’ pensions are safe and secure.”

Welcome to our Annual Report for the year to 31 March 2023. I hope that you and your loved ones are staying safe and well. Geopolitical, inflationary and economic events over the last year have created a difficult operating environment but I am pleased to say that the Fund remains well administered, effectively governed and our members’ pensions are safe and secure.

Investment highlights

Our investments remain well diversified across regions, asset classes and sectors and our commitment to being a long-term investor continues to bear fruit. Inflation has undoubtedly had an impact on cash flow needs and the relative performance for investments like infrastructure, which is benchmarked against inflation. While inflation impacted our three-year performance, our Fund has still outperformed our one- and five-year benchmarks.

Return metric	1 year (%)	3 year (% p.a.)	5 year (% p.a.)
Total return	2.7	10.8	8.0
Return Objective	13.7	9.8	8.1
Policy Portfolio Benchmark	0.0	11.1	6.9

We continue to develop our approach to responsible investment and, in November 2022, we published our Investor Climate Action Plan (ICAP). Our plan sets out how we will manage the financial risks that climate change poses to the Fund and to our society. Our progress is detailed in our website’s [net zero hub](#) in line with our commitment to transparency.

Supporting a thriving pool

I am delighted to report that we have delivered asset management fee savings of over £18.4 million this year, compared with £19 million last year. In total, the latest figures available show that LPPI has delivered total savings across its entire client base of over [£153.2 million](#) since we began pooling. LPFA's share of these savings are around £83.6 million. This is testament to the value that pooling can bring. I would like to extend my thanks to our pool, the Local Pensions Partnership (LPP) and their component parts, LPPA and LPPI. As joint owners of LPP Group, both the LPFA and LCC have a shared interest in the success of LPP and we are keen to see them continue to thrive. I would also like to thank our LCC colleagues for their continued support and partnership.

Executive summary continued

Chair's Statement continued

Ensuring a well-run fund

This year, we welcomed two new members to our Board. Sophia Morrell, Director of Public Affairs at Finance UK, joined in May 2022 and Richard Olszewski, Councillor at Camden joined in December 2022. Their expertise in communications, finance, government policy and local government have added considerable value to our Board.

I am pleased with the progress that we have made so far and, while there is always more to do, I thank you for your continued support.



John Preston
LPFA Chair

Executive summary continued

CEO's Statement



“We are very proud to work for so many organisations that make London the great city that it is today, and we know that the pensions that we provide are an important part of our employers’ staff retention and engagement strategies.”

You may notice that this year’s Annual Report has a different look and feel to previous years.

We’ve redesigned the report and simplified the writing to make it easier to read for all our stakeholders. We’ve also created a stand-alone executive summary in a larger font with single columns. We hope that these changes make the information inside more accessible to everyone.

The work that’s been done to improve the Annual Report is a good characterisation of 2022-23. After a period of growth, it’s been a year of consolidation as we look to improve business as usual.

Our mission remains the same, of course. We want to provide a high-quality, cost-effective pensions service that meets the needs of our employers and members. We do this in three ways and each of them has a number of different parts.

Evolving investment and liability management

This is made up of two areas:

– Delivering strong investment performance

While our assets increased slightly from £7.6 billion (31 March 2022) to £7.7 billion (31 March 2023) our performance has been very strong against our industry peers. We continue to deliver savings on investment fees too. This year alone, we have saved over £18.4 million in asset management fees compared to our position before pooling.

– Investing in our employer relationships

We are very proud to work for so many organisations that make London the great city that it is today, and we know that the pensions that we provide is an important part of our employers’ staff retention and engagement strategies. Maintaining a positive working relationship with our employers is very important as we need to work together to meet our objectives.

Our Employer Management Services (EMS) team continues to put a focus here and we were all pleased with the successful delivery and communication of our triennial valuation. This project took up much of the team’s time this year and it was encouraging to see good levels of engagement with over 50 senior finance employees attending our Annual Employer Forum.

Executive summary continued

CEO's Statement continued

Building stronger operational efficiency

This is made up of four areas.

– Building LPFA's management capability

We now employ 18 members of staff across four directorates: Finance, Corporate Services, Risk & Funding and Legal & Compliance. Regular training is in place to ensure that every colleague is equipped to deliver on our mission.

The progress that we have made strengthening our senior leadership capability in 2021-22 suffered a setback with the departure of a small number of staff including two senior colleagues. While we have now recruited new colleagues for these roles, this has taken some time and their departure did impact on the delivery of some tactical objectives. While we understand that we will sometimes lose staff to higher-paid roles in the private sector, we know that building a supportive, flexible, professional and purpose-driven culture will help us recruit and retain staff.

That said, all of the team here are committed to provide oversight of LPFA's daily operational activities as well as LPPI and LPPA's services.

– Being an active shareholder

Alongside LCC, our LPFA colleagues and Board members continue to provide effective governance and oversight of LPPI and LPPA. This has been particularly important this year as a necessary transition to a new operating system has meant that LPPA's performance has been below the desired level. We are disappointed that complaints to LPPA have risen over the period and we are working closely with them to remedy the situation. As well as regular Committee and Board oversight, internal audit work and monitoring of LPP's financial management, our internal team hold monthly client meetings with LPPA to monitor progress and plans.

– Managing outsourced investment and administration costs

Cost per member has increased in 2022-23 largely due to inflationary pressures which pushed up staff costs. This increase should be set against the £18.4 million in savings this year. This comes from the economies of scale and the bargaining power of LPPI with underlying investment managers.

– Evolving our communications

Our corporate communications have been focused on delivering more transparency and improving the services that we provide to our stakeholders. A notable project was the launch of our online Transparency Dashboard with Tumelo, which allows members to see our listed equity holdings. The dashboard, and our regular Fund newsletter which keeps members informed about our responsible investment progress, were launched in response to feedback from our last member survey.

Executive summary continued

CEO's Statement continued

As our Chair mentions, following on from our net zero commitment, we also published our ICAP on our website. We've taken particular care to make it simple to read so that all our stakeholders understand our plans. We've launched new collaboration efforts, for example, by supporting a climate-related campaign by Share Action. We continue to build our digital presence and communicate our work on social media, in the press, at conferences and events. This is part of our commitment to collaboration and to driving real change in the world.

We're also working to encourage improvements with LPPA, particularly, to drive online registrations to PensionPoint. This includes several hard copy communication projects aimed at tackling the digital divide and engaging with hard-to-reach members.

Working in partnership and collaboration

We've always believed in the power of collaboration, whether that's with Tumelo, GLIL, The London Fund or more widely with our pooling and industry colleagues. We have participated and spoken at events organised by Pensions for Purpose, C40 Cities, the Pensions and Lifetime Savings Association (PLSA) and we're active members of the Occupational Pensions Stewardship Council and LAPFF.

Investing responsibly and taking action on climate change

Investing responsibly is one way that we manage the risks to our Fund, and we were very pleased to recruit a new Responsible Investment Manager to our team in 2022. This will help us evolve our RI approach, manage our net zero reporting and work with LPPI to ensure that we are an active asset owner, managing the risks and opportunities posed by climate change and other social challenges. We will actively seek to share with and learn from other organisations making progress across Environmental, Social & Governance (ESG) issues.

The team has accomplished a lot this year and we know that there is much more to do.

Thank you for your continued support and please do contact us if you have any feedback.



Robert Branagh

LPFA CEO



“Since its creation in 2016, LPPI, our Pool, has delivered over £153 million in savings.”

Our mission:

We want to provide a high-quality, cost-effective and professional pensions service that meets the needs of both members and employers.

We are committed to playing a collaborative role in the UK's pension industry. As a pension fund, we are stewards of the future. We are primarily stewards of our members' financial future and are committed to ensuring robust pension provision.

How our members' funds are invested also impacts the future of our economy, our environment, our society and therefore our members' future. We take this broader responsibility seriously, as a commitment to future and to the shape of today's world.

We regularly look at the major environmental and social issues facing the world and work to ensure we influence them in a positive way.

Our ongoing major focus is on the climate emergency. We seek to invest member funds to mitigate the financial risk from climate change, influence the broader economy via our engagement opportunities and clearly communicate our approach and our progress.

Our behaviours and culture:

We are committed to having an accountable and professional working culture that puts the interests of our members and employers first. We want to:

- Perform at our best
- Deliver results
- Look after our people
- Seek collaboration
- Act with integrity

Our strategic aims:

As part of our governance, we are required to prepare and regularly update our Strategic Policy Statement (SPS) which sets out our strategic aims for a rolling three-year period.

We continue to aim to provide a high-quality and affordable LGPS pensions service that sustainably meets the needs of our employers and members. We also commit to continuing to play a collaborative role in the wider pensions world.

Our strategy is underpinned by three pillars below. You can read about our objectives on our [website](#).

- Evolving our investment and liability management
- Working in partnership and improving collaboration
- Building stronger operational efficiency and robust shareholder activity



Following the principles of good governance:

We follow the seven core principles of good governance by CIPFA and Solace and we make sure that we comply as an LGPS Fund and a shareholder of LPP. The content in this annual report, particularly within the Governance and Responsible Investment sections, highlights how we meet the seven principles below:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within
- Managing risk and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

Executive summary continued

Key facts and highlights of 2022-23 as at 31 March 2023

Number of members in our Fund:

96,796

Active employers in our Fund:

122

Value of our Fund:

£7.7bn

Asset management fees saving this year:

£18.4m

Savings made by LPPI since pooling:

£153m*

* Figure represents savings made for the whole pool not just LPFA.

Executive summary continued

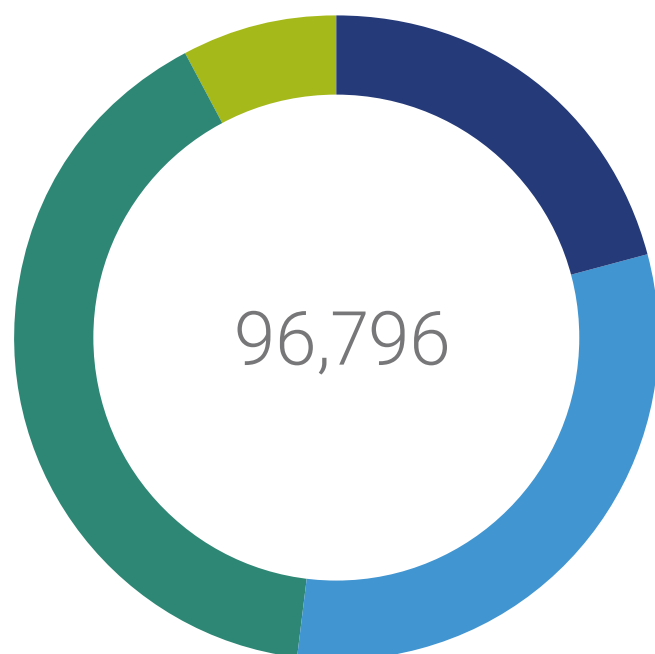
Member numbers

2018-19	88,788
2019-20	92,340
2020-21	91,675
2021-22	94,638
2022-23	96,796

Balance sheet value

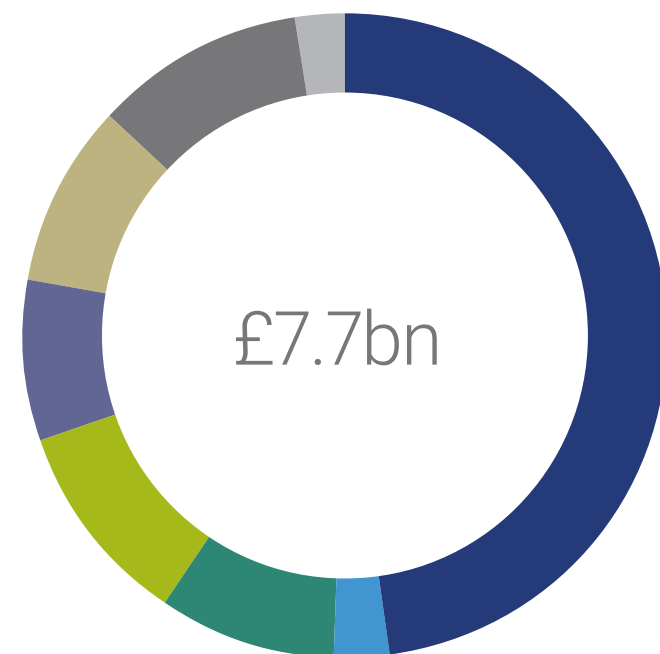
2018-19	£6.0bn
2019-20	£5.8bn
2020-21	£6.9bn
2021-22	£7.6bn
2022-23	£7.7bn

Membership breakdown



- 22,739 Active contributors
- 29,793 Deferred beneficiaries
- 36,209 Pensioners and dependants
- 8,055 Undecided leavers and Frozen refunds

Asset allocation (%)

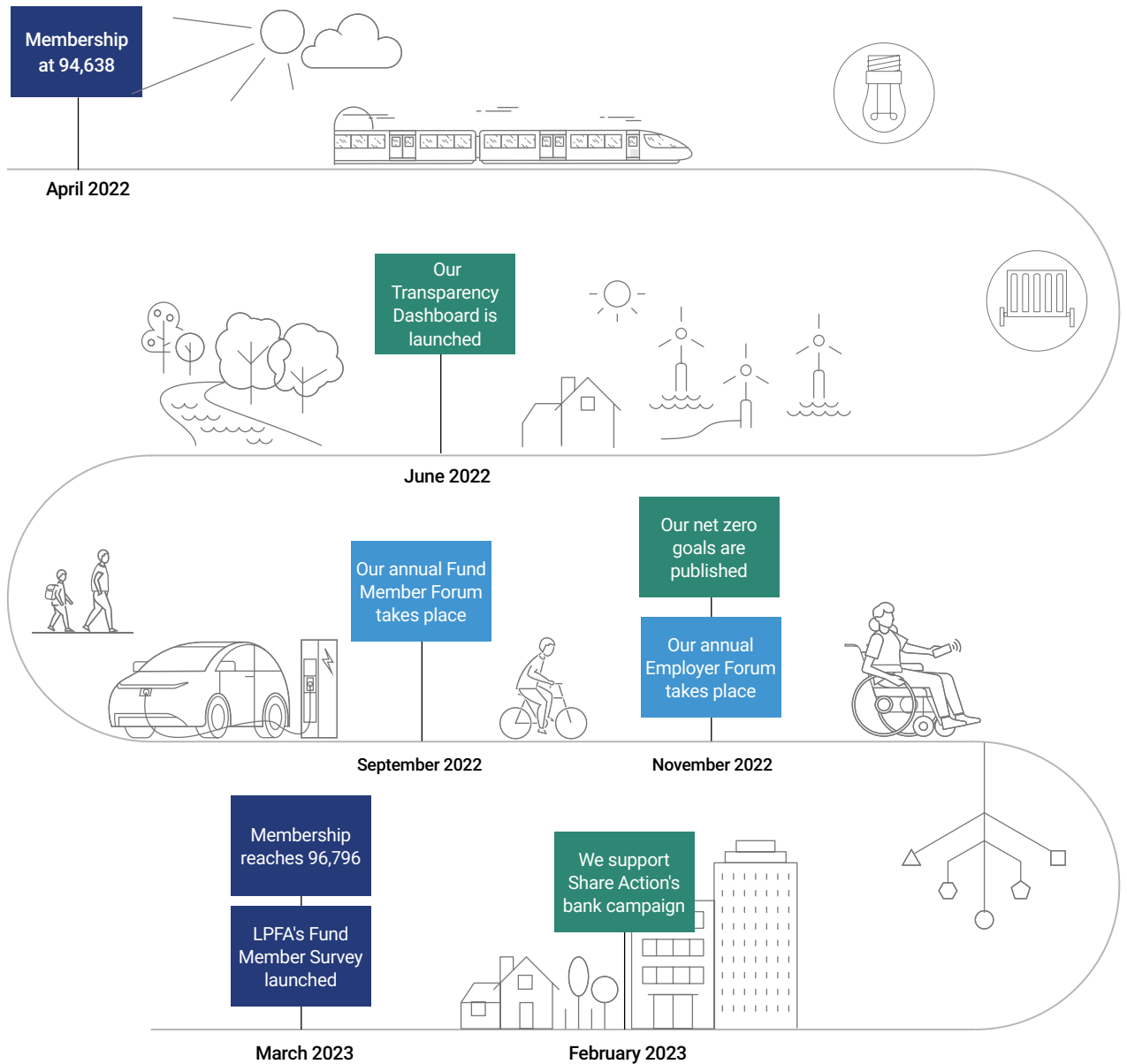


- 49.3 Public equity
- 1.0 Fixed income
- 7.6 Private equity
- 12.2 Infrastructure
- 9.6 Credit
- 9.5 Real estate
- 8.5 Diversifying strategies
- 2.2 Cash

Percentages may be below 100% due to rounding







Executive summary continued

The year in review



Net zero goals

We are committed to managing the risks posed by climate change. We've published a Climate Change Policy since 2017 and now we want to show how we will achieve our ambition to become net zero by 2050. Our net zero emissions aspiration is the next step in maintaining the long-term financial sustainability of our Fund, protecting our members' financial future and being a responsible investor. For further information and a glossary of terms, please see the [full report](#).

 <p>PORTFOLIO EMISSIONS</p>	 <p>TEMPERATURE RISE</p>	 <p>CLIMATE SOLUTIONS</p>	 <p>ALIGNMENT</p>	 <p>ENGAGEMENT</p>	 <p>OPERATIONAL EMISSIONS</p>
<p>1. This goal is the commitment to decrease our overall greenhouse gas emissions by 75% by 2030</p>	<p>2. Maintain an implied temperature rise that is consistent with the Paris Agreement below 2°C</p>	<p>3. Increase investment in climate solutions. Set a percentage target in 2023</p>	<p>4. At least 32% of material sector investments aligning to net zero by 2025</p>	<p>5. At least 70% of financed emissions aligned with net zero or subject to engagement, starting immediately</p>	<p>6. Reduce GHG emissions per full-time employee by 50% by 2030</p>

Executive summary disclaimer

Disclaimer & Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results of operations, financial condition, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, capital or liquidity positions or prospects expressed or implied by such statements or cause us not to not achieve its published targets. Such factors include, among others:

- mortality, morbidity and longevity experience
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions
- increased volatility of, and/or disruption in, global capital and credit markets
- changes in legislation and regulation, or the interpretations thereof by regulators and courts, affecting us
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities
- changes in accounting standards, practices or policies
- strengthening or weakening of foreign currencies
- failure of our hedging arrangements to be effective
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions
- extraordinary events affecting our partners, such as bankruptcies, liquidations and other credit-related events
- changing levels of competition
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. We operate in a continually changing environment and new risks always emerge. Readers are cautioned not to place undue reliance on forward-looking statements.

We undertake no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.