LPFA

your pension our world

London Pensions Fund Authority

A year of transformation

Pension Fund Annual Report

2022-23

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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."

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.

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

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 are 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.

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.

Executive summary continued

CEO’s Statement continued

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.

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 story

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

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

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:

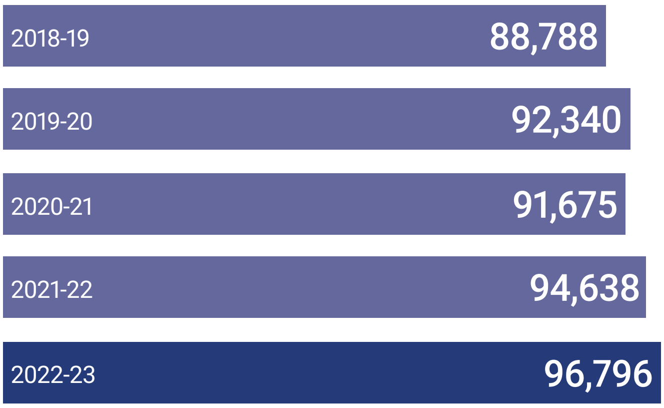
£18.4m

Savings made by LPPI since pooling:

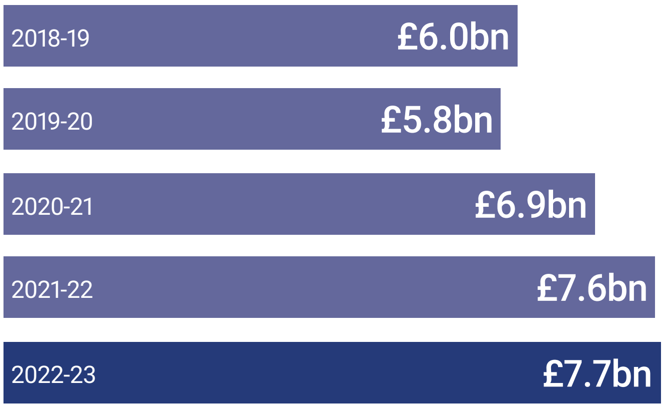
£153m*

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

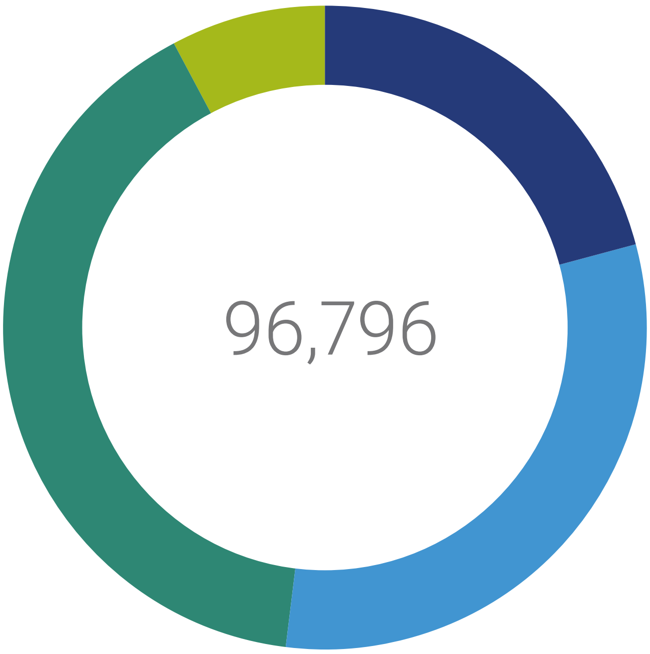
Member numbers



Balance sheet value

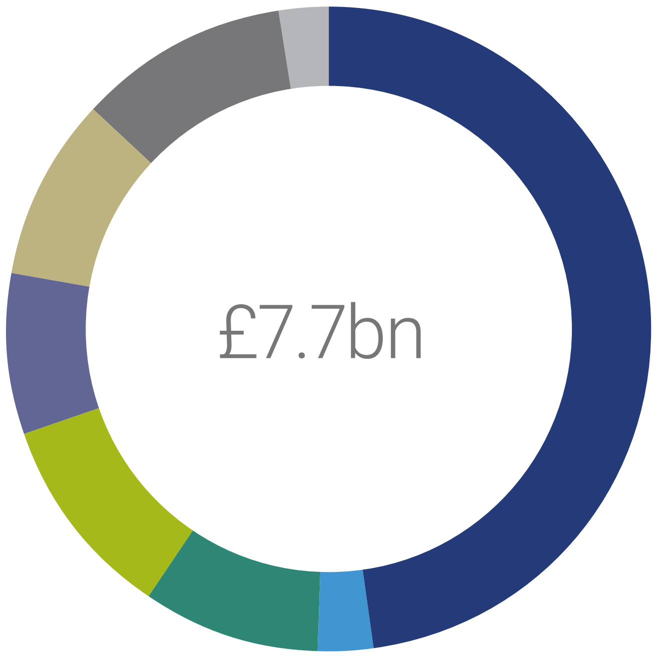


Membership breakdown



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

Asset allocation (%)

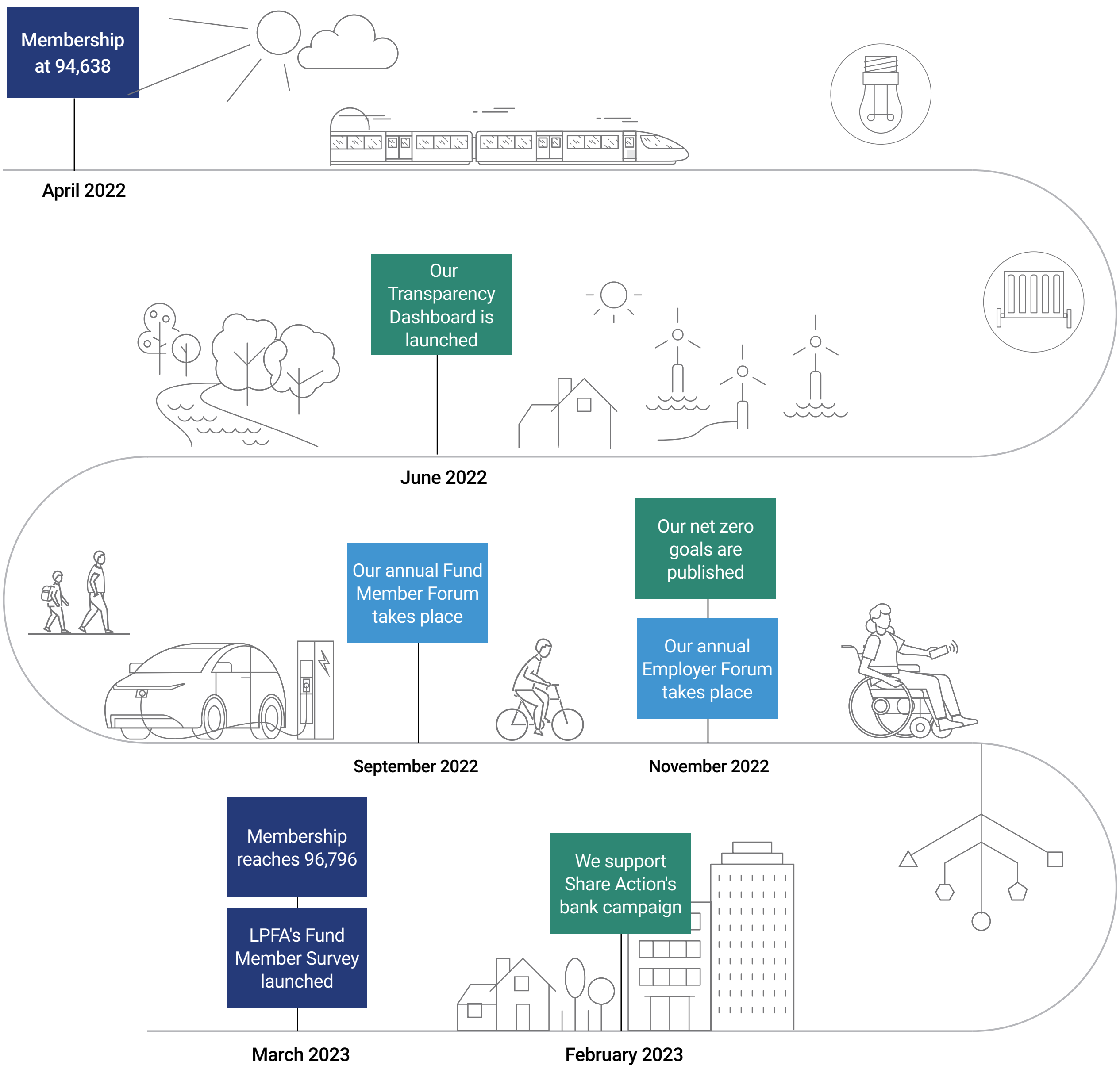


49.3	Public equity
1.0	Fixed income
7.6	Private equity
12.2	Infrastructure
9.6	Credit
9.5	Real estate
8.5	Diversifying strategies
2.2	Cash

Percentages may be below 100% due to rounding

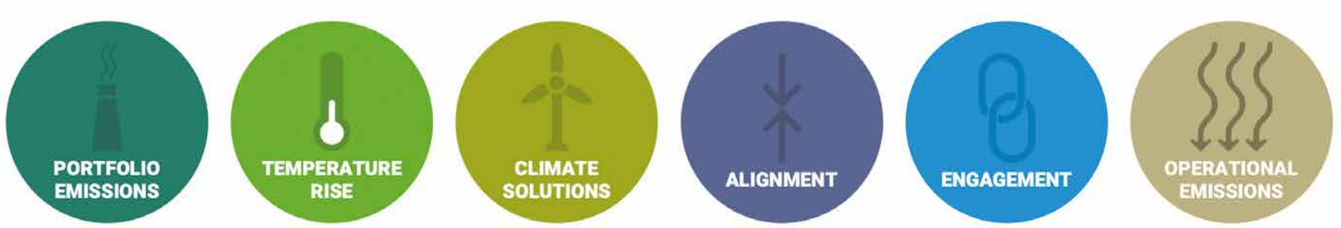
Executive summary continued

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.



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

Governance

"We want to offer our members and employers a high-quality and valued pension, so it's important that we're a well-run fund."

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Our Board is made up of 3 men and 8 women.

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Our Local Pension Board (LPB) is made up of six men and three women. Of these, four represent views of our members and four represent the views of employers in our Fund. Our LPB is overseen by an independent Chair.

We want to offer our members and employers a high-quality and valued pension, so it's important that we're a professional and well-run Fund.

Governance, which describes how we direct and manage our organisation, is central to that ambition. This section outlines our approach to Governance. It explains what structures are in place to make sure that we are well-run and well-managed. It also summarises the differing roles of our Committees, Board, Local Pension Board and our Senior Leadership Team.

The Annual Report from the outgoing Chair of our Local Pensions Board appears later in this section.

At a glance

It has been a year of change, welcoming new Board members and colleagues and saying goodbye to others. Throughout it all, we have continued to improve our governance structures and build on the progress of the last few years.

We have welcomed a new Compliance Manager and a new Finance Director who have addressed most of the outstanding areas identified for improvement by our auditors. We continue to identify and mitigate risks to the Fund and have restructured our finance team and embedded new processes and systems as part of our commitment to sound fiscal management.

In keeping with our commitment to continuous improvement, we launched Skillcast internally. This is a regulatory compliance e-learning tool aimed at ensuring that all our staff are more familiar with our compliance and governance responsibilities.

Our constitutional framework

We have a unique status in the UK with specific legal rights and responsibilities defined by the Local Government Act 1998. We are an Administering Authority without a connected local authority and we are guided by our own legal constitution. Our corporate governance framework is modelled on guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). It sets out our systems and processes, our culture and values, how we are directed and controlled and the activities for which we are accountable.

Each year, we are required to conduct an independent, external audit to make sure that our internal controls are working. While some information on our controls is detailed below, more information can be found on our website, in our Annual Governance Statement and our LGPS Governance Compliance Statement.

We are also required by law to publish an Annual Report covering the preceding year before the statutory deadline of 31 November. In this period, our 2021-22 Pension Fund Annual Report and Statement of Accounts were published before the deadline on 30 November 2022.

Conflicts of interest

Every member of our Boards and Committees must, annually, complete conflicts of interest declarations. Members must also declare any new conflicts at every meeting. This information is recorded on our Register of Interests which is posted on our website and monitored by the Audit and Risk Committee (ARC).

Our structure

Our Boards and Committees

This section summarises each group in more detail. Terms of reference outline each group's areas of responsibilities, and these can be found on our website.

The LPFA Board

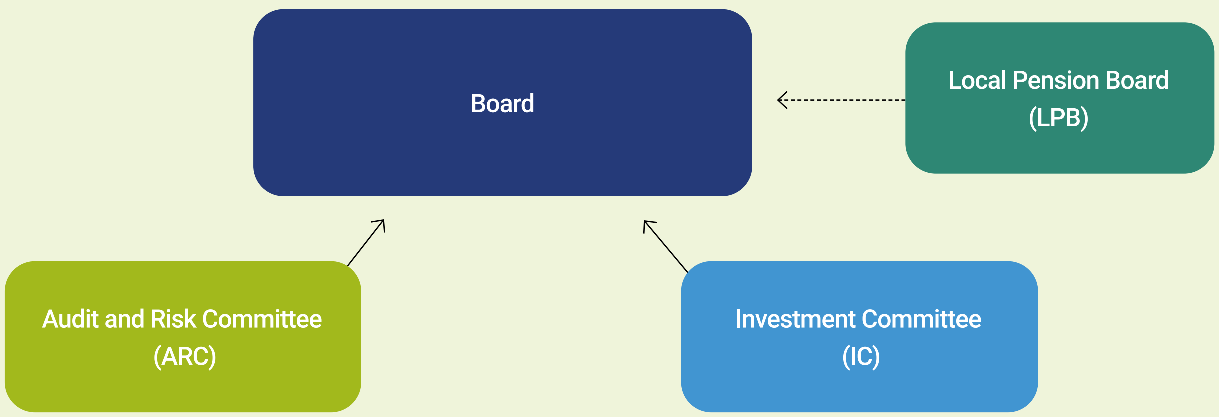
The size of our Board and how we appoint members are set out in statute. All Board members have voting rights and decisions are taken by majority vote. Our Constitution lists those areas reserved for decision by the Board as well as our Standing Orders. Board papers detailing minutes, agendas and decisions are posted on our website. Appraisal, objective setting and remuneration of the CEO is undertaken by the Board.

The Board meets four times a year with more time set aside for an annual Board Strategy session. In 2022-23, this session was held on 22 and 23 September 2022. Topics discussed included shareholder matters, strategy, ways of working, oversight of LPPI and LPPA and responsible investment. Board member remuneration is set by the Mayor and is published on our website.

Board appointments and changes

During the year, Sophia Morrell joined in May 2022 and Cllr Richard Olszewski was appointed in December 2022. New Board members are provided with an induction plan which assesses an individual's skills and competencies to ensure that induction training is relevant and useful.

Our corporate structure



Governance continued

Board composition

The current Board members are set out below:

John Preston
(Chair)

John Preston is a non-executive director and professional trustee. In addition to his role as Chair of the London Pensions Fund Authority, he is currently Chair of the Sainsbury's Pension Scheme and Chair of the Medical Research Council Pension Scheme. He is also past Treasurer and a Council member of the University of Bath and a past President of the Chartered Institute of Taxation.

John is a chartered accountant and chartered tax adviser. He was a partner in PricewaterhouseCoopers for 23 years until 30 June 2014 where he undertook a variety of client-related and management roles, both in the UK and globally. His primary client base was in the financial services sector, including banks, insurers and sovereign wealth funds. His management roles for a large part of the firm's business included UK chief operating officer and UK head of risk, regulation and external relations in the UK, as well as global head of external relations and regulation.

Term: 2020 - 2023

Rita Bajaj

Rita Bajaj has over 30 years' experience working in global investment markets experience, leading investment teams at Royal London & Invesco Perpetual. She has also managed global and US equity vehicles for several US investment institutions and EMEA Chief Administrative Officer at custodian, State Street. She is also a former FCA regulator.

Rita is ARC Chair and Senior Independent Director at Fidelity Life Insurance Ltd, an independent non-executive director for Benefact Group Plc and its subsidiary Edentree, Wesleyan Assurance and Columbia Threadneedle's OEIC Boards. She is also an Independent Governance Committee member for Hargreaves Lansdown's workplace SIPP.

Rita is passionate about improving member investment outcomes which are both sustainable and incorporate ESG considerations.

Term: 18 May 2021 - 30 April 2025

Cllr. Ruth Dombey

Cllr Ruth Dombey has been a councillor at the London Borough of Sutton since 2002 and in 2012 became Leader of the Council. She is also one of the Vice Chairs of London Councils and a Deputy Chair of the Local Government Association Executive.

She plays an active role in local government in London and presently is a member of the London Transition Board (chaired by the Rt Hon Robert Jenrick MP), the London Recovery Board and the London Health Board (both chaired by the Mayor of London).

Before becoming a councillor, Ruth worked in the financial information sector for Dow Jones Telerate and subsequently Knight Ridder.

Term: 19 October 2018 - 31 March 2026

Tamlyn Nall

Tamlyn has been involved in the financial markets for nearly 40 years. She was previously a Managing Director at Lloyds Bank where she ran the derivative structuring team. Before Tamlyn joined the LPFA Board, she had over ten years' experience as a sponsor-nominated trustee of one of the UK's largest pension funds, where she was instrumental in introducing the rigors of financial market thinking to pension fund risk.

Tamlyn is currently also a director of The Royal Horticultural Society (1974) Pension Scheme and is a member of The National Trust's Investment Committee, where she sits on their Stewardship and Engagement Working Group.

In her spare time Tamlyn is a keen triathlete – she is a member of the GB Age Group team for both the World and European Championships.

Term: 1 January 2016 - 31 December 2019
Extended to 31 December 2023

Richard Olszewski

Richard Olszewski has been a councillor at London Borough of Camden for more than 15 years. He is the cabinet member for finance and cost of living and also chairs Camden's Pension Board.

Richard is also a member of the North London Waste Authority, the Greater London Employment Forum and the Greater London Provincial Council. He is a Local Government Association Member Peer, giving peer support to local authorities and mentoring to individual councillors in other authorities.

Since 2021, he has been a trustee of Electrical Safety First, the charity campaigning name of the Electrical Safety Council.

Richard was a special adviser to Cabinet minister, John Reid, in six cabinet roles including Health, Transport and Northern Ireland.

By profession, Richard is a government relations and communications adviser. He has advised a range of private sector and non-profit organisations on a wide range of strategic business-critical and campaign issues, including financial services, regeneration and business ethical behaviours.

Term: 1 January 2023 - 31 March 2027

Deborah Rees

Deborah Rees had a long City career researching and providing investment advice, primarily on international equities, to professional investors. She worked for Kleinwort Benson, Bank of America, Barclays and Exotix Capital.

In parallel with her city career, Deborah has always had a passion for international development and served on the Board and Investment Committee of the Leprosy Mission International for whom she is now a pension fund trustee. She is also a member of the Board and Audit & Risk Committees at The Methodist Insurance Company (where she chairs the Investment Committee), CBF Funds Trustees Ltd, and The Land Trust.

Term: 18 May 2021 - 30 April 2025

Belinda Howell

Belinda brings expertise in sustainability and climate change strategy, environmental social governance, responsible investing and assurance to FTSE 100 corporate boards. She has extensive experience across a wide range of sectors from natural resources, agri-commodities, fisheries and energy through the supply chain to consumer goods, retail and utilities.

Belinda founded strategy consultancy Decarbonize Ltd and is currently a non-executive director of the National Centre for Atmospheric Science, Marine Management Organisation and a Trustee of the National Biodiversity Network. She has previous experience as a director of business in the community, engineering and infrastructure firm URS Corporation, chief executive of a start-up carbon and supply chain information technology provider and a nominee board member of the Roundtable for Sustainable Palm Oil and Roundtable for Responsible Soy Associations.

She holds an M.Phil in Biochemistry, first class MBA and Diploma in Company Direction (Institute of Directors).

Term: 18 May 2021 - 30 April 2025

Terence Jagger

Terence Jagger started his career in industry, working in the UK, Australia and Italy. After a Master's degree in Finance, he joined the civil service in 1995, where he worked in the MOD for 15 years until 2011; his roles included leading the QinetiQ privatisation, Director Financial Management, Command Secretary (Finance & HR Director, with policy & propriety responsibilities) to the RAF, and political adviser to the NATO commander in Afghanistan (2006-2007).

From 2011-2015, he was Chief Executive of Crown Agents, the international development company working in Africa and Asia, where he also was deputy Chairman of Crown Agents Bank and Crown Agents Investment Management.

He has previously served as a non-executive or trustee of the UK-Japan 21st Century Group, the Met Office, the Gloucestershire and the London Wildlife Trusts, and the London Library. As well as the Chair of Board at Bath Spa University and of EUNIDA, most recently he was a member of ACOBA, and a director of the Single Source Regulations Office. He is currently Chair of NMITE engineering institute in Hereford, a trustee of Tree Aid, and a director of the Marine Management organisation.

Term: 1 January 2016 - 31 December 2019
Extended to 31 December 2023

Sophia Morrell

Sophia Morrell is the Director of UK Public Affairs for UK Finance, where she leads domestic government relations and advocates for the UK's financial services sector. Prior to this, Sophia spent five years as a Political Adviser to Jonathan Reynolds MP in his roles as Shadow Secretary of State for Work and Pensions and Shadow City Minister.

Sophia specialises in financial services policy and communications. She has worked both as an independent consultant and at a number of political and communications agencies including Lansons, Greentarget PR and Headland, after beginning her career as a journalist in 2007 covering capital markets during the financial crisis.

Sophia was Chair of Labour in the City for three years and sat on the National Executive of the Young Fabians in 2015. She is an advocate for women in finance and in 2016, launched a report on the representation of women in the industry in association with the Institute for Chartered Accountants for England and Wales.

Term: 1 April 2022 - 31 March 2026

Clare Scott

Clare has worked in the pensions industry for 30 years and is currently a non-executive and independent adviser to a number of public sector pension funds. She specialises in governance and investment oversight and is a qualified actuary.

A large part of her career was spent at Lothian Pension Fund, the local government pension fund in Edinburgh, and includes five years as its Chief Executive. Her experience there includes expanding the internal investment team, in-sourcing investment management, managing actuarial valuations, and establishing the Pension Board. Prior to that Clare worked as an investment consultant.

She lives in East Lothian and enjoys gardening.

Term: 18 May 2021 - 30 April 2025

Christina Thompson

Christina Thompson is Director of Finance and Property (S151) at London Borough of Lambeth. She has responsibility for finance and accountancy, audit, payroll and pensions, risk, insurance, procurement and property services.

Christina is lead adviser to the Council on all financial matters, including the development and management of the Council's revenue and capital planning and short-, medium- and long-term financial strategies to support delivery of the Council's aims and objectives. She also has responsibility for the management and administration of the Council's pension fund.

Her range of experience is broad, having worked in all areas of finance in local government and also in an acute hospital trust.

Term: 1 January 2019 - 31 March 2026

Governance continued

Board member committee representation and attendance

Board member	Appointment period	Experience	Appointed as part of a London Council	Board attendance*	Committee Membership 2022-23	Attendance at Committee meetings
John Preston Chair from 1 January 2020	1 January 2020 to 31 December 2023	Finance General management UK and international Business Pensions Administration	No	4 out of 4	n/a	n/a
Terence Jagger Shareholder NED	1 January 2016 to 31 December 2019, extended to 31 December 2023	Public Administration Finance	No	4 out of 4	n/a	n/a
Tamlyn Nall Chair of the Investment Committee	1 January 2016 to 31 December 2019, extended to 31 December 2023	Finance	No	4 out of 4	Audit and Risk Committee Investment Committee	4 out of 4 4 out of 4
Ruth Dombey	19 October 2018 to 31 March 2022, extended to 2026	Local Government Administration Finance	Yes	4 out of 4	n/a	n/a
Christina Thompson Chair of the Audit and Risk Committee	1 January 2019 to 31 December 2022, extended to 2026	Finance in Local Government	Yes	1 out of 4	Audit and Risk Committee	2 out of 4
Rita Bajaj	18 May 2021 to 30 April 2025	Investment Management and Risk	No	4 out of 4	Investment Committee	4 out of 4
Belinda Howell	18 May 2021 to 30 April 2025	Environmental Social and Governance stewardship and Responsible Investment	No	4 out of 4	Investment Committee	4 out of 4
Clare Scott Interim Chair of ARC	18 May 2021 to 30 April 2025	Local Authority, Public Sector and LGPS Actuarial, Investment	No	4 out of 4	Audit and Risk Committee Investment Committee	4 out of 4 1 out of 1
Deborah Rees	18 May 2021 to 30 April 2025	Investment management, Risk management and Stewardship	No	4 out of 4	Audit and Risk Committee Investment Committee	3 out of 4 1 out of 1
Sophia Morrell	1 April 2022 to 31 March 2026	Pensions policy Financial services regulation Communications	No	1 out of 4	Investment Committee	2 out of 4
Richard Olszewski	1 January 2023 to 31 March 2027	Local Authority and Public Sector	No	1 out of 1	n/a	n/a

* Excludes attendance at the LPFA Board Strategy Away Day.

Note: Due to illness and maternity leave, not all members were able to attend all sessions of the LPFA Board.

Board member evaluation and development

Board member performance reviews are held annually by our Chair and during the year a more formal Board effectiveness review was undertaken by Oxygen8 Consulting Ltd. Both activities are important in making sure that all Board members contribute effectively and demonstrate ongoing commitment to their role. Board members are responsible for identifying any gaps in their knowledge and are given the opportunity for more training and development.

The following training sessions and external events were attended by Board members during the year:

- LPPI Engagement Process
- LPPI's Annual Client Conference
- About the LGPS
- Internal Accounts & Annual Reports process
- LGPS: Scheme Rules & Governance
- Differences within Private Sector Pensions
- LGPS: Employer & Member Relationships
- Funding Employers
- Administration & Member experience

Other Committees and Governance structures

Our Audit and Risk Committee

The ARC is made up of Board members, all with voting rights. It submits recommendations and actions to our main Board, monitors how we run our internal controls, our financial management, our governance and our compliance and risk arrangements. ARC leads on the relationship with our external auditor and the Committee's role in managing the risks to the Fund can be found can be found in this section. The ARC publishes an annual report each year which is submitted to our Board and published on our website. This report provides assurance on the work undertaken by ARC, specifically the effectiveness of external audit, significant issues considered during the year, details of risk management and review of internal controls.

During this year, the ARC reviewed its terms of reference which were approved by the LPFA Board in March 2023.

Our Investment Committee

Our IC is made up of Board members, all with voting rights and is also attended by senior investment representatives from LPPI. It has delegated authority to monitor the operation of our investment and funding arrangements and to make recommendations our main Board. See the rest of this section for the Committee's role in managing risk to the Fund.

During this year, the IC reviewed its terms of reference which were approved by the LPFA Board in March 2023.

Our Local Pension Board

Our LPB is formed of four member and four employer representatives with an independent Chair. It helps our Officers and our main Board ensure that our Fund is run efficiently, governed well, meets all required regulations, and communicates effectively with our members and employers. The LPB Chair's annual report can be found on page 22. It summarises activity and all business considered. LPB members are encouraged to attend external training to support their professional development and their understanding of the LGPS. LPB members were also invited to attend our 2022 Fund Member Forum and spoke at our 2022 Employer Forum.

Our Senior Leadership Team

Our Principal Officers over the period were our CEO, our Chief Legal and Compliance Officer (who also acts as the Monitoring Officer), our Finance Director (who also acts as the Section 151 Officer), our Funding and Risk Director and our Chief of Staff. The Principal Officers make up our Senior Leadership Team (SLT). The SLT ensures resources are used efficiently and effectively and that our objectives are met. Officer details can be found on our website.

Our external auditors

Our external auditor is Grant Thornton. The company provides oversight and assurance of our finances. The Auditor's Annual Letter for LPFA is published on our website and summarises the findings from the audit of the Statement of Accounts.

Our internal auditors

Our internal auditors are PricewaterhouseCoopers (PwC). They provide assurance that our internal controls, governance, operational activity and oversight are robust. They also provide oversight of the outsourced services provided by LPPA and LPPI. Audit results and recommendations are reported to our CEO and to the ARC.

During this period, we have resolved many of the outstanding audit issues previously identified by PwC prior to 2022-23. The issues related to three main areas of our business – Business Continuity Planning, GDPR: Data Privacy and Review of the Shareholders' Agreement – and were tied to our move from an entirely outsourced operation to one managing many functions in-house.

The remedying of these matters took slightly longer than planned during this year as we had difficulty in replacing staff and some IT improvements via LPPA took additional time due to PACE (Pensions Administration Core Evolution) implementation. The people that we needed to improve our performance in these areas – namely compliance and finance – were finally recruited into the LPFA.

Governance and oversight of asset pooling

In 2016, together with Lancashire County Council, we formed the Local Pensions Partnership pool. We are both shareholders of LPP, which is made up of a group holding company, LPP Group, and two subsidiaries, Local Pensions Partnership Investments (LPPI) and Local Pensions Partnership Administration (LPPA).

LPPI is authorised and regulated by the Financial Conduct Authority (FCA) and acts as our delegated fund manager. LPPA provides fund administration services. Both LPPI and LPPA have other clients and we interact with them as both client and shareholder. This section sets out our relationship with those organisations.

Their services to us as a client and their performance levels are set out in the Investment and Administration sections.

Our role as a shareholder of LPP

Our role as a shareholder is to make sure that LPPI and LPPA perform well for all their clients.

We hold regular shareholder meetings with LCC and LPP Group. As shareholders, we retain approval on selected LPP matters including remuneration, strategic planning and budgeting.

A shareholder-appointed Non-Executive Director (NED) sits on the LPP Group Board. A standing item sits on the LPFA Board meeting agenda to make sure that views on LPP Group meetings and shareholder forums are shared. Our CEO is also a Director on the LPPA Board and an observer to the LPP Group Board.

Informal meetings also take place with our CEO and senior executives from LPP. These ensure performance standards and a positive working relationship are maintained.

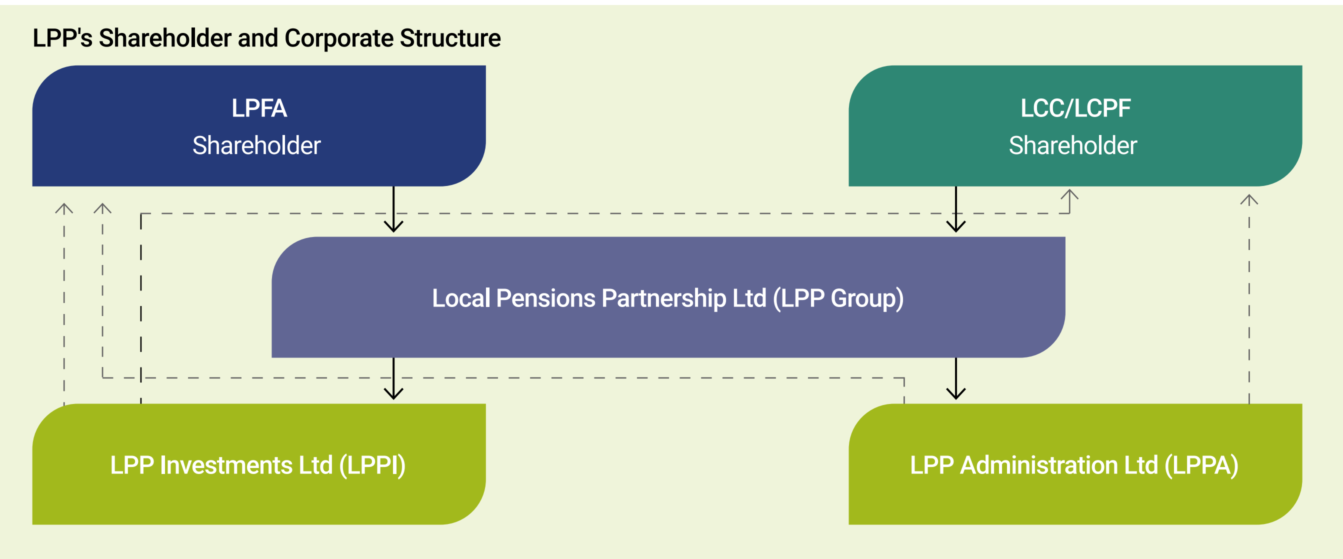
LPP's Group's performance is monitored at our Board meetings each quarter and updates on progress against the Service Level Agreements (SLAs) are given by LPPA and LPPI.

Our role as a client of LPP

Our role as a client of LPPI and LPPA is to ensure that they deliver a good service to us, our members and our employers.

The services provided by LPPA and LPPI are governed by these SLAs and regular formal and information meetings take place with LPPA, LPPI and our colleagues to ensure that we are working towards our objectives. LPPA's performance against these SLAs can be found in the Administration section of this report.

A summary of the relationship between ourselves, LPP and LCC



Managing the risks to our Fund

Our main funding objective is to ensure that we meet all liabilities as they fall due. A full summary of our objectives can be found in our Investment Strategy Statement (ISS) and our Funding Strategy Statement (FSS) on pages 104-114. We need to manage risks that might prevent us from meeting our objectives. This risk management activity has three main parts:

- Our funding risk appetite framework measures and monitors the risks of not meeting our main objective
- Our Risk Register and risk management principles exist to monitor and manage all the major risks that we face
- External monitoring is in place as our internal auditors provide assurance around the risks in the risk register and the robustness of the controls that we have in place

About our funding Risk Appetite Framework

This sets out the amount of risk that we are prepared to take to achieve our objective of paying members their pensions. It also covers what might happen were we not to meet our objectives.

LPPI conducts asset and liability modelling each quarter to assess these metrics and the results are reported to the ARC for review. More detailed reporting of the Fund's investment risk profile is considered through our IC meetings with LPPI. The IC reports any issues identified to the Board and our Board has specified 'amber' and 'red' tolerances for each metric and actions that are needed if these tolerances are breached.

Metric	Rationale
1. Extent of deviations from the Strategic Asset Allocation (SAA)	Identifies potential situations in which the Fund's asset allocation could have an inappropriate risk profile
2. The period that the Fund's current cash and cash-equivalent instruments could continue to pay benefits in the absence of investment income	Identifies potential situations in which the Fund could be forced to liquidate its assets at inopportune times
3. Current funding level and projected funding level	Identifies potential situations in which the Fund could have insufficient assets to meet liabilities as they fall due, requiring additional employer contributions
4. Projected average total contribution rate	Identifies potential situations in which employer contributions could need to increase significantly from current levels

Our Risk Management Principles and our Risk Register

Our Risk Management Principles outline risk categories and what is needed to make sure that risks are properly identified and monitored:

Risk Areas Identified	Principal Controls
Governance Risks associated with the policies, principles, processes and resources used to govern LPFA	• Formal governance structure in place • Internal audits • Formal risk management process • Regular training for Board, Local Pension Board and Officers
Funding Risks of LPFA having insufficient financial resources (assets) to pay its liabilities as they fall due	• Diversified investment strategy, with focus on long-term returns • Actuarial valuations • Security over employer assets • Liquidity management process
Operational Risks associated with operational processes of LPFA to achieve its operational objectives and desired operational results	• Oversight of LPP operations by the LPFA Management team • Business continuity plan • Robust data collection policies
Pensions administration Risks associated with LPFA's interactions with members and employers, including record keeping	• Oversight of LPPA operations by LPFA management team • Regular data cleansing work • Well documented processes and procedures
Shareholder Risks associated with LPFA's ownership of LPP Group	• Quarterly shareholder meetings • LPFA representation on the LPP Board
Transitional Risks associated with short-term projects, likely to last for less than one year	• One-off change projects • Regular horizon scanning

These risks are captured on a Risk Register which is reviewed monthly by our SLT to identify, monitor and control them. While our CEO is responsible for the risk management process, the register is also scrutinised by the ARC. The roles, responsibilities and reporting requirements of the different groups within the LPFA are listed below.

Group	Roles and Responsibilities	Reporting
Risk Owner	• Responsibility for management of assigned risk • Escalate urgent issues or emerging risk events to the Funding and Risk Director as necessary	• Risk Owners to escalate issues or incidents as they occur • Initial escalation is to the Funding and Investment Director and our CEO
Control Owner	• Responsibility for management of control of assigned risk • Providing assurance to Risk Owner that the control is operating effectively	
SLT	• Monthly horizon scanning for new risks • Approving changes to risk scores proposed by Risk Owners	• Monthly review of Risk Register
Funding and Investment Director	• Operational responsibility of maintaining the Risk Register • Together with Risk Owners, consider possible controls • Facilitate monthly reviews of Risk Register by our SLT • Escalate urgent issues or emerging risk events to our CEO as necessary	
CEO	• Ensuring progress on actions in the Register • Reporting to Board, ARC and the LPB • Authorising risk controls where the time or monetary costs of a control are significantly lower than the benefits derived in terms of reduced risk • Authorise action to address urgent issues or emerging risk events • Inform LPFA Board and/or ARC of actions taken to address urgent issues or emerging risk events	
Audit and Risk Committee	• Defining and responsible for monitoring the Risk Management process • Monitoring the Risk Register and the effectiveness of Risk Controls • Recommending Risk Appetite to our Board • Using the Risk Register to inform audits and Committee decision-making • Authorising risk controls when requested by our CEO	• Quarterly reporting to ARC by our Funding and Investment Director and our Finance Director • Current version of Risk Register • Summary of changes since previous version of Risk Register
LPFA Board	• Overall responsibility for the Risk Management process • Overall responsibility for Risk Appetite • Using the Risk Register to inform Board decision-making	• Six monthly reporting by CEO to Board and LPB • Any existing and new risks/update on 'high' ('red') risks • Any changes to risk Impact and Likelihood scores • Any overdue actions • Review of risk appetite and full Risk Register by the ARC and subsequently by the Board and LPB
Local Pension Board	• Annual review of the Risk Register as it relates to Fund risks • Liaise with the LPFA CEO on the effectiveness of the Risk Controls	• Six-monthly reporting by CEO to Board and LPB • Any existing and new risks/update on 'high' ('red') risks • Any changes to risk Impact and Likelihood scores • Any overdue actions • Review of risk appetite and full Risk Register by the ARC and subsequently by the Board and LPB
Local Pensions Partnership (LPPI & LPPA)	• Provide LPFA with regular updates on risks LPP is managing on our behalf • Inform LPFA of any new or emerging risks relating to LPFA	

LPFA Local Pension Board – Annual Report 2022-23

This is my last report as Independent Chair of the LPFA's Local Pension Board (the LPB) as my term came to an end on 31 March 2023, after eight years. It has been an eventful first eight years for the LPB, including the pooling of investment and administration services through LPPI and LPPA, two years of disruption caused by the COVID lockdowns, and in the past 12 months the uncertainty and costs caused by the war in Ukraine.

Despite the surge in inflation in the past 12 months and its impact on future payments, the Fund remains in a good financial position, with a funding level of 118% as at 31 March 2023. While higher inflation means future service contributions have had to rise, many employers will see this somewhat counterbalanced by refunds from the surplus.

Executive responsibility for running the Fund lies with the Executive Board (the Board). The LPB's legal role is to assist it with oversight and the effective running of the Fund; members explicitly represent either employers or members, which also gives the LPB a representative role within the governance structure.

We work from a Work Plan, which is approved by the Board each year, to ensure that our activities are aligned, and that we cover all our duties. Our core function is one of oversight: we act as a second pair of eyes to review the reports and assurances of compliance and effectiveness which support the Fund's governance, and comment on them to the Board. LPB members can add value through both their specific knowledge and skillsets and their experience dealing with the Fund as either employers or members.

As the LPB's role is to assist the Board, a good relationship with it is essential to fulfil our remit. We welcome Board members to our meetings and aim to provide them with constructive feedback to ensure good decision-making. During the year we discussed initiatives to deepen this relationship further.

This year has seen a resumption of face-to-face meetings after the COVID lockdowns. We held one meeting virtually, but the last three in person, although some presenters and Board members continued to attend virtually.

As usual this report commences with the mechanics of the LPB and the training we are required to undertake, before describing our activities over the past 12 months. I conclude with a summary of the LPB's strategic focus before handing over to Andy Cunningham, the new Independent Chair.

Membership of the Local Pension Board

The LPB has nine members: four Employer representatives, four Scheme Member representatives, and an Independent Chair. The LPB meets four times a year, and apart from the Chair none are remunerated other than for expenses incurred in attending meetings or training. As the Chair, I report to the Board formally on the LPB's activities once a year and separately oversee an annual effectiveness appraisal to make recommendations on improvements. A report on this goes separately to the Board.

Information about the LPB, including minutes and agendas, is available on the Fund's website. There is no internal budget, but costs are approved and paid by the Fund. In this year, the LPB's costs amounted to £7,200.

During the year, there was no change to the membership of the LPB, though as I noted last year, Sean Brosnan (employer representative) and Omolayo Sokoya (member representative) will step down in July 2023. They have both been members since the establishment of the LPB, and I wish publicly to note my appreciation of their service over eight years. A recruitment exercise will take place to find replacements.

The following table shows the LPB's membership and their attendance at meetings.

LPB Board Membership and Attendance 2022-23

LPB Members		Total attendance
Chair	William Bourne	4 of 4
Members	Mike Allen	4 of 4
	James Cherry	4 of 4
	Surendra Wanza	4 of 4
	Omolayo Sokoya	2 of 4
Employer Representatives	Stephen Boon	2 of 4
	Jasbir Sandhu	2 of 4
	Amy Sweeting	4 of 4
	Sean Brosnan	2 of 4

Training

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. External training opportunities were again limited by the lockdown restrictions, but during the year we held online training sessions before each of our meetings and LPB members also joined the Board for joint training on several occasions. Subjects during the year covered included the new pensions dashboard initiative, the process for creating the annual report and accounts, and pension transfers.

2022-23 Training attended by LPB members and independent Chair

LPB Members	Total attendance
18 May 2022	The Pensions Regulator. Pensions Scams
22 June 2022	LGPA Board Members' All-day event
23 November 2022	The Pensions Regulator. Public Sector toolkit

Activities during the year

At every meeting we spend time reviewing LPPA compliance with the Service Level Agreement. We monitor performance against a range of indicators and discuss any breaches of regulations and complaints.

We have standing items covering governance, compliance, engagement with members and employers, and communications. On a regular basis we review the stated policies which the Fund follows, and during this year we reviewed among others the Breaches Policy, Discretions Policy, and the Communications Policy. Each year we also receive assurances in areas such as Governance, Compliance with the Pension Regulator's Code of Practice, and Cybersecurity.

During the year some topics came up regularly. One, not surprisingly, was the aftermath of the move to a new administration software system in March 2022. This major project is key to achieving cost savings alongside reliable and efficient services in the future, but implementation has inevitably led to some short-term challenges, particularly meeting the Key Performance Indicator standards. We have engaged with LPPA at every meeting on this topic.

We are alert to the need for good communication and engagement with members, especially as the new administration system is introduced. It is complicated by LPPA's understandable desire to keep costs down by standardising communications across all their clients. During this year I spoke at the 2022 Fund Employers' Forum and several LPB members attended the Members' Forum. Engagement with both members and employers will be a priority for the next 12 months and we continue to work with Officers to set up a group to focus on communication.

Looking forward to next year

At our February meeting we held a session to discuss our strategic objectives. We concluded that we needed to increase our focus on a small number of chosen areas in order to be more effective. In 2023-24, we will concentrate in particular on the roll-out of monthly as opposed to annual returns from employers and increasing member attendance at the annual forum.

LPFA Local Pension Board – Annual Report 2022-23 continued

We will also be carefully monitoring how quickly LPPA is able to return to the agreed Key Performance Indicator standards now that the new administration system has been implemented across all their clients. We will be looking for ways to convey any concerns we may have to them more promptly and effectively.

We also want to make sure that employers and members see a return from the effort made by all parties to move to the new system. The project has taken considerable time and resourcing, and there should be a reward in terms of either better or cheaper service. Over the next few years it will be one of the LPB's tasks to monitor how this happens.

The regulatory requirements coming down the track do not diminish in number. The Pensions Regulator's single Code of Practice, new LGPS Investment regulations and guidance including new requirements on pooling, and the Scheme Advisory Board's Good Governance project are all expected to come into force over the next 12 to 18 months. The LPB's role will be to scrutinise the Fund's compliance with them when they come into law.

The Fund relies on outsourced services for administration and investments and our core role here is unchanged: to use LPB members' knowledge and experience to assist the Board to ensure that your fund continues to be properly funded and pay your pension on time. In what are difficult times, that is always the ultimate focus of our activities.

I am delighted that Andy Cunningham is taking over as Independent Chair, and wish him, the LPB, and the Fund well for the future.

William Bourne
Independent Chair of the LPFA
Local Pension Board

31 March 2023

Investment

“Our investment performance is strong and we remain well-funded and financially sustainable.”

£18.4m

saved this year in asset management fees.

8%

Return over 5 years vs 6.9% benchmark.

While we set the strategic direction, day-to-day investment management and implementation is outsourced to LPPI.

The investment, administration and governance decisions that they make on our behalf are made within the investment policies and principles set out by our Board. This section outlines our investment performance and asset allocation and details of the costs savings that have been delivered following pooling.

Details of how we invest responsibly, a crucial part of being a sustainable and well-run fund, is set out in the next section.

At a glance

The value of our assets at 31 March 2023 was £7.674 billion , compared with £7.604 billion at 31 March 2022. Over the year, we delivered a 2.7% investment return, which exceeded the Policy Portfolio Benchmark although we did underperform our Return Objective. The Benchmark is a single return measure which combines each asset class benchmark in proportion to our Strategic Asset Allocation. Relative to their respective benchmarks, all asset classes, except for Infrastructure, outperformed over the year.

Cost savings

In total, up to the year end 2022-23, LPPI, our pool, has delivered over £153 million in savings since pooling began.

Asset pooling disclosures

The table below shows the costs to the LPFA of setting up the individual pooling vehicles within our pool, LPPI. As we are fully pooled, no costs have been incurred for 2022-23.

Pool set up costs

	Since inception of the pool	
	Total £'000	Cumulative £'000
Set up costs:		
Legal	–	957
Professional fees	–	441
Other support costs	–	185
Other costs	–	218
Total set up costs	**–**	**1,801**
Transition costs:		
Transition fees		739
Total transition costs		**739**

Net savings realised

The table below compares the investment management fee savings made each year since admission to the pool compared to the preceding year. The savings are based on grossed up fees following the 2016 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. In previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
Set up costs	(76)	(225)	(449)	(430)	(356)	(265)	–	–	–
Transition costs	–	–	(439)	(281)	(19)	–	–	–	–
Investment management fee savings	–	–	(624)	7,400	10,181	14,959	16,673	19,099	18,424
Net savings/(costs) realised	**(76)**	**(225)**	**(1,512)**	**6,689**	**9,806**	**14,694**	**16,673**	**19,099**	**18,424**

Ongoing investment management costs 2022-23

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The table below summarises investment management costs for 2022-23. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and assets held directly by the Fund. Performance fees are paid to a selection of managers who exceed certain stated targets. This figure may be made up of fees earned over many years, but which is actually paid out in a single year. The figure paid out in one year is therefore not indicative of the general level of performance fees that are paid out annually. Performance fees typically relate to Private Market assets.

	LPPI pooled assets			LPFA directly owned assets			
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	**Fund Total** £'000
Management fees	43,086	–	43,086	628	–	628	43,714
Performance fees	25,876	–	25,876	101	–	101	25,977
Transaction costs	4,927	5,431	10,359	10	–	10	10,368
Custody costs	–	–	–	42	–	42	42
Administration	–	7,696	7,696	–	1,089	1,089	8,786
Borrowing and arrangement fees	–	2,261	2,261	–	–	–	2,261
Distribution, comms and client service	–	0	0	–	–	–	0
Governance, regulation and compliance	–	4,508	4,508	–	307	307	4,814
Property expenses	–	5,317	5,317	–	–	–	5,317
Other fees	–	2,148	2,148	–	–	–	2,148
Total	**73,890**	**27,363**	**101,252**	**781**	**1,396**	**2,177**	**103,429**

The relationship between costs, risk and return

Value for money is an assessment LPPI makes on a few regulated funds. We oversee and scrutinise whether LPPI is delivering value for money for members in terms of costs and risk-adjusted returns. A large part of our Fund's portfolio is invested in alternative/private market asset classes including Real Estate, Infrastructure and Private Equity. These asset classes cannot be managed passively due to their lack of liquidity so active management – undertaking operational improvements, for example – helps drive returns in these areas. However, a greater involvement in the investment selection and management process means that costs can be higher in these areas than other asset classes, like public market investments. We should note that absolute costs have reduced since 2021-22.

Active management usually needs more research, diligence and systems to drive these stronger returns. This investment in resources should result in better long-term risk-adjusted returns.

Strong asset performance over recent years – generated through actively managed assets – has largely driven the improvement in our funding position at the latest triennial valuation review.

Our Board sets the strategic direction, weighing up the benefits of deploying capital across different asset classes to best balance capital growth and capital preservation while seeking to provide the best value for our members. LPPI's Investment Committee oversees all investment managers.

Performance

We have a long-term investment horizon and our investment strategy is based on our objectives of balancing capital growth with capital preservation, keeping adequate liquidity to cover all liabilities. We invest our assets to meet our liabilities over the long term, so performance should be assessed against these objectives and over a corresponding period.

All the performance figures presented below are net of fees and accurate as at 31 March 2023.

See the following tables for a summary of returns and performance.

Strong asset performance has resulted in our Fund outperforming its Policy Portfolio Benchmark over the five-year time horizon, whilst also performing broadly in line with its Return Objective over the same period. Over the three-year period, we have outperformed its Return Objective, but marginally underperformed the Policy Portfolio Benchmark. The underperformance of the Policy Portfolio Benchmark over the three-year period is notably driven by our Public Equity portfolio being underweight in the sectors which rebounded strongly following the disruption during the COVID pandemic. The recent high levels of UK CPI (Consumer Prices Index) have also impacted the magnitude of the Return Objective, most notably over the one-year period.

Our Fund's portfolio continues to be well diversified across different regions, sectors and asset classes, with the Fund's target weights for the latter remaining unchanged over the year. A comprehensive investment underwriting process combined with a thoughtful consideration of the evolving macroeconomic outlook should allow us to navigate through short-term uncertainties.

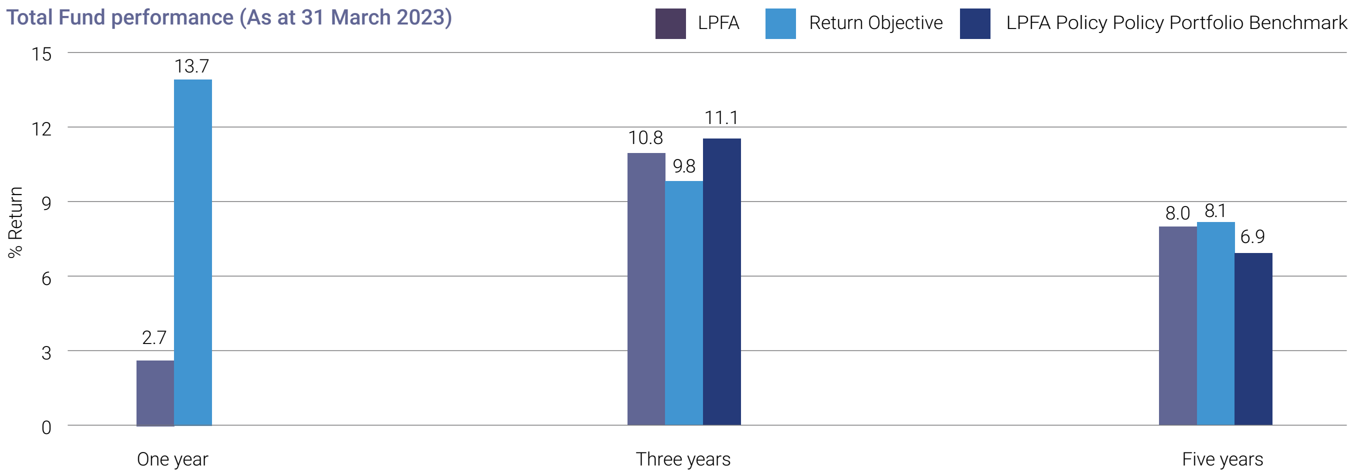
Annualised return (% p.a.)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Total return	2.7	10.8	8.0
Return Objective*	13.7	9.8	8.1
Policy Portfolio Benchmark#	0.0	11.1	6.9

* A blend of UK CPI 3.6% p.a. from April 2021, 5.3% (equivalent to UK CPI 2.7% p.a. at March 2019) between March 2019 and April 2021 and RPI (Retail Price Index) 3% prior to March 2019.

Note: Returns over one year are annualised.

\# The policy portfolio benchmark is a single return measure which combines each asset class benchmark in proportion to the Fund's strategic asset allocation.

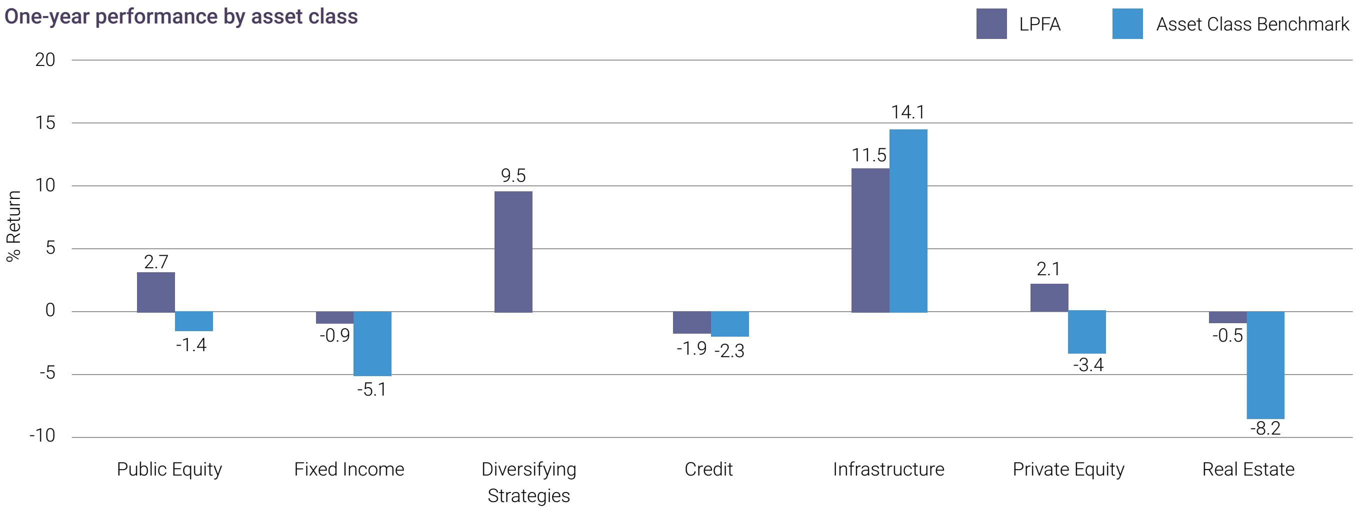
Total Fund performance (As at 31 March 2023)



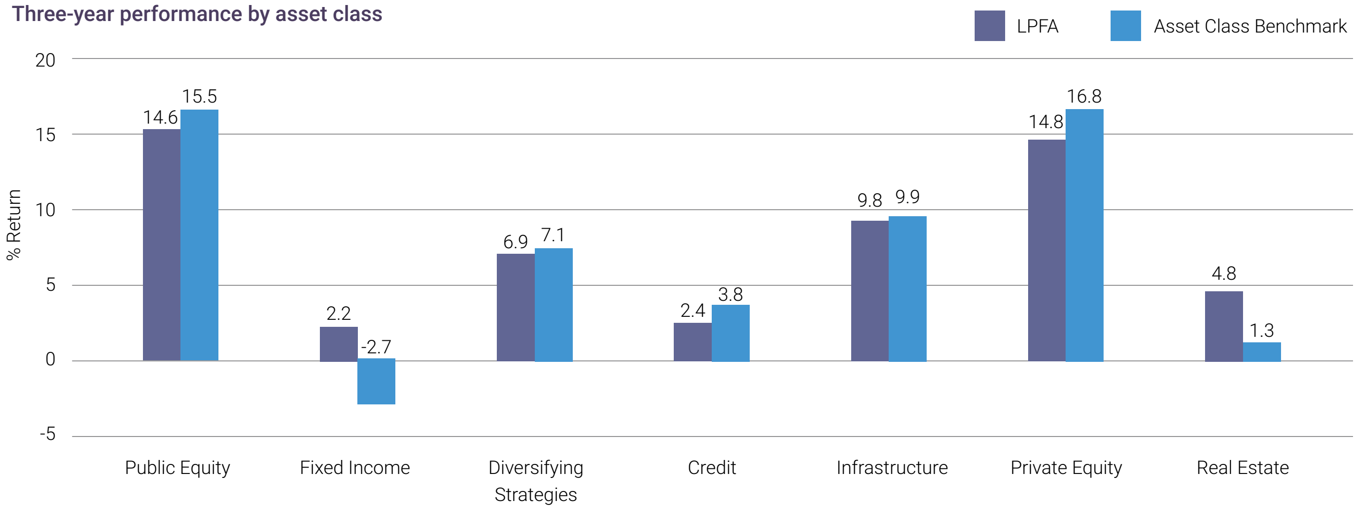
Investment continued

Performance continued

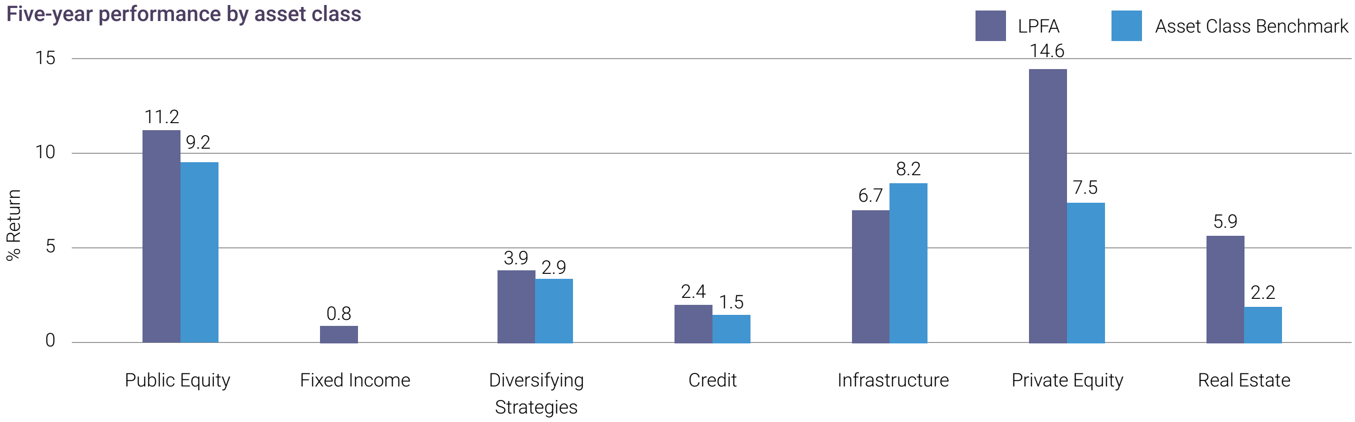
One-year performance by asset class



Three-year performance by asset class



Five-year performance by asset class



Current and Strategic Asset Allocation

Key changes to our Strategic Asset Allocation in recent years have included the implementation of our Strategic Currency Allocation in November 2021, completing the removal of our Liability Driven Investment strategy in early 2022 (before the gilt crisis in September and October 2022) and the decision to commence to wind down our allocation to Diversifying Strategies due to its complexity and liquidity profile.

Our Strategic Asset Allocation (SAA) was updated during the second half of 2022, following our decision to wind down our allocation to Diversifying Strategies. The updates that were made included changes to the allocations to a number of our private market asset classes and, recognising that capital cannot be redeemed from and deployed into these immediately, both a short-term SAA and long-term SAA were agreed. The short-term SAA is scheduled to be in place until 30 June 2024, after which the long-term SAA will be in place. The update to the SAA involved an increase to Public Equities and, with effect from 1 July 2024, an increase in allocation to Credit and Infrastructure. A corresponding reduction in our allocation to Diversifying Strategies was made.

Having adequate cash inflows to pay liabilities as they fall due reduces both investment trading (and its impact on fees) and the risk of having to liquidate assets during adverse market periods (which can have a negative effect on assets that are marked-to-market). Ultimately, the aim is to improve risk-adjusted returns over the long term, whilst ensuring our objectives are met.

The table below presents our asset allocation at the end of March 2023 versus our SAA. Our asset allocation as at the end of the previous financial year is also shown for comparison purposes.

We are advised by LPPI on our long-term SAA, but we retain autonomy in deciding how this is finally set. A detailed review of our SAA is being undertaken in the summer of 2023, following the finalisation of our recent triennial Actuarial Valuation.

Macro outlook – the last 12 months

The latest fiscal year was marked by increased macroeconomic uncertainty, with inflation rising further across most developed countries. This led to a strong shift in the monetary policy outlook, with most central banks embarking on the fastest pace of interest rate hikes in decades to dampen accelerating prices. The fiscal year also saw increased geopolitical uncertainty, with the ongoing Russia-Ukraine war entering its second year, while US-China tensions grew, focusing on Taiwan and the US's investment restrictions for emerging technology sectors in China. Amid this backdrop, global growth weakened in 2022 – however less so than initially expected.

A key theme over the year has been central banks' rapid interest rate hikes to counter the highest levels of inflation in decades. The US Federal Reserve and the Bank of England accompanied them with quantitative tightening, a process that aims to reduce previously accumulated bond holdings on their balance sheet, and which effectively drains liquidity from the financial system. This sudden shift in the monetary policy outlook, together with progressively more "hawkish" market views on the interest rate outlook (i.e. reflecting a likely higher peak in interest rates), increased financial market volatility and weighed negatively on both equity and bond returns through September 2022. Since then, greater optimism for the economic outlook has spurred a strong rebound for equities in the second half of the Fund's fiscal year. At the same time global bonds have only recovered modestly.

Despite the progress to reduce high levels of inflation across several major economies, including the UK, macroeconomic risks remain. Interest rates may either need to rise further or remain close to current levels for a much longer period than expected for inflation to trend down to central banks' inflation targets on a more sustainable basis.

	March 2023		March 2022			
Asset class	**Exposure (£m)**	**Exposure (%)**	**Exposure (£m)**	**Exposure (%)**	**Strategic SAA (%)**	**Range (%)**
Public Equity	3,782	49.3	3,610	47.5	50.0	40–60
Fixed Income	78	1.0	209	2.8	1.0	0–11
Private Equity	585	7.6	696	9.2	5.0	0–10
Infrastructure	940	12.2	809	10.6	12.5	7.5–17.5
Credit	736	9.6	615	8.1	12.5	7.5–17.5
Real Estate	729	9.5	678	8.9	12.5	7.5–17.5
Diversifying Strategies	653	8.5	807	10.6	5.0	0–10
Cash	170	2.2	180	2.4	1.5	0–6.5
Total	**7,673**	**100.0**	**7,604**	**100.0**	**100.0**	

Strategic Asset Allocation shown in this table is the short-term Strategic Asset Allocation, as referenced in the Fund's Investment Strategy Statement.

Note: Total may not sum due to rounding.

Investment continued

Asset classes

Public Equities

Public Equities are publicly traded stocks and shares in companies that are listed on a stock exchange, for example the FTSE 100 Index in the UK, and are commonly grouped in global indices by their respective company size, such as the MSCI World Index.

Public Equities are commonly viewed as one of the highest-returning liquid asset classes and represent our largest asset class exposure.

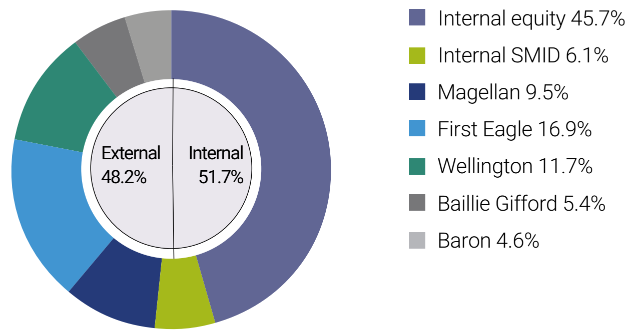
Our investment in Public Equities comes through an allocation to the LPPI Global Equity Fund (GEF), which combines an internally managed portfolio with a variety of external equity managers, as shown in Chart 1. The GEF maintains an overall bias to 'Quality' stocks, which are stocks of high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins); however other styles are included to provide diversification. As a global fund, the GEF invests in a wide range of geographic regions, though it maintains a bias towards Europe and the Americas (although Chart 2 shows that the GEF is underweight Americas versus its benchmark, the region still makes up more than 60% of the GEF's regional exposure).

The GEF is benchmarked against the MSCI All Countries World Index and aims to outperform this benchmark by 2% p.a. over a full market cycle of at least seven years.

Over the 12-months to 31 March 2023, our Public Equity portfolio generated a positive absolute return of 2.7%, outperforming its benchmark by 4.2%.

The economic climate over the past year was marked by high inflation and rising interest rates leading to a volatile market environment. Despite these conditions, the GEF, with a preference for 'Quality' stocks, showcased resilience to outperform its benchmark. The GEF managed this with minimal exposure to 'Value' stocks (stocks trading for less than their intrinsic value) and 'Cyclical' stocks (stocks of companies heavily influenced by economic conditions), both of which performed better than 'Quality' stocks during this period. An underweight position over the past year relative to the benchmark in Energy and defensive Healthcare stocks slightly tempered the performance. However, the GEF's overweight allocation over the past 12 months in the Consumer Staples sector (essential everyday goods), and underweight allocation the in Consumer Discretionary sector (non-essential or luxury goods), and Communication Services sector (companies in telecom, media and internet sectors) proved beneficial (Chart 3).

Chart 1 **LPPI Global Equities Fund:** Manager composition



Percentages may be above 100% due to rounding

Chart 2 **LPPI Global Equities Fund:** Regional Weights vs MSCI

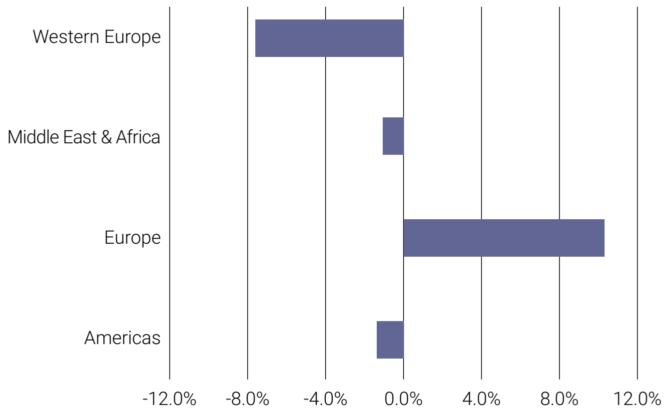
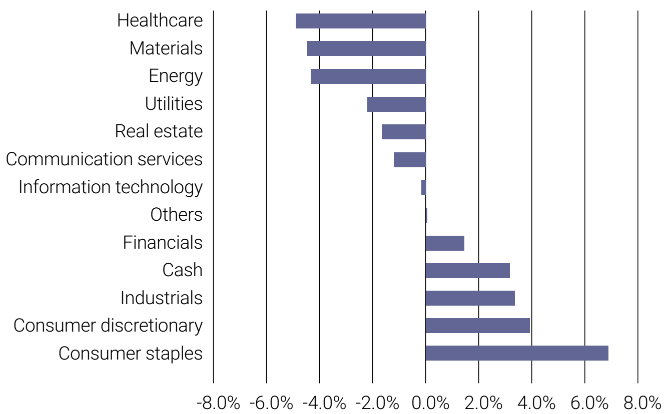


Chart 3 **LPPI Global Equities Fund:** Sector weights vs MSCI



Fixed Income

Fixed Income assets are broadly those types of assets where an investor lends an amount of money to an entity (often a government or company) and, in exchange for this, receives a set of cash flows back in the form of fixed interest or dividend payments, until a given maturity date in the future. At the maturity date the investor is also repaid the original amount they had invested.

Our exposure to Fixed Income arises through our holding in the LPPI Fixed Income Fund (FIF), which consists of two complementary underlying managers, Wellington (51.2%) and PIMCO (48.8%). The FIF has a bias towards higher-quality Fixed Income assets, with Chart 4 showing the breakdown of the assets by credit rating (as an indication of its quality). The higher the quality of the asset (i.e. the closer to the AAA rating), the lower the expected chance of default of the entity to which the money has been lent.

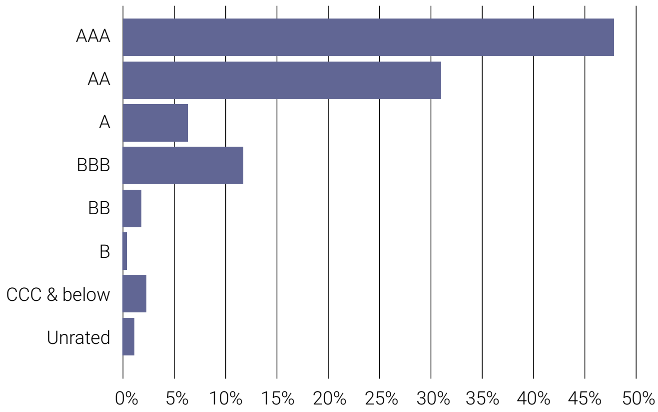
The FIF is benchmarked against the Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged) and aims to outperform this benchmark by 0.25% p.a. over a full market cycle of at least seven years.

The FIF returned -0.9% over the 12 months to 31 March 2023, outperforming its benchmark by 4.4%. Both underlying managers posted negative absolute returns over the period but outperformed the benchmark.

The key driver of the FIF's negative absolute return was its interest rate exposure. Generally, when long-term interest rates increase, the value of Fixed Income assets tends to fall. As mentioned in the Macro outlook section, interest rates went up over the year, which caused the value of the assets held in the FIF to fall.

The FIF's outperformance of its benchmark was also driven by interest rate exposure, as the assets in the FIF were less sensitive to changes in interest rate movements than those in the benchmark, which meant that when long-term interest rate increased over the past 12 months, the benchmark suffered a larger drop in the value of its assets than the FIF.

Chart 4 **LPPI Global Equities Fund:** Holdings by credit rating



Investment continued

Asset classes continued

Private Equity

Private Equity refers to owning part of a company whose stock is not listed on a public exchange.

Compared to Public Equity, Private Equity typically offers a higher return and risk profile. Private Equity is also a less liquid asset class, meaning that investors capital is locked up for a period of time – a 10-year fund life is not uncommon – although this is compensated for by the expected higher returns.

Our Private Equity investments are held through a variety of funds managed by a diverse collection of managers who, in turn, cover a variety of strategies, investment types and geographic regions as shown in the charts opposite respectively,

Our exposure to Private Equity is being gradually reduced in line with the Fund's long-term strategy.

Our Private Equity portfolio is benchmarked against the MSCI World SMID Index and aims to outperform this benchmark by 2% p.a. – 4% p.a. over a rolling ten-year period.

The portfolio returned 2.1% over the 12-month period to 31 March 2023, outperforming the benchmark by 5.7%. It should be noted that the performance calculation of the portfolio lags that of the benchmark, which is a Public Equity index, as by their nature it takes much longer to value Private Equity assets than Public Equities.

With the long-term investment periods associated with Private Equity, performance is generally best viewed over longer horizons. Our Private Equity portfolio has continued to generate double-digit annualised returns over the three-year and five-year periods to 31 March 2023, as well as the period since inception.

Chart 5 **LPFA Private Equity:** Investment strategy

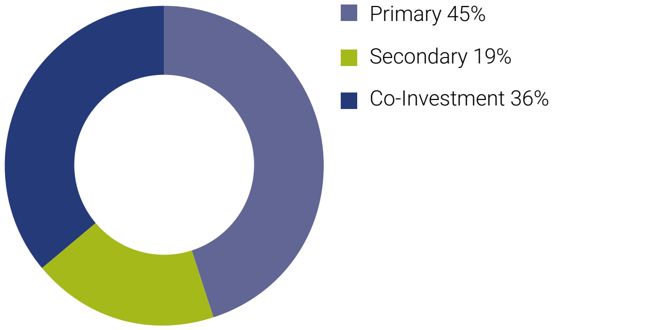


Chart 6 **LPFA Private Equity:** Investment type

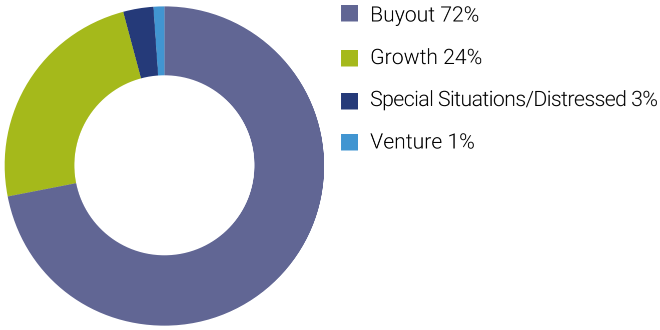
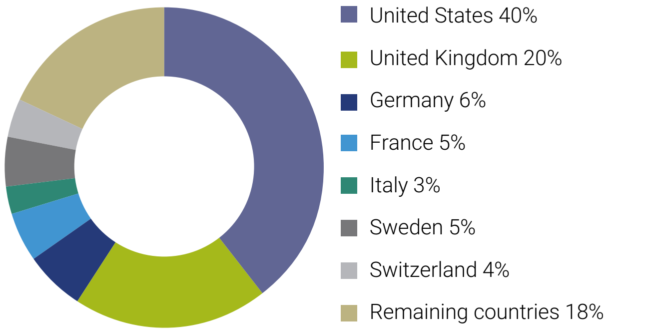


Chart 7 **LPFA Private Equity:** Region breakdown



Percentages may be above 100% due to rounding

Real Estate

Real Estate as an asset class involves investing in property, land and the buildings on it. As well as changes in the value of the underlying properties driving performance, income generation, for example from rental payments from tenants in the properties, also plays an important role.

Most of our Real Estate portfolio is invested in the LPPI Real Estate Fund (REF), with the remainder invested in The London Fund (although it should be noted that The London Fund's investment opportunities also cover Infrastructure assets). The REF consists of a portfolio of directly held properties managed by Knight Frank Investment Management and a collection of external manager mandates. As the charts opposite show, our Real Estate portfolio is primarily made up of UK assets and covers a range of different sectors.

Our Real Estate Portfolio is benchmarked against the MSCI UK Quarterly Property Index and has a target return of UK CPI 3.0% p.a. – 5.0% p.a. over a rolling ten-year period.

Over the 12-month period to 31 March 2023, our Real Estate Portfolio returned -0.5%, outperforming the benchmark by 8.4%. This performance is largely attributable to the REF, which returned -0.5% over the period.

Over the past year, the performance of the REF was driven by exposure to non-UK holdings, which balanced out the sharper falls in value of UK assets. In addition, the REF's purpose-built UK residential holdings performed well, benefiting from robust growth in rental income and high occupancy rates, which offset declines in property values. However, some of the REF's direct investments in UK logistics assets (properties that are involved in the movement, storage and distribution of goods and services), experienced significant declines in value compared to their initial value.

During the reporting period, The London Fund made its third investment – a co-investment into a joint venture to develop a best-in-class, mid-rise office tower next to London Bridge station targeting world-leading ESG (Environmental, Social & Governance) credentials, including innovative low-carbon construction and net-zero compatibility in operation. See the Responsible investment section for more information on The London Fund and its investments

Over three-year and five-year periods, the Fund's Real Estate portfolio has produced strong performance, both in absolute terms and relative to its benchmark.

Chart 8 **LPFA Real Estate:** Geographical exposure

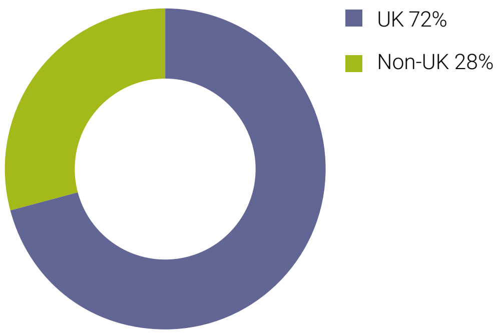
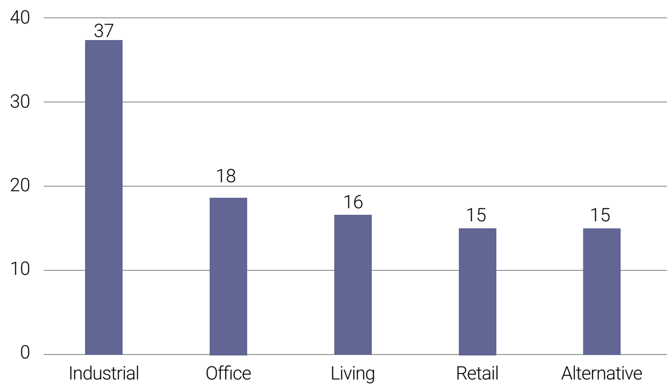


Chart 9 **LPFA Real Estate:** Sector exposure %



Investment continued

Asset classes continued

Infrastructure

Infrastructure assets are those which are necessary for society and the economy to function. Examples include assets in energy generation (gas, electricity and renewables), transport and healthcare/ hospitals.

Infrastructure assets typically offer long-term returns whilst also providing portfolio diversification and cash flows with a degree of inflation linkage. Infrastructure assets are also typically illiquid in nature, meaning that investors' capital is locked up for a period, although this is compensated for by expected higher returns.

Most of our infrastructure exposure is through the LPPI Infrastructure Fund. This makes up allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focuses predominantly on core infrastructure in the UK, Europe and North America as illustrated in Charts 10 and 12. The portfolio is diverse across a number of sectors, as shown in Chart 11.

A key part of the LPPI Infrastructure Fund is GLIL, an infrastructure platform designed to fully align the interests of a number of pension fund investors who wish to benefit from the very long-term investment opportunities in infrastructure investment. Through GLIL, we own interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, smart meter assets, water assets, rail rolling stock and ports.

Our Infrastructure portfolio is benchmarked against UK CPI 4.0% p.a. and has a target of UK CPI 4.0% p.a. – 6.0% p.a., over a rolling ten-year period.

Over the 12 months to 31 March 2023, the portfolio returned 11.5%, underperforming the benchmark by 2.3%. The LPPI Infrastructure Fund posted a return of 11.5% over the 12 months, with GLIL being a key driver of performance due to its inflation-linked revenue. Regarding infrastructure investments on our balance sheet, only European renewable energy funds remain. As such, our returns are effectively fully driven by the performance of the LPPI Infrastructure Fund.

Chart 10 **LPFA Infrastructure:** Strategy breakdown

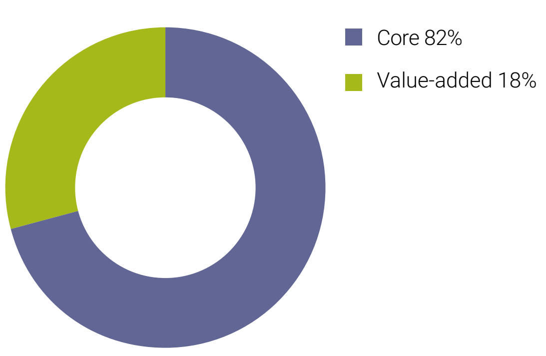
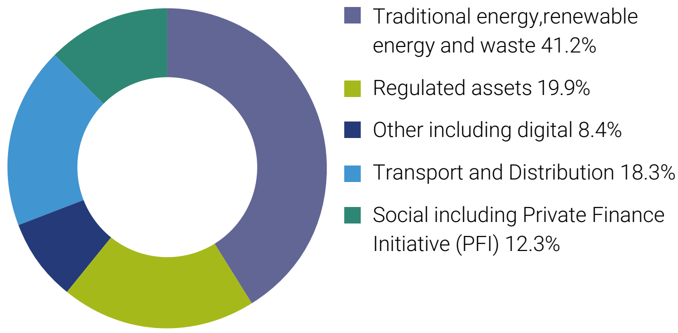
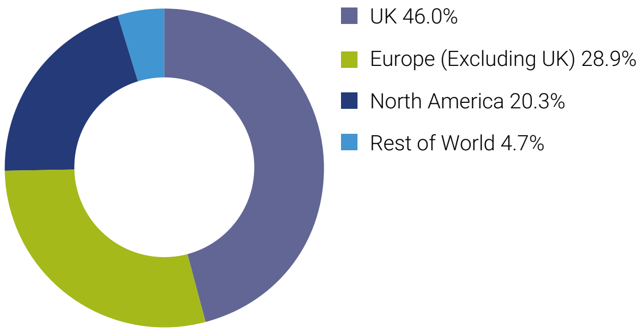


Chart 11 **LPFA Infrastructure:** Investment type



Percentages may be above 100% due to rounding

Chart 12 **LPFA Infrastructure:** Geographical exposure



Percentages may be below 100% due to rounding

Credit

Credit as an asset class refers to company lending and accepting the debt of issuing companies/governments with a view to benefiting from favourable repayment strategies.

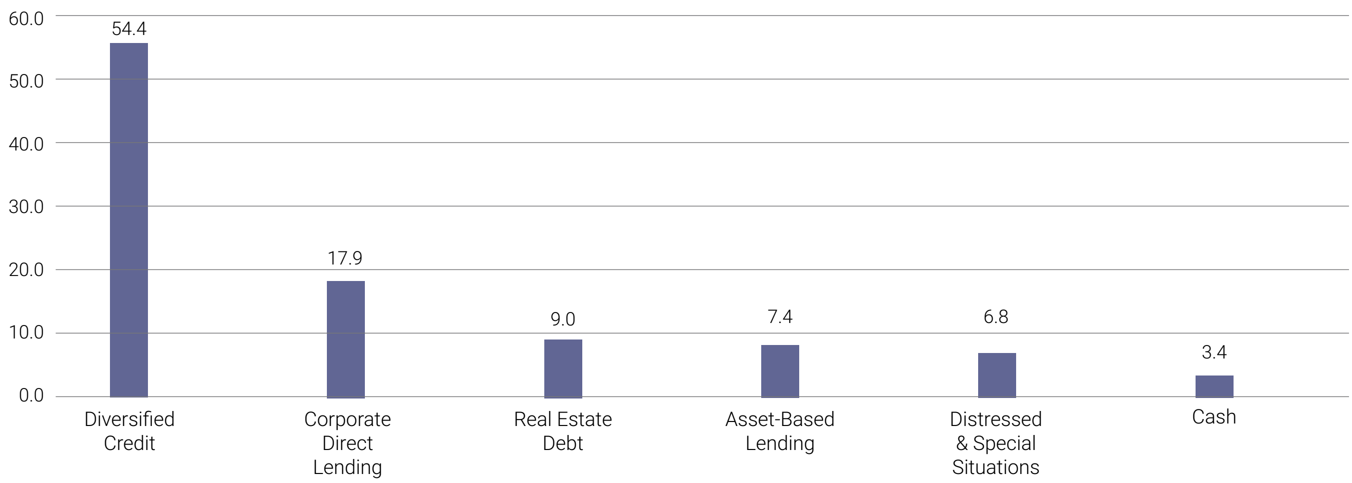
Examples include private lending to companies, bonds issued by emerging market governments/companies and loans underpinned by real estate assets.

The entirety of our Credit exposure arises through investment in the LPPI Credit Investments LP (LPPI Credit Fund). The LPPI Credit Fund invests in a range of credit-linked strategies globally, as noted as shown below, with this being achieved by investing with third-party external managers. Credit exposure is predominantly in illiquid investments which are typically held to maturity.

The portfolio has a composite benchmark of 50% Morningstar LSTA US Leveraged Loan Index (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged). The LPPI Credit Fund's target is to outperform the benchmark by 1.0% p.a. – 3.0% p.a. over a full market cycle of at least seven years.

Over the 12 months, our Credit portfolio returned -1.9%, outperforming its benchmark by 0.4%, with the largest positive contributor to returns being Real Estate Debt. A new investment into multi-asset credit, which was added to the Diversified Credit allocation in September 2022, also contributed positively to performance. Corporate Direct Lending and Diversified Credit overall both detracted from performance over the year.

Chart 13 **LPFA Credit:** Investment type %



Asset classes continued

Diversifying Strategies

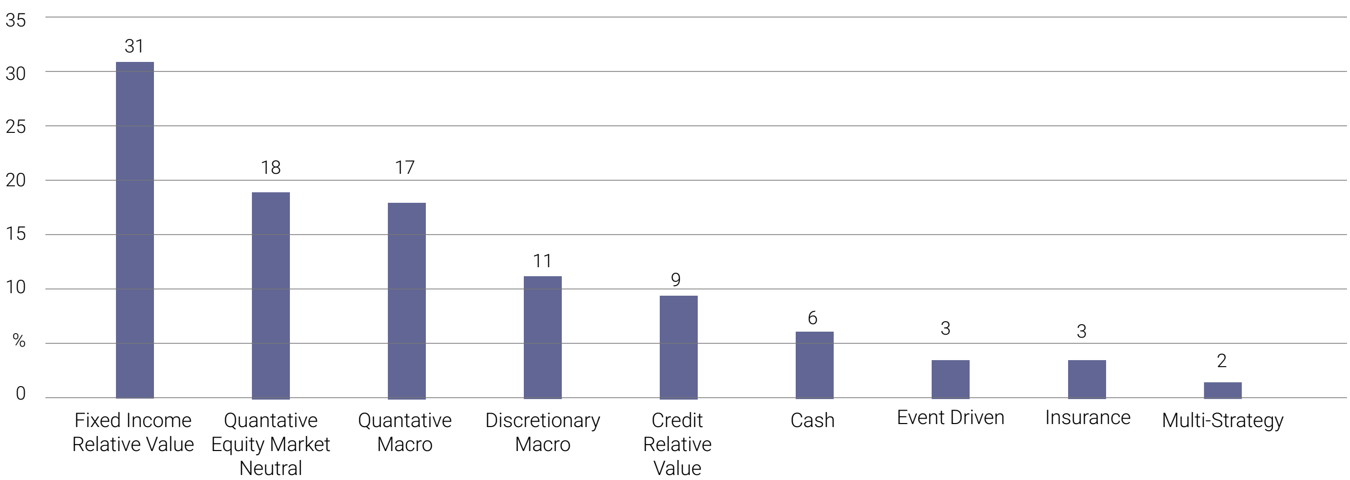
Our allocation to Diversifying Strategies seeks to generate a diversifying source of return to complement the Fund's funding objective, while keeping a low correlation to Public Equities (especially in times of market stress). The majority of our diversifying strategies exposure is through the LPPI Diversifying Strategies Fund (DSF), with only a small on-balance sheet allocation remaining.

The DSF follows a diverse, multi-strategy approach employing a range of relative value, risk premia and directional investment approaches in traditional markets, alongside alternative markets like insurance. The chart below shows the breakdown of the DSF into its strategy types as at 31 March 2023. As part of wider portfolio redemption activity, reductions were made to the portfolio's Quantitative Equity Market Neutral, Event Driven and Multi-Strategy mandates over the year.

The DSF is benchmarked against the HFRI Fund of Funds Conservative Index and aims to outperform this benchmark by 1% p.a. over a rolling seven-year period.

During the 12-month period to 31 March 2023, the Fund's Diversifying Strategies portfolio returned 9.5%, outperforming its benchmark by 9.5%. This outperformance was predominantly driven by the returns seen in the three months to June 2022, when inflation and market turbulence spiked.

Chart 14 **LPFA Diversifying Strategies:** Strategy type %



Responsible investment

“We invest responsibly because how we invest affects the future of our economy, our environment and our society.”

£150m

invested by us in The London Fund.

367

was the number of times that LPPI voted on our behalf at company meetings on over 4,412 separate resolutions.

We work with LPPI's RI team to ensure that we are invested responsibly. While LPPI and their outsourced providers manage the day-to-day implementation of our responsible investment and climate change policies, they work closely with our Responsible Investment Manager and their work is overseen by our Boards and Committees.

For simplicity's sake in this section, we often use the collective 'we' even if the activities are undertaken by LPPI on our behalf. This section shows how and why we invest responsibly and provides case studies of the work that takes place.

At a glance

We made major progress over the year as we worked with LPPI to improve our approach to responsible investment. In July, we launched our Transparency Dashboard allowing all stakeholders to ensure that we're investing in line with our policies.

Our Investor Climate Action Plan, setting out our six net zero goals (see page 10), was published in November 2022, following many months' collaboration with LPPI and members of our Board. We also welcomed a new RI manager to our team in August 2022 as part of our effort to evolve our approach to responsible investment.

About our responsible investment vision

Our duty is to pay our members their pensions however, as a responsible investor, we know that how we invest also affects the future of our economy, our environment and our society. We take this broader responsibility seriously, so we seek to play a positive role in responding to many of the urgent environmental, social and governance issues facing the world. The climate emergency is a major focus and we invest in a way that minimises the financial risk posed by the impacts of climate change. We are committed to engaging with others in society to influencing the broader economy and we will clearly communicate our progress.

Focus areas

While our RI activity covers many issues, there are two areas that are a specific focus for us: investing in London's future and addressing the risks of climate change.

Investing in London's future: The London Fund

In December 2020, LPPI, London LGPS CIV (London CIV) and the LPFA formed The London Fund, an investment partnership which aims to help solve some of the housing and infrastructure problems facing the capital. LPPI is the Investment Manager and London CIV is the Alternative Investment Fund Manager. To date, we have seeded The London Fund with £150 million in capital and Haringey Council invested another £45 million.

The London Fund aims to address the expected population growth challenges facing the city through large-scale real estate investment and infrastructure projects in the Greater London area. It also aims to provide appropriate risk-adjusted investment returns that support the growth in our assets while also generating social benefits like job creation, regeneration and providing positive environmental impact.

In 2022-23, The London Fund committed to several new investments including the regeneration of Shepherd's Bush Market and the Saville Theatre, the net zero edge development in London Bridge and Virtus data centres.

The London Fund case study: Investing in London's digital future

VIRTUS is an award-winning, pure-play data centre owner-operator, supplying state-of-the-art critical digital infrastructure which provides vital connectivity and access to online services for residents and businesses in London and beyond. With some of the world's largest hyperscalers among its clients, the business provides intelligent solutions to improve the storage, retrieval, management and security of data across global networks.

Established in 2008, VIRTUS currently comprises 11 sites in and around London, including in Enfield, Hayes, Slough and Stockley Park, with a combined capacity of more than 100 megawatts. As part of ST Telemedia Global Data Centres, VIRTUS has a proven track record of delivering new capacity in increasingly power-constrained areas such as West London. The business aims to build more sites in the Greater London area in line with increasing data needs, while beginning to expand its operations into Europe.

The VIRTUS investment also delivers on its Positive Social Outcomes promise by supporting London's digital ecosystem through a data centre platform which matches its electricity consumption to 100% renewable energy procurement alongside its wider commitment to net zero by 2030 and efficient water and energy usage.

Responsible investment continued

Responsible Investment vision

Tackling climate change risk: Our net zero commitment

> "We are committed to managing the risks posed by climate change. It's part of our duty to protect our Fund in the interests of our members and employers. We will ensure that the greenhouse gas emissions from all assets in the Fund will be net zero by 2050. This means that, on average, the organisations we invest in will be responsible for GHG emissions that are as close to zero as possible and will have arrangements in place for any remaining emissions to be re-absorbed from the atmosphere. We made a net zero commitment in September 2021 because the impacts of climate change pose a risk to individuals, society and business and a financial risk to all pension funds."
>
> **Robert Branagh, CEO, LPFA, November 2022, The LPFA's Investor Climate Action Plan**

Our net zero commitment consists of six goals which are set out below. More information can be found on our net zero hub on our website. Each year, we publish our ICAP. This sets out our progress.

1. **Portfolio emissions reduction goal**
   - This goal is the commitment to decrease our overall greenhouse gas emissions by 2030.
2. **Implied temperature rise goal**
   - This is a measure of the real-world implications of our progress and what we want to happen from our alignment and engagement goals. By ensuring that our investments are aligned to net zero we expect our implied temperature rise to be consistent with the Paris Agreement and well below 2°C.
3. **Climate solutions goal**
   - This is the commitment to ensure a proportion of the Fund is invested in industries and companies that will help the world reduce carbon emissions. This could mean anything from renewable energy to carbon capture to forestry operations. We'll be announcing a target here soon.
4. **Alignment goal**
   - This is the commitment that LPFA want every investment in our portfolio to be aligned with net zero. We aim for this proportion to rise to 55% by 2030.
5. **Engagement goal**
   - This is the commitment that we will meet, speak and write to companies in which we invest to ensure that they're also making progress towards alignment.
6. **Operational emissions reduction goal**
   - This is our commitment to hold ourselves to the same standard as the companies we invest in. We will achieve this through changes to our office environment and how and when we travel.

About our approach to Responsible Investment

In these two focus areas and more broadly, our vision is guided by our policies, supported by our commitment to long-term investment and delivered by collaborating with others and our commitment to active ownership.

Our approach to RI and Environmental, Social and Governance (ESG) risks and opportunities is summarised in our Investment Strategy Statement and dealt with in more detail by the policies outlined later in this section. There are many ESG risks that we monitor including an organisation's carbon footprint, fraud prevention, wage equality, worker safety, water usage, waste disposal and deforestation.

The day-to-day delivery of our RI approach, for example, the monitoring of these risks and opportunities, the assessment and appointment of asset managers, presence on Boards and our voting activity, are carried out by LPPI. Our officers, our Investment Committee and our Board monitor and hold LPPI to account to make sure that our policies are followed and that these risks and opportunities are identified and well-managed.

Climate change is one risk amongst many but, given the financial risks and opportunities involved, it is a focus for us. More information can be found on our website.

Earlier, on page 41, we summarised how we are investing in London's future through The London Fund, a collaboration with London Collective Investment Vehicle (LCIV) and LPPI. We know that all communities should benefit from the Just Transition and as an organisation that already invests in projects across the UK and across the world, we see the potential investment opportunities in the Government's Levelling Up agenda.

Putting RI into practice

This section summarises how we approach RI. Specific highlights and case studies can be found later in this section.

How our policies guide our RI approach

Our ICAP, RI and Climate Change Policies all reflect our commitment to fulfilling the responsibilities we have. They guide our approach.

- **Our Responsible Investment Policy**

We recognise that our long-term sustainability depends on us investing in an informed and conscientious way, being an active owner and engaging with companies to influence their strategy and behaviour. We expect that all our investment managers must build ESG considerations into their investment decision-making. This gives much more clarity to everyone when assessing risks and opportunities.

- **Our Climate Change Policy**

We will work with LPPI to manage the risks of climate change to industries and companies. We want to increase our investment in green sectors and new technologies to ensure our return targets are met and to support the world's move to a low-carbon future. We will use our influence with companies and asset managers to drive real world change. We will report on our progress clearly and transparently to all our stakeholders.

- **Our Investor Climate Action Plan**

This sets out our ambition to be a net zero pension fund. Our 2022 net zero commitment evolved naturally from our Climate Change Policy and is a logical next step in managing the financial risks and opportunities posed by climate change. Using the Institutional Investors Group on Climate Change (IIGCC) framework to guide us, we have set six goals and we will engage with companies to drive change in the world. These goals are listed on the previous page and we will be sharing our progress in our net zero hub on our website.

How RI influences our decision-making

We look at ESG risks and opportunities, including climate change, at every stage in the investment process.

- **Choosing an asset or an asset manager**

LPPI uses ESG frameworks to show and evaluate a prospective investment manager's approach to ESG or to assess the ESG risks facing an industry, company or investment strategy. Managers looking to work with us must meet our expectations on their own approach to responsible investment.

- **Regularly monitoring our portfolio**

LPPI regularly reviews all asset managers, looking at their ESG ratings, their engagement priorities and their progress. These reviews have identified priority areas for engagement and monitoring where LPPI want to see further development. For instance, this has led to an increase in the number of internal resources dedicated to ESG by some of our most strategically important external managers, enabling them to develop and implement a more robust ESG strategy and improve reporting on ESG engagement activity, the outcomes of which have fed directly into our efforts to meet our net zero targets. We make sure that all asset managers working for us follow ESG frameworks and our own policies.

- **Being an active owner**

As an active shareholder and investor, we will engage with our investments to positively influence company behaviours and strategies. LPPI votes as a shareholder in all companies held in their GEF. Supported by Robeco, they engage with companies directly to improve corporate governance, embed diversity, protect workers' rights, prove environmental responsibility and many other issues. More details can be found in the LPPI's Stewardship Report.

In some cases, we have directly held assets. In these cases, when possible, LPPI will sit on their Boards, exerting influence through that route. LPPI sits on the Board of 13 infrastructure assets, for example, including Semperian and Forth Ports.

Communicating our RI progress

Being an active owner means that we report regularly on our progress and that we will make our voice heard beyond company meetings and Boards. Investing responsibly is important to our members and other stakeholders so we also communicate our work to these audiences.

Internal reporting

LPPI reports twice a year to our Investment Committee on all stewardship and engagement activity including the five related investment goals in our ICAP. LPPI use two reporting benchmarks to help measure their effectiveness.

- **The UK Stewardship Code**

This sets the standards for investors for monitoring and engaging with the companies they own through voting and reporting. LPPI successfully met the higher standard in the updated 2020 Code for stewardship disclosure for a second year in a row and have kept signatory status. Their Responsible Investment and Stewardship Report 2021-22, which forms their Stewardship Code submission, can be found on their website.

- **The Principles for Responsible Investment (PRI)**

Our portfolio is managed under arrangements which comply with the six PRI principles. LPPI is a signatory to these global standards. LPPI's Annual Reporting on their progress against these standards can be found on their website.

External reporting

Both we, and LPPI, use our websites and social media channels to communicate our progress on responsible investment. Hearing about our work on RI is important to our members and it is our ambition to use our voice to drive change in the world.

We communicate regularly with many different people: our members, activist groups, employers in our Fund, public sector organisations and the media. We communicate through regular member newsletters, press releases, social media channels, our website and through participation in meetings, forums and speaking events.

Our employees are members of the Occupational Pension Stewardship Council, the Pensions and Lifetime Savings Association (PLSA), the Local Authority Pensions Fund Forum (LAPFF), CDP (Carbon Disclosure Project), the Institutional Investor Group on Climate Change, Climate Action 100+, Pensions for Purpose and C40 Cities.

Over the year, we have met with many industry stakeholders and activist groups including Share Action, Make My Money Matter, Climate Action, the Centre for London, the Impact Investing Institute, the Cambridge Institute for Sustainable Leadership and the Centre for Climate Change Innovation. This engagement is part of our commitment to collaborating to drive change in the world.

We have also improved transparency around our actions through the Transparency Dashboard and regular RI updates on our website.

Voting and engagement highlights

Stewardship is the high-level term used to describe how investors like us protect the value of our investments. We 'shepherd' our investments, monitoring the risks that might reduce our income. Engagement and voting flows from Stewardship and takes place once we find a risk. They normally take place on a specific issue, with a specific company or group of companies and they have set aims in mind. The following section gives some highlights of the results of our engagement and voting activity.

Engaging with companies

Engagement is the dialogue between investors and companies. It aims to ensure that companies behave more responsibly, thereby protecting the value of our investments.

While climate change is a focus, our team also tackle many other areas.

An overview of LPPI's engagement activity

LPPI carry out their own direct engagement with companies within the Internal Equity and SMID portfolios on topics that are material to those funds. Charts 1 and 2 summarise activities. In addition to continuing to progress their pre-existing engagement themes – namely management compensation, cybersecurity/data protection and packaging/recycling – LPPI have begun to start on additional themes including net zero alignment and natural resources. Although these themes are still in their early stages, so far, the responses from investee companies have been generally good.

Chart 1 **Engagements by Portfolio**

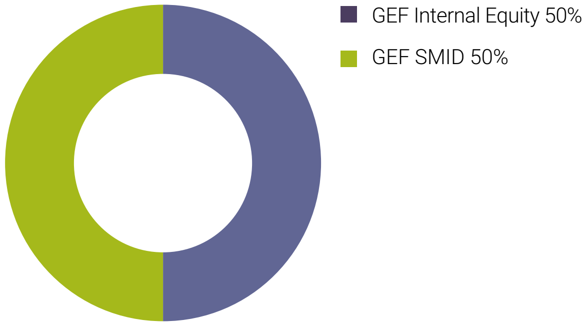
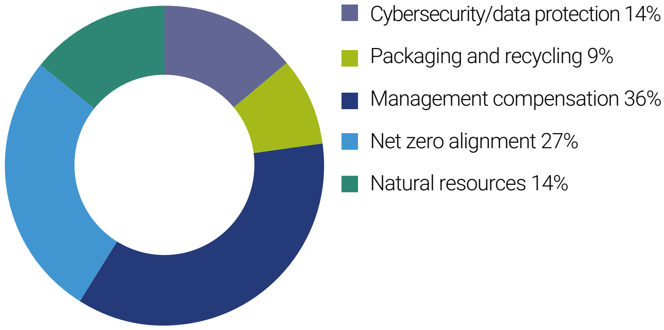


Chart 2 **Engagements by theme**



Engagement case study: Data protection and cybersecurity

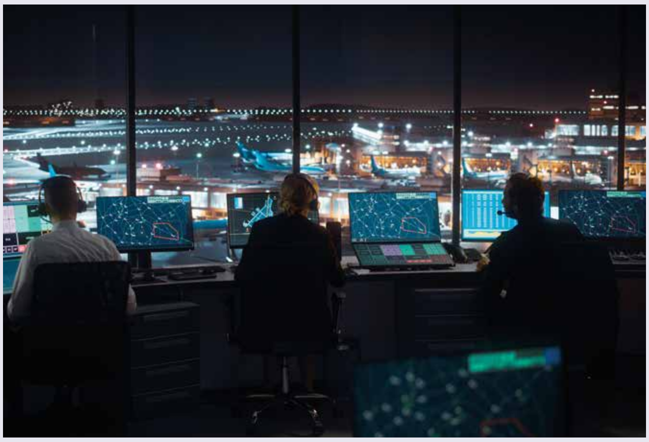
The recent rise in targeted, high-profile cyberattacks has brought digital security and data protection to the forefront of corporate and government agendas. Research from CyberSecurity Ventures estimates that cyber-crime could cost the global economy as much as $10.5 trillion per year by 2025, versus around $6 trillion in 2021, while IBM's most recent 'Cost of Data Breach' report found the average cost of a breach impacting 1–10 million records was $50 million in 2020, rising to $392 million for 50 million records and over.

While no company or industry is entirely insulated from these risks, there are several firms across the internal portfolios where these risks are particularly relevant to their core businesses.

Air travel technology company

One of our investee companies, an air travel technology provider, controls and processes vast amounts of sensitive and confidential information as part of its core business. LPPI's internal team engaged with the company to gain a better understanding of the company's approach to cybersecurity and data protection risks, with the focus of the discussion on three key areas – governance and oversight, policies and procedures, and risk management/controls.

LPPI's engagement revealed the firm has built best-in-class capabilities in this area whilst embedding cybersecurity into its corporate culture and DNA. The internal team will continue to monitor the company's performance in this area but has closed the engagement for now.



Engagement case study: Management compensation

As long-term investors, we aim to ensure that there is a high degree of alignment between management and shareholder interests, to mitigate the principal agency problem and increase the probability of long-term value creation for shareholders. Well-crafted management incentives can play a key part in ensuring alignment of interests, and forms part of our assessment of management quality.

So far, our engagements on this theme have focused on those companies where we believe there is room for improvement in the choice of performance metrics used to decide compensation.

Auto replacement parts company

LPPI engaged with an auto replacement parts and accessories retailer in response to concerns raised by ISS about the company's management incentives' structure, namely that long-term bonuses are service-based rather than performance-conditioned.

The engagement revealed how considered and long-term orientated the company is in terms of shareholder value creation, emphasising the high levels of alignment between management and shareholder interests at the firm. It is particularly encouraging that management is laser-focused on driving high returns on capital over time, as opposed to growing the business at the expense of profitability. This is further evidence of the quality of the business and the strength of management, increasing the team's conviction in the underlying investment case.

An overview of Robeco's engagement activity

Robeco's Active Ownership team also engages on our behalf. Robeco is an asset manager and their engagement team helps organisations like ourselves engage with companies to improve behaviours. They engage with companies on many issues that pose a financial risk to their clients. These range from biodiversity, climate transition of financial institutions, lifecycle management of mining, natural resource management, net zero carbon emissions, to diversity and inclusion, human rights due diligence, labour practices, corporate governance in emerging markets and Asia and responsible executive remuneration.

Over the year, Robeco has engaged over 344 times with companies in the GEF and Fixed Income Fund.

Their engagement activities are a mix of face-to-face meetings, emails to company Boards, votes, conference calls and letters as well as in-depth research, meetings and shareholder resolutions. These are shown in the following table.

Activity	2022-23
Meeting	7
Conference call	118
Written correspondence	156
Shareholder resolution	4
Analysis	56
Other	3
Total	**344**

Below are some examples of engagement activities with companies on issues of importance.

Engagement case study: Environment

Suzano

Robeco engage with companies where they see opportunities to enhance their contributions to biodiversity, including asks such as the systematic integration of biodiversity into companies' strategies and risk management processes, or topic-specific discussions on, for instance, sustainable livestock manure management.

As part of the engagement, Robeco are actively taking part in the Finance Sector Deforestation Action (FSDA) initiative, a collaborative investor group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025. As part of the investor group, Robeco have joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies. These include, among others, forestry company Suzano, on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

Engagement case study: Social

Walmart

In 2021, Robeco launched an engagement on 'Labour practices in a post COVID-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, Robeco began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labour risks highlighted throughout the times of the crisis.

US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages. Robeco's dialogue has been focused on the company conducting a living wage assessment and adapting minimum wages appropriately.

Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus pay-outs in hourly pay instead of quarterly pay-outs, as well as raised minimum wages by 17%, from $12 to $14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do highlight first considerations towards helping to meet employees' rising cost of living.

Engagement case study: Governance

Wolters Kluwer

Wolters Kluwer has undergone significant changes over the last several years, having completed its transition into a digital solutions company.

To facilitate this transition, the company has had to adapt some of their corporate governance practices on executive remuneration. The CEO of Wolters Kluwer has historically received excessive pay-outs compared to local benchmarks and industry peers.

This is in part due to retaining and attracting talent from markets with above-average executive pay like the US, as well as incentivising stability throughout the company's long-term transition. In response to continuous shareholder feedback on the excessive pay-outs, the company has reduced the maximum opportunity under the long-term incentive plan.

Voting and making our voice heard

Shareholders can vote at Annual General Meetings (AGM). LPPI votes on our behalf, sometimes working with groups of like-minded investors because individual voices are more effective when combined.

LPPI's voting activity

On our behalf, LPPI votes on holdings in the GEF directly. You can find how they vote on their website. Over the year, LPPI voted at 367 company meetings and on 4,412 separate resolutions. How LPPI votes is guided by their policies and positions on ESG issues. Below are four examples of how their votes flow from their policy.

Voting case study: Transparency

Amazon (USA: Internet & Direct Marketing Retail)
LPPI supported two shareholder resolutions seeking greater information around the human rights due diligence processes linked to surveillance technologies.
The votes received 40.3% and 40.7% support.

Voting case study: Remuneration

Netflix (USA: Movies and Entertainment)
LPPI voted against the say-on-pay. This was driven by a lack of performance conditions linked to significant options grants. It also follows a lack of responsiveness to low support for earlier say-on-pays.
Result: 72.9% Against.

Voting case study: Remuneration

Masimo (USA: Healthcare Equipment)
LPPI voted against the say-on-pay. This was driven by the presence of a single-trigger provision allowing the executive the ability to unilaterally stop employment and receive excessive severance pay-outs in the event of a change in control event (e.g. acquisition).
Result: 52.6% Against.

Voting case study: Climate

Travelers Companies (USA: Property & Casualty Insurance)
LPPI supported a shareholder resolution requesting the company to issue a report considering how it intends to measure, show and reduce GHG (greenhouse gas) emissions associated with its insurance practices in line with the Paris Agreement.
The vote passed with 55.2% support.

Responsible investment continued

Voting with others

Together with 80 other LGPS funds, we and LPPI are members of the Local Authority Pension Fund Forum (LAPFF). LAPFF uses the collective power of all its members to engage directly with company boards. Their aim is to promote high standards of company behaviour and protect the long-term value of the LGPS. The effective way that LPPI approaches ESG throughout their investment process means that we are often not invested in companies that are the subject of LAPFF's attention. However, we recognise our responsibility to improve society and our involvement with LAPFF is in line with our desire to support organisations that are having a positive impact on the world, and that our membership of the LAPFF enables us to play a part in influencing companies we otherwise wouldn't. The case study below highlights the work done by LAPFF on a company in LPPI's portfolio and LPPI's role on the process.

Collaborating with others

We and LPPI work with other groups to have a positive impact on the world. This includes consultation submissions and policy development and membership or support for campaigns by other industry groups. Two examples are provided below.

- **Workforce Disclosure Initiative**

LPPI is an investor signatory to the WDI (Workforce Disclosure Initiative). As an investor signatory, LPPI supports efforts to enhance corporate disclosure on workforce practices. During the 2022 engagement cycle, LPPI wrote to six companies to encourage participation in the survey. Following engagement, three out of the six companies targeted responded to the survey, providing LPPI and other signatories with enhanced insights on their workforce management which is captured in the annual WDI dataset. This data is used to understand the management of workforce-related risks during the monitoring of portfolio holdings, alongside investment research when considering new positions.

- **C40 Cities**

This is a global network of nearly 100 mayors from cities around the world's united in action to confront the climate crisis. The organisation hosts a range of events and collaborative initiatives to help drive climate action. As an organisation that recognises the financial risk that the impact of climate change poses to our Fund, we are an active participant in the network. Our CEO and other officers regularly present at C40's virtual and face-to-face events sharing our progress and knowledge with other cities.

Case study: Collaborating with LAPFF

Local Authority Pension Fund Forum

LAPFF's policy on human rights, section 4.4, "encourages companies to adopt human rights policies and management practices in line with the UN Guiding Principles on Business and Human Rights. This includes meaningful engagement with affected stakeholders, such as workers and communities." The Guiding Principles include the rights to freedom of association and collective bargaining as international human rights law that companies have a responsibility to respect.

At Starbucks Corporation (USA: Restaurants), LPPI supported the resolution requesting the Board "Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights". This follows a slight increase in union organising among Starbucks employees in recent years.
The vote passed with 52% support.

Administration

"We aim to provide a well-run pension service for the benefit of our members and our employers."

87.3%

delivery of LPPA's Service Level Agreements.

222

complaints received over the period.

£68

cost per member.

On our behalf, LPPA provides a full range of pension administration services to our 96,796 members and 122 employers as well as to 17 other public sector funds.

The services provided include the processing and payment of pensions, transfers, admissions, a helpdesk, record maintenance and a dedicated bereavement service.

LPPA also delivers employer and member communications through mail, email, an online member portal (PensionPoint), employer training sessions and scheme member training.

At a glance

2022-23 was dominated by PACE (Pensions Administration Core Evolution), a strategic transformation project that saw LPPA transition all clients and their 660,000 members to a new pensions administration system, Civica's Universal Pensions Management (UPM) software. We moved to UPM in February 2022. One reason for the migration was to provide a pensions administration system that gives members and employers much more control of their pension and retirement through self-service technology.

IT system migrations are, by their nature, incredibly challenging but the project was delivered in 12 months. However, while some disruption was expected the project had a significant impact on 'business as usual' activity. Performance against agreed Service Levels was affected and helpdesk average wait times increased. The situation was compounded by challenges faced by LPPA in recruiting and retaining staff, an issue that remains current throughout the pensions administration industry.

While transition to UPM is a crucial step in supplying pensions administration fit for the modern world, we do apologise to those who experienced difficulties during the transition. UPM is now operational and we look forward to seeing many of the benefits that it provides.

Administering the Fund well

We have Service Level Agreements in place with LPPA to make sure that they meet our expected standards. SLAs are reviewed regularly, cover a range of activities and set out detailed information on what we expect from LPPA. This includes the time that it takes LPPA to answer a member's phone call through to the time that it takes them to resolve a member complaint. SLAs should provide a clear understanding of our requirements and what LPPA need to do to help us achieve them.

Performance over the year

Historically, LPPA have consistently met all SLAs but performance in 2022-23 was below previous levels. The target performance is usually 95% but was relaxed, following agreement with the Fund, to 75% during the UPM implementation periods in April, May, November and December 2022, as well as January 2023. Overall, the annual SLA performance was 87.3%. Complaints increased over the year from 93 in 2021-22 to 222 in 2022-23.

Performance and complaints	Q1 April – June 2022	Q2 July – September 2022	Q3 October – December 2022	Q4 January – March 2023	Annual
Overall delivery against SLA	85.0%	90.4%	87.4%	85.9%	87.3%
Complaints received	59	44	45	74	222

Monitoring LPPA's performance

Our Board, Local Pension Board and our Officers are updated on LPPA's operational performance through monthly meetings, a monthly and quarterly report, and an annual client forum. This approach to reporting ensures that we have sight of performance, key change projects, regulatory change as well as complaints, breaches, risks and other issues. It ensures that we are compliant with public sector pensions regulations and the Pensions Regulator Code of Practice 14. Please refer to the Governance section for more information.

Ensuring value for money

We are advised of the proposed LPPA administration charges for the upcoming financial year in writing and these charges are reviewed by our Board and our CEO to ensure that they provide value for money and are consistent with market rates. We require that LPPA demonstrate value for money, evidence savings and deliver an efficient service compared to pre-pooling arrangements. LPPA participates in recognised industry benchmarking to ensure they deliver a value for money service in relation to other public sector administration providers.

The cost per Fund member

In 2015-16, pre-pooling, cost per Fund member was £98 per member for Administration, Oversight and Governance. This year the cost stands at £68 per member, up from £63 in 2021-22.

Costs increased this year largely due to inflationary rises in both LPPA and LPFA staff costs. It was also driven by LPPA's need to invest in UPM implementation resilience roles to improve quality and productivity as the new administration system was delivered embedded.

Over the past few years, we have brought many outsourced services in-house to the LPFA to improve effectiveness and governance. The increased costs are reflected in the Oversight and Governance section below. Over the longer term, we have benefited significantly from pooling pension administration activities.

Cost per Fund member	31 March 2023 £	31 March 2022 £	31 March 2021 £
Administration	26	24	23
Oversight and Governance	42	39	37
Total	**68**	**63**	**60**

Note: All dates as at 31 March.

Highlights of the year

As well as delivering and embedding the new administration system (including the member and employer online portals), work has also continued on the three priorities outlined in our previous Annual Reports.

Progress in these areas – responding promptly to member queries, improving the member complaints process, and improving communications and the member experience – have all been impacted by the system's transition.

Embedding PensionPoint and the Employer Portal

UPM is cloud-based software that helps pensions administrators automate processes in a low risk and compliant way. It covers pension administration, workflow processes, document management and payroll. Members have access to an online portal (PensionPoint) and employers interact with LPPA's core systems via the UPM employer portal.

PensionPoint

PensionPoint replaced My Pension Online, the previous online portal. Registered members can self-administer details of their pension. Guides are available to help them plan for their retirement, nominate beneficiaries, view their pension details, P60, payslips and annual benefit statements. Eventually, members will also be able to 'track my case' and 'retire online' giving members access to real-time information without having to contact the helpdesk.

As at 31 March 2023, there were 22,423 members registered to use PensionPoint and campaigns to increase these numbers are underway.

UPM

The UPM employer portal will help minimise errors and improve the service that we provide to employers. For example, from April 2023, employers will submit a monthly return which is a step towards more accurate data and more efficient and timely submission of information.

Ahead of April 2023, LPPA undertook a large-scale training and communications programme to support employers ahead of the transition to monthly submissions. Online training session were held, and guides and emails produced to keep employers up to date with the changes.

Responding promptly to member queries

Our aspiration is that our members receive excellent customer service but we know that recent performance has been below our aspirations. Surveys of members that have called the helpdesk show that overall satisfaction has dropped from 92% in 2021-22 to 78.2% in 2022-23. The table below shows how long it can take to resolve queries.

Top ten member queries and resolution time in days	2022-23	2021-22 Actual	2020-21 Actual	2019-20 Actual
Admissions	**9**	10	9	5
Transfers in	**124**	104	83	98
Transfers out	**70**	38	20	21
Estimates – individual	**8**	11	7	7
Deferred benefits	**37**	42	53	60
Deaths	**51**	67	50	51
Retirements (immediate)	**24**	35	46	51
Retirements (deferred)	**33**	35	68	95
Refunds	**31**	18	16	18
Estimates – employer	**–**	10	9	7

Note: Delays do also occur if LPPA are waiting on information from employers or the members themselves. Estimates for employers are no longer monitored.

We also monitor the number of member cases processed each year by the LPPA and how many are outstanding at the end of the year. These are listed below. The table reflects the fact that, during the year, LPPA moved from Altair to a new technology, UPM.

Cases processed and outstanding at year end	Brought forward at 1 April 2023	Completed	Received	Outstanding
New starters (admissions)	0	5,098	5,161	63
Transfer in	477	1,340	1,493	630
Transfer out	410	2,195	2,520	735
Estimate	150	1,452	1,491	189
Deferred benefits	824	1,988	2,365	1,201
Deaths	635	2,639	2,739	735
Retirements (immediate)	154	1,610	1,757	301
Retirements (deferred)	223	2,798	3,108	533
Refunds	276	2,044	2,213	445
Correspondence	222	1,062	1,222	382
Aggregation	226	1,707	1,814	333
Other	717	5,830	5,895	782
Totals	**4,314**	**29,763**	**31,778**	**6,329**

Improving the member complaints process

Complaints have been decreasing since 2018-19 but the UPM transition has seen a reversal in that trend with complaints now numbering 222. The number of complaints as a percentage of workload now stands at 0.75% compared to 0.31% last year.

Delays in case work prompted by the PACE transition have driven high call volumes into the helpdesk. This, in turn, has led to higher wait times for calls. We understand the frustration that some of our members have felt over this period, and we have been assured by LPPA that steps are in place to remedy the situation.

Efforts to improve LPPA's customer services are still being measured through a number of satisfaction surveys, providing members with the opportunity to supply feedback. Surveyed areas include helpdesk calls and retirements. Some surveys have been discontinued this year as response rates were so low as to make the findings meaningless.

Complaints summary	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	Target / Benchmark
Number of complaints received	**222**	93	115	162	194	61*	<25
Number of complaints categorised as Pension Ombudsman cases	**2**	6	3	0	0	0	0
Number of Internal Dispute Resolution Procedure cases (IDRP)	**12**	6	5	25	12	5	<6
Staff fund member ratio – staff engaged on LPFA administration only	**1:3,602**	1:3,280	1:3,055	1:3,184	1:172	1:3,778	_
Average cases per member of staff	**777**	959	1,507	1,204	1,409	1,057	_

* This figure includes complaints related to moving communications online.

Improving communications and the member experience and communications

Our communications are delivered by our internal communications team, supported by LPPA.

Our team's aim is to ensure that we communicate in a clear and simple manner and that our members and employers receive excellent customer service. We deliver a raft of work including management of our corporate website and social media channels, our annual Employer and Member Forums, our Annual Report, our Member survey and our Fund newsletter. We also produce a range of member-focused videos and reports and manage our media relations and participation at industry conferences and events. Our team also leads on the development of fund-specific projects including, for example, the re-establishment of selected hard copy member communications.

LPPA support us and their other clients through the delivery of standardised member and employer communications and training. They aim to improve member and employer understanding of the LGPS, improve the amount and quality of member contact data and increase take up of digital services.

LPPA's work in 2022-23

LPPA's activity this year has included the development of their website through the launch of the Help Hub, a member support section, and a News Hub, which gave members quick and simple access to news, blogs and stories. The LPPA employer toolkit page was created to help all employers communicate the benefits of PensionPoint to their members in the workplace. This includes access to content for internal emails, posters and intranet articles.

Newsletters for employers and members were relaunched in a new online format and improvements were made to member letters, simplifying language and word count. Scheme essentials and Retirement essentials training sessions continued, with 258 and 229 LPFA members attending respectively – hosted online to help members improve scheme understanding. These sessions have helped members to understand the key benefits and milestones of their pension journey – ultimately speeding up the process and reducing queries further down the line. Member video guides (LPPA website) were added to the LPPA YouTube channel, including 'How to log in and register for PensionPoint' and 'How to use the PensionPoint calculators' (videos were important in supporting the launch of PensionPoint).

A regular programme of email communications is delivered to increase PensionPoint registrations, increase member death benefit nominations and improve the accuracy of member data.

Information about our members

Membership of the Fund continues to increase and there are now 96,796 members in our Fund. Around a third are pensioners, a third are deferred members and a third are active members.

Our membership details

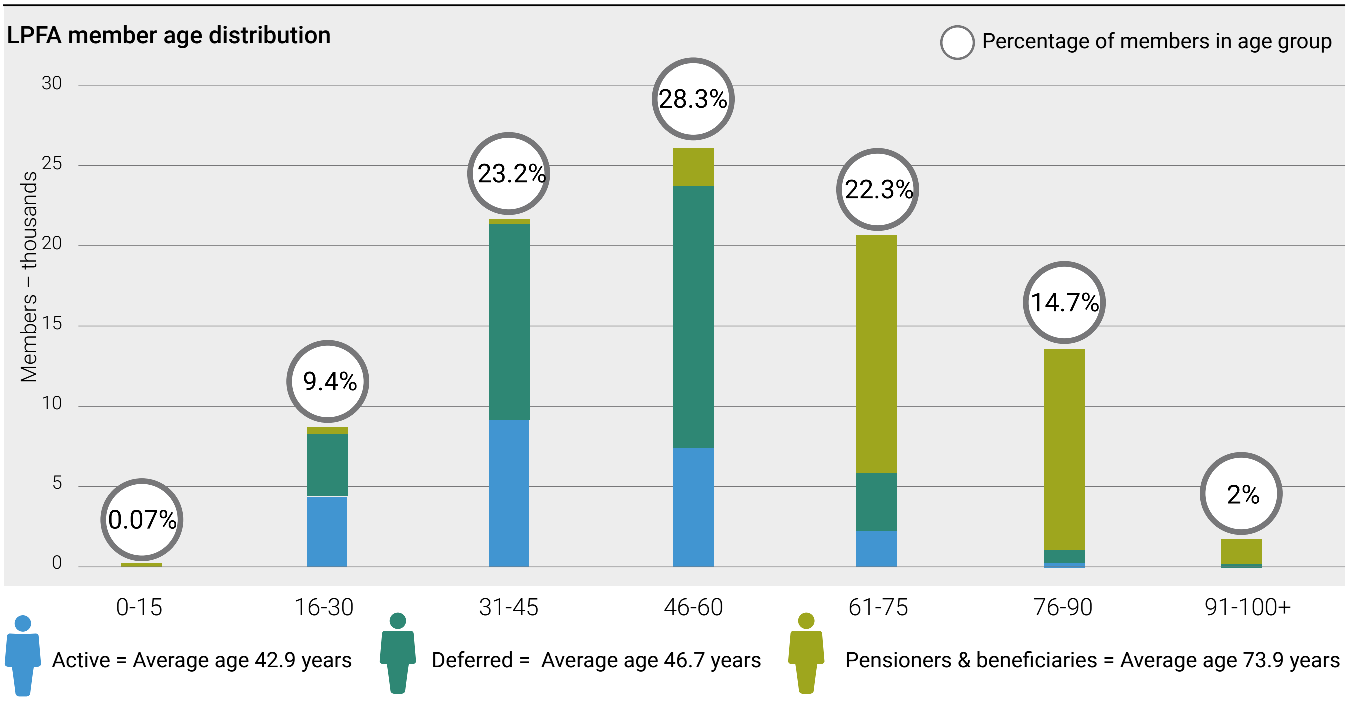
Fund membership split by category	2022-23	2021-22	2020-21	2019-20	2018-19
Active contributors	22,739	19,970	20,115	20,574	19,489
Deferred beneficiaries	29,793	29,312	28,897	29,120	28,222
Pensioners and dependants	36,209	38,115	35,963	36,095	35,541
Undecided leavers and Frozen refunds	8,055	7,241	6,700	6,551	5,536
Total membership	**96,796**	**94,638**	**91,675**	**92,340**	**88,788**

Note: If a member has both an active record and a deferred record, then this will be classified as two distinct member accounts.

Membership by birth gender

	Recorded as female	Recorded as male	Total
Active	14,158	8,581	22,739
Deferred	18,674	11,119	29,793
Pensioner	22,005	14,204	36,209
Undecided and Frozens	5,010	3,045	8,055
Grand total	**59,847**	**36,949**	**96,796**

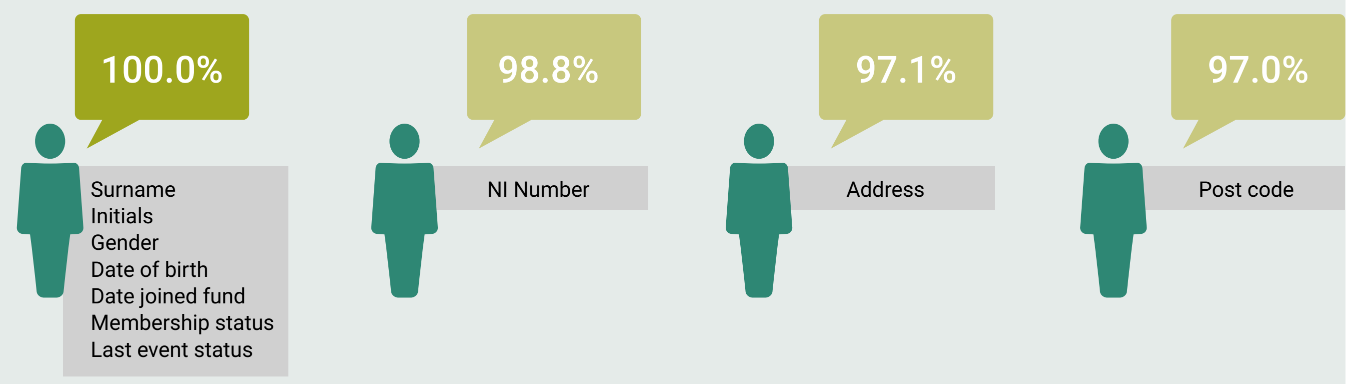
Member age distribution



Member data accuracy

The Pensions Regulator (TPR) sets the accuracy target of 100% for new common data received after June 2010. The target for 'legacy data' which has not had any amendments since June 2010 is 95%. The data quality TPR scores for the year to 31 March 2023 in respect of Common Data and Conditional Data scores were 96.5% and 91.4% respectively. This compared with last year's figures of 96.8% and 96.1%. The scores as at March 2023 are lower than the previous year as the data checks carried out by UPM are more rigorous and wide-ranging.

Accuracy of member data



LPPA does undertake regular data cleansing activities including address tracing and a monthly review of data scores.

Pension payments

We are required by law to check and show various pension payments over the period.

Pensioners in receipt of enhanced retirement benefits

Analysis of new pensioners receiving ill health benefits, early and redundancy retirement	Ill health instances	Early retirement	Redundancy/ voluntary early retirement
2017-18	15	50	158
2018-19	13	37	204
2019-20	10	29	93
2020-21	16	22	58
2021-22	15	17	73
2022-23	22	165	53
Total value for 2022-23	**£325,849.03**	**£1,632,766.35**	**£536,824.92**

Analysis of pension overpayments

Occasionally, we make a payment to someone who isn't entitled to it. That can be because we haven't been informed that the member has passed away. We will try to recover these overpayments where possible. When an overpayment is made, we contact the member or their next of kin. If the member is still alive, the pension payment is corrected on the next payment date. If the member has passed away, then a repayment is requested from their next of kin. Depending on the amount paid and the timing of the death, a repayment plan may be set up, but it may be that, ultimately, we are unable to recover the full amount.

	2022-23 £	2021-22 £	2020-21 £	2019-20 £	2018-19 £
Overpayments	**333,734**	**394,332**	241,137	250,103	216,783
Collected	**(145,742)**	**(98,260)**	115,649	79,569	7,241
Written off	**(5,969)**	**(29,885)**	–	–	–
Outstanding	**182,023**	**266,187**	**125,488**	**170,534**	**209,542**

Information about our employers

There are 122 employers in the Fund. They range from government bodies, higher education institutions, further education corporations, social housing associations and charities to private enterprises.

Relationships with our employers are led by our Employer Management Services (EMS) team which, supported by LPPA, employs two people and aims to provide a strategic and professional customer service experience for employers. As an Administering Authority of the LGPS, the team makes sure that all employer engagement is carried out according to LGPS Regulations.

Our Pension Administration Strategy (PAS) sets out our responsibilities and those of the employers in our Fund as well as our expected levels of performance. The PAS aims to educate and help employers provide correct and prompt data to LPPA to improve the service provided to our members.

About our EMS team

Our EMS team is the first point of contact for employers in our Fund and is supported by our own communications team and LPPA's Engagement and Communications team.

Our EMS leads on all strategic discussions with our employers, including covenant assessments and reviews, the triennial valuation, helping with admission and cessations to/from the Fund and discussing participation in the Fund with several interested employers. For a list of the active and ceased employers in the Fund, categorised by scheduled and admitted body status, please see the Appendices.

Our website also holds policies relating to employer discretions, admissions, outsourcing, annual statements of compliance and a raft of other useful polices. It also holds our contacts and services standards.

Highlights for our EMS

The year has been dominated by the successful completion of our triennial valuation.

The triennial valuation

The purpose of the valuation was to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026 as required under Regulation 62 of the Regulations. The process was carried out within the required timelines and the full report can be found on our website.

Monitoring contributions

Employer contributions and investment returns ensure the future financial sustainability of the Fund, so the swift and correct collection of employer contributions stays a priority. Contributions are actively monitored by our EMS team. Employers must pay the previous month's contributions by the 22nd of the following month and a 'late payers report' is produced on the following day. If any employer has not paid by the 22nd, then the Finance team will contact the employer to chase and request payment. The table below provides a further analysis of late payments. The option to charge interest has not been exercised.

Instances of late payment	No. of employers	Average days delayed	Minimum days delayed	Maximum days delayed	Average value of delayed payment £'000
1	12	12	1	64	176
2	5	12	1	40	48
3	1	14	2	33	6
4	0	0	0	0	0
5	1	12	5	39	4
6	0	0	0	0	0
7	0	0	0	0	0

The value of payment due from employers at year end

Amounts due from employer at the year end	
Employer contributions	£8,860,958
Employee contributions	£4,354,683
Cessation values	£0

How LPPA supports our EMS

LPPA supports the LPFA by providing practical and tactical help including training, engagement and data improvement as well as payroll support to our employers.

Training and engagement

Over the period, employees from many employers in our Fund attended LPPA's online training sessions, covering a range of diverse topics: year-end data submission, managing the Leaver process, scheme essentials and on the monthly returns process. Their virtual nature allows LPPA to deliver more sessions to more employers and feedback influences future training sessions.

Eighty-five remote meetings were also held with LPFA employers identified as needing one-to-one support. The majority of sessions were to support with data returns and familiarisation with the UPM employer portal.

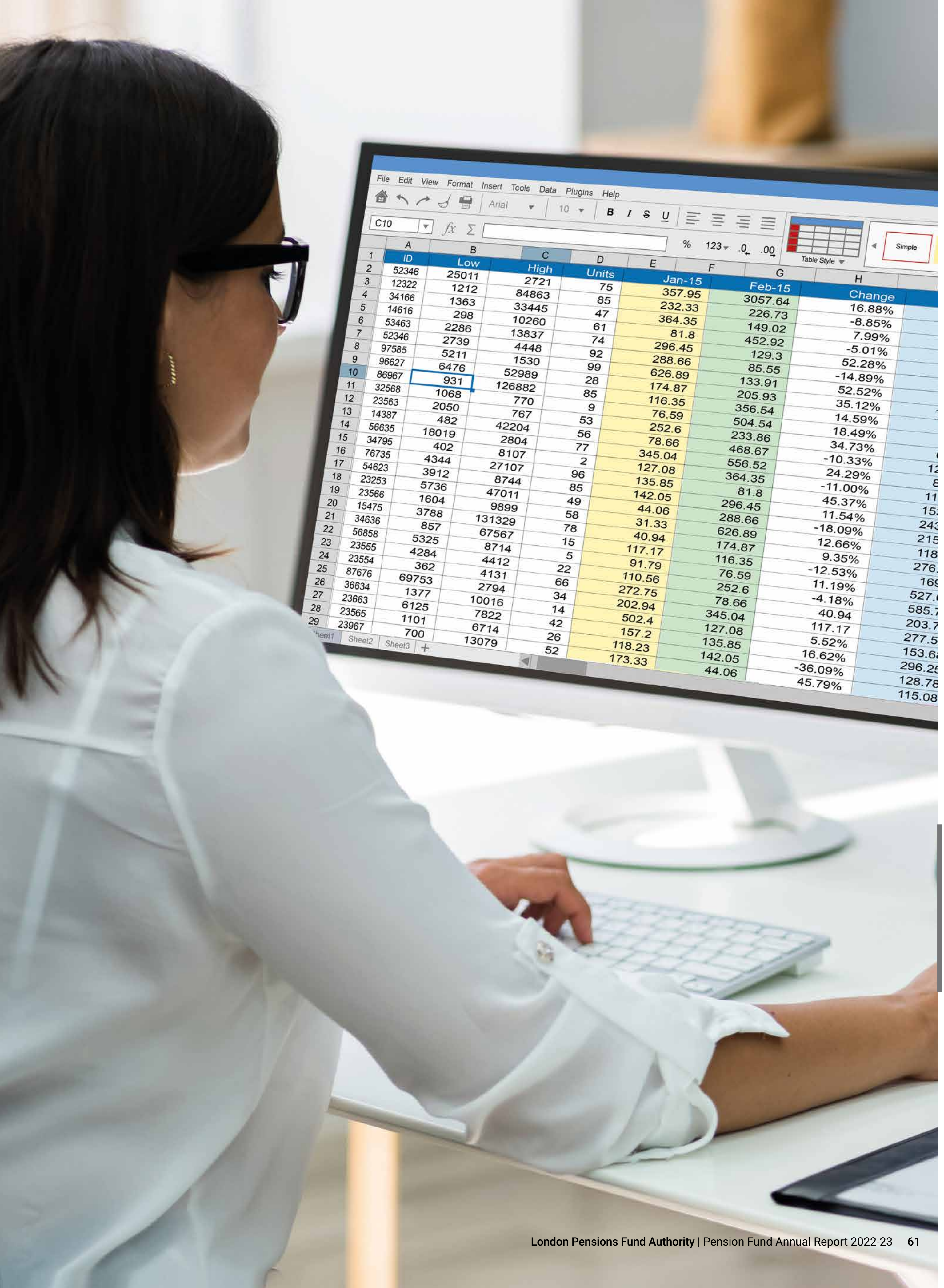
Improving data

LPPA undertakes analysis on year-end error rates including missing joiners, missing leavers, missing change of hours and high or low pay queries. This is based on the information held on UPM.

This year, to help employers clear outstanding queries in advance of the year-end process and the transition to monthly returns, LPPA offered housekeeping sessions. Representatives from six LPFA employers attended. The training was supplemented by a series of email campaigns issued to support the employers with the year-end data submission process. Topics covered included clearing outstanding leavers and joiners, data submission formats and annual return completion. All sessions were recorded.

Individual LPFA employers showing signs of potential issues in advance of the year-end submission exercise were also contacted with an offer of one-to-one support. Individual LPFA employers showing signs of potential issues in advance of the transition to UPM, which would also affect year-end submissions, were also contacted with an offer of support.

Pension Fund accounts



Pension fund accounts

Auditor’s statement

Independent auditor’s statement to the members of the London Pensions Fund Authority on the pension fund financial statements of the London Pension Fund Authority Pension Fund included within the pension fund annual report.

Opinion

We have examined the pension fund financial statements of the London Pension Fund Authority Pension Fund (the ‘pension fund’) for the year ended 31 March 2023 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of the London Pensions Fund Authority for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

We have not considered the effects of any events between 23 October 2023 and 28 November 2023, being the date we signed our report on the audited financial statements of London Pensions Fund Authority, and the date of this statement.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund’s financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

Our responsibility is to state to the members of the London Pensions Fund Authority our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of the London Pensions Fund Authority.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor’s statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of London Pensions Fund Authority describes the basis of our opinion on those financial statements.

Use of this auditor’s statement

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

Paul Dossett

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP,
Local Auditor

London

28 November 2023

Narrative report

London Pensions Fund Authority (LPFA), is the largest Local Government Pension Scheme (LGPS) in London. The pension fund had net assets of £7,658 million as at 31 March 2023, and is responsible for the provision of pension benefits for 96,796 members. Of these, 22,739 are employees working for not-for-profit, charity, private sector and local government employers, 29,793 are deferred members, 36,209 are pensioners and dependants, and 8,055 are undecided leavers and frozen refunds.

Pension fund actual results compared to budget	Actual 2022-23 £'000	Budget 2022-23 £'000	Variance 2022-23 £'000
Dealings with members and employers			
Contributions	157,955	145,400	12,555
Transfers in	12,278	–	12,278
Benefits payable	(278,918)	(283,600)	4,682
Transfers out	(26,498)	–	(26,498)
Net additions/ (withdrawals) from dealings with members	(135,183)	(138,200)	3,017
Management expenses			
Investment management	(123,461)	(103,100)	(20,361)
Administration	(2,347)	(2,200)	(147)
Oversight & governance	(4,087)	(4,800)	713
Investment services fee LPPI	(67)	(735)	668
Total management expenses	(129,962)	(110,835)	(19,127)
Returns on investments			
Net investment income	173,404	132,100	41,304
Taxes on income	(1,975)	–	(1,975)
Change in market value	86,878	498,400	(411,522)
Total return on investments	258,307	630,500	372,193
Net inflow/(outflow) to the Fund	(6,838)	381,465	(388,303)

Overview of the year

The net outflow from the Fund for the year was £6.8 million compared to a budgeted inflow of £381.5 million. The actual net outflow was below the budget net inflow by £388.3 million predominantly due to lower than expected returns on investments.

Dealings with members and employers

The total Fund membership for the year grew by 4,137. Active members increased by 2,776, being a 13.9% increase and pensioners increased by 464, being a 1.6% increase.

The increase in active members is reflected in the higher than budget contributions income. This year the gross movement in employers participating in the Fund (both joining and leaving) is a reduction of one employer.

Investment performance

Over the year, the Fund delivered a 2.7% investment return, which exceeded the policy portfolio benchmark (a single return measure which combines each asset class benchmark in proportion to the Fund's strategic asset allocation) but underperformed the Fund's Return Objective*.

Strong asset performance has resulted in the Fund outperforming its Policy Portfolio Benchmark over the five-year time horizon, whilst also performing broadly in line with its Return Objective over the same period. The recent high levels of UK CPI have impacted the Return Objective, most notably over the one-year period.

Return metric	1 Year %	3 Year %	5 Year %
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

* A blend of UK CPI +3.6% p.a. from April 2021, 5.3% (equivalent to UK CPI +2.7% p.a. at March 2019) between March 2019 and April 2021 and RPI +3% prior to this date.

Note: Returns over one year are annualised.

The Fund's Strategic Asset Allocation (SAA) was updated during the second half of 2022, following the Fund's decision to remove its allocation to Diversifying Strategies. The updates that were made included changes to the allocations to a number of the Fund's private market asset classes and, recognising that capital cannot be redeemed from and deployed into these immediately, both a short-term SAA and long-term SAA were agreed. The short-term SAA is not scheduled to be in place until 30 June 2024, after which the long-term SAA will be in place. The update to the SAA involved the Fund increasing its allocation to Public Equities (from 45.0% to 50.0%) and, with effect from 1 July 2024, also increasing its allocations to Credit (from 12.5% to 16.0%) and Infrastructure (from 12.5% to 14.0%). A corresponding reduction in the Fund's allocation to Diversifying Strategies (from 10.0% to 5.0% and then to 0.0% from 1 July 2024) was also made.

The following table presents LPFA's asset allocation at the end of March 2023 versus its SAA.

	31 March 2023		31 March 2022			
Asset Class	Exposure £m	Exposure %	Exposure £m	Exposure %	Strategic Asset Allocation %	Range %
Public Equity	3,782	49.3	3,610	47.5	50.0	40–60
Fixed Income	78	1.0	209	2.8	1.0	0–11
Private Equity	585	7.6	696	9.2	5.0	0–10
Infrastructure	940	12.2	809	10.6	12.5	7.5–17.5
Credit	736	9.6	615	8.1	12.5	7.5–17.5
Real Estate	729	9.5	678	8.9	12.5	7.5–17.5
Diversifying Strategies	653	8.5	807	10.6	5.0	0–10
Cash	170	2.2	180	2.4	1.5	0–6.5
Total	**7,673**	**100**	**7,604**	**100**	**100**	

* The Strategic Asset Allocation shown in this table is the short-term Strategic Asset Allocation, as referenced in the Fund's Investment Strategy.

Fund account for the year ended 31 March 2023

	Notes	**2022-23 £'000**	2021-22 £'000
Dealing with members, employers and others directly involved in the Fund			
Contributions	7	**157,955**	153,640
Transfer in from other pension funds	8	**12,278**	9,645
		170,233	163,275
Benefits	9	**(278,918)**	(271,037)
Payments to and on account of leavers	10	**(26,498)**	(12,472)
		(305,416)	(283,509)
Net withdrawals from dealings with members		**(135,183)**	(120,234)
Management expenses	11a	**(129,962)**	(98,638)
Net withdrawals including fund management expenses		**(265,145)**	(218,872)
Returns on investments			
Investment income	12	**173,404**	160,460
Taxes on income		**(1,975)**	(651)
Profit and loss on disposal and change in value of investments	14a	**86,878**	812,048)
Net returns on investments		**258,307**	971,857
Net (decrease)/increase in net assets available for benefits during the year		**(6,838)**	752,985
Opening net assets of the scheme		**7,664,752**	6,911,767
Closing net assets of the scheme		**7,657,914**	7,664,752

Net assets statement for the year ended 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Investment assets	14	**7,460,620**	7,461,880
Investment liabilities*			
Derivatives	15	**(5,580)**	(19,290)
Total net investments		**7,455,040**	7,442,590
Cash balances	19	**175,662**	199,036
Current assets	21	**33,555**	33,719
Current liabilities	22	**(6,343)**	(10,593)
Net assets of the Fund available to fund benefits at the year end*		**7,657,914**	7,664,752

* Please note the total of £7,673 million disclosed in the investment performance can be reconciled to the net asset statement value of £7,658 million by adding the current assets and liabilities figures, the LPFA Lloyds Bank balance of £13.3 million and LPFA's equity holding in LPP of £12.5 million. The investment performance also has not been adjusted for the late sale of some LPPI Diversifying Strategies assets in March which has been accounted for in the net assets statement. This sale has reduced the value in the net asset compared to the investment performance values by £69 million.

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 in note 25.

Notes to the pension fund accounts

1. Description of Fund

The LPFA is part of the LGPS.

a) General

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.

It is a contributary defined benefit scheme administered to provide pensions and other benefits to members of the scheme who are working for not-for-profit, charity, private sector and local government employers. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by a Board of Non-Executive Members.

b) Membership

Membership of the LGPS is automatic, although employees are free to choose whether to opt out of the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the LPFA include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking local authority functions following outsourcing to the private sector.

Details of the participating employers and their individual contribution rates are set out in the list of active and ceased employers in the Fund by scheduled and active bodies, along with their individual contribution figures for the year ended 31 March 2023, are set out in Appendix ii.

Notes to the pension fund accounts continued

The Fund membership was as follows:

Fund membership	31 March 2023 Numbers	31 March 2022 Numbers
Number of employers	**122**	123
Number of active members:		
LPFA	**23**	22
Other employers	**22,716**	19,941
Total	**22,739**	19,963
Number of deferred beneficiaries:		
LPFA	**110**	113
Other employers	**29,683**	29,216
Total	**29,793**	29,329
Number of pensioners and dependents:		
LPFA	**79**	75
Other employers	**36,130**	36,052
Total	**36,209**	36,127
Number of undecided leavers and frozen refunds:		
LPFA	**12**	10
Other employers	**8,043**	7,230
Total	**8,055**	7,240
Total number of members in pension scheme	**96,796**	92,659

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employer's contributions are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently employer contributions range from 0% to 32.7%.

d) Benefits payable

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see www.lgpsmember.org

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued by January 2023 but not yet adopted, setting out the impact of non adoption of the standard. There are no changes to accounting standards to be disclosed.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in note 25.

3. Summary of significant accounting policies

Fund account – revenue recognition

Contributions
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

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

Employers' augmentation contributions in respect of ill-health and early retirement are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. 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 are included in transfers in (note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net asset statement as current assets.

Distributions from pooled assets are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as current assets.

Rental income from pooled real estate is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses in the year.

Fund account – expense items

Benefits payable
Pensions and lump sum benefits payable include all known amounts to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net asset statement as current liabilities, providing the payment has been approved.

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

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

Notes to the pension fund accounts continued

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 are contained in the Operational accounts:

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

Investment management fees consist of the following:

- Investment management expenses incurred in relation to the management of pension fund assets and financial instruments;
- 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; and
- Transaction fees for all categories of investment are included within investment management expenses.

Local Pensions Partnership 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.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in note 14a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016):

Financial assets classed as amortised cost are carried in the net asset statement at the value of the outstanding principal receivable at the year-end date plus accrued interest.

Foreign currencies

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Financial liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains and losses arising from changes in fair value of the liability between the contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not paid is accounted for on an accruals basis in administration costs.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (note 25).

Real estate fund

The properties within the LPPI real estate fund are included at the open market value as at the year end. The properties were valued at open market value at 31 March 2023 by an independent valuer, Avison Young.

The properties have been valued individually based on Fair Value, in accordance with the RICS Global Valuation 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."

Avison Young 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.

Additional voluntary contributions (AVCs)

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 20.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place, giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical accounting estimates and judgements

There are no critical judgements except for those involved in the following estimates:

Unquoted private equity and infrastructure investments

Private equity and infrastructure investments are valued in accordance with International Private Equity and Venture Capital Guidelines (December 2018). See note 5 for further information on estimations required as part of the valuation method.

Real estate fund

The real estate property values within the real estate fund are generally a matter of a valuer's opinion rather than fact and may go down as well as up. There is also a risk that the price at which a property is valued may not be realisable in the event of a sale. This could be due to a mis-estimation of the asset's value or due to a lack of liquidity in the relevant market. Note 5 contains further details on the estimations required as part of the valuation method. Real estate assets were valued at £729.3 million at 31 March 2023 (31 March 2022: £677.6 million), note 14.

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 IAS 26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuary's Statement on page 93 of this report. This estimate is subject to significant variances based on changes to the underlying assumptions.

See note 5 for further assumptions relating to critical accounting estimates.

5. Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised benefits	Estimation of the net liability to pay pensions depends on a number of complex estimates relating to the discount rate used, salary increases, changes in retirement ages, mortality rate, and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice based on their judgement about the appropriate assumptions to be applied.	For instance: a) A 0.1% increase in the discount rate would reduce the present value of the total obligation by £100 million. The rates have gone on an upward trend since 2021 and have increased by over 2% to 4.8%. b) A 0.1% increase in long-term salary increase would increase the present value of the obligation by £5.4 million. c) A 0.1% change in the long-term pension increase would increase the present value of the obligation by £99 million. More details on the assumptions are shown in note 25.
Real estate	The valuation method for the Real Estate ASC is detailed in note 16. The key valuation uncertainties relate to estimating the rental growth, vacancy levels and the appropriate discount rate. Over the next 12 months, these inputs may change with respect to the changing economic conditions. Refer to note 16, sensitivity of assets for further explanation.	Real Estate is valued at £729.3 million. There are inherent risks within the valuation technique which means the asset value could vary between plus and minus 6.6%.
Private equity and infrastructure	Private equity and Infrastructure investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines (2022). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation of these assets. Uncertainties including changes in market activity, credit risk, expected cash flows, discount rates used can impact valuations . Over the next 12 months, these inputs may change with respect to the changing economic conditions. Refer to note 16, sensitivity of assets for further explanation.	Private equity and Infrastructure investments are valued at £1,525.2 million. There is a risk that these investments may be under- or overstated in the accounts by £73.5 million, being 4.8%. See note 16 for further information.

6. Post balance sheet events

There are two types of post balance sheet events. There are events after the net asset statement date that provide additional information relating to conditions that existed at the date of the net asset statement (adjusting event) and there are events after the net asset statement date relating to conditions that did not exist at the date of the net asset statement (non-adjusting event).

There were no adjusting or non-adjusting post balance sheet events.

7. Contributions

By category

	2022-23 £'000	2021-22 £'000
Employers – normal	**96,020**	89,988
Employers – additional	**14,966**	15,740
Members – normal	**46,393**	43,367
Augmentation	**576**	4,535
	157,955	153,630

By type of employer

	2022-23 £'000	2021-22 Restated £'000
Scheduled bodies	**85,603**	82,255
Admitted bodies	**69,524**	69,194
Transferee admission body	**2,828**	2,181
	157,955	153,630

The analysis of the comparatives has been revised as a result of a detailed review of the allocation of each employer to the appropriate employer type. Scheduled bodies has increased by £12.9 million and admitted bodies has reduced by £12.9 million.

Pension fund accounts continued

Notes to the pension fund accounts continued

8. Transfers in from other pension funds

	2022-23 £'000	2021-22 £'000
Individual transfers	**12,278**	9,645
	12,278	9,645

9. Benefits

By category

	2022-23 £'000	2021-22 £'000
Pensions	**246,004**	240,402
Commutation and lump sum retirement benefits	**27,799**	26,523
Lump sum death benefits	**4,216**	2,838
AVC payments	**672**	672
Tax on exceeding lifetime or annual allowance	**227**	602
	278,918	271,037

By type of employer

	2022-23 £'000	2021-22 Restated £'000
Scheduled bodies	**178,195**	177,708
Admitted bodies	**12,658**	12,358
Community admission body	**85,668**	79,153
Transferee admission body	**2,349**	1,766
Resolution body	**48**	52
	278,918	271,037

The analysis of the comparatives has been revised as a result of a detailed review of the allocation of each employer to the appropriate employer type. Scheduled bodies have increased by £12.1 million and admitted bodies have reduced by £12.1 million.

10. Payments to and on account of leavers

	2022-23 £'000	2021-22 £'000
Refunds to members leaving service	**432**	662
Group transfers	**11,268**	–
Individual transfers	**14,798**	11,810
	26,498	12,472

11. Management expenses

	2022-23 £'000	2021-22 £'000
Investment management expenses	**123,528**	94,811
Administration	**2,347**	2,235
Risk	**–**	179
Oversight and governance	**4,087**	1,413
	129,962	98,638

11a. Investment management expenses

	2022-23 £'000	2021-22 £'000
Management fees	**67,794**	49,034
LPP management fee directly invoiced	**67**	534
Performance related fees	**32,954**	32,864
Custody fees	**42**	55
Transaction fees	**17,003**	9,077
Other fees	**5,668**	3,247
	123,528	94,811

The investment 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.

12. Investment income

	2022-23 £'000	2021-22 £'000
Pooled Investments – Private equity and Infrastructure	**99,214**	107,025
Pooled Investments – Unit trusts and other managed funds	**43,283**	32,952
Pooled property income	**26,000**	20,390
Interest on cash deposits	**4,476**	590
Other	**431**	(497)
	173,404	160,460

13. External audit fee

The audit fee for the pension fund is included within the oversight and governance charged by LPFA Operations. The amount payable to the external auditors for the audit of the Fund for 2022-23 was £91k and £nil for other audit costs (2021-22: £78k and £nil for other audit costs).

Fees are also payable to the external auditors in relation to the certification of the data used to calculate the IAS 19 disclosures for participating employers. The fee is expected to be £50k (2022: £34.5k). These fees are recharged to the employer so the net cost to LPFA is £nil.

Notes to the pension fund accounts continued

14. Investments

	Market value at 31 March 2023 £'000	Market value at 31 March 2022 £'000
Pooled investments:		
– Fixed Income	**77,549**	209,114
– Equities	**3,782,095**	3,609,689
– Credit	**736,462**	615,278
– Private equity	**585,478**	696,481
– Infrastructure	**939,596**	808,492
– Real estate	**729,327**	677,597
– Diversifying strategies	**566,935**	803,448
	7,417,442	7,420,099
Non-pooled investments:		
– Equities	**88**	518
– Private equity	**12,500**	12,500
– Infrastructure	**146**	726
– Managed funds	**43**	22,040
– Diversifying strategies	**718**	3,406
– Derivatives – forward exchange contracts	**7,775**	2,618
– Cash at investment managers	**5,657**	(28)
– Amounts receivable on sales	**16,250**	–
– Investment income due	**1**	1
Total investment assets	**7,460,620**	7,461,880
Investment liabilities		
Derivatives – Forward exchange contracts	**(5,580)**	(19,290)
Net investment assets	**7,455,040**	7,442,590

14a. Reconciliation of movements in investments and derivatives

	Market value at 31 March 2023 £'000	Change in market value during in the year £'000	Sales during the year and derivative receipts £'000	Purchases during the year and derivative payments £'000	Market value at 31 March 2022 £'000
Pooled investments:					
– Fixed income	77,549	(10,647)	(119,950)	(968)	209,114
– Equities	3,782,095	92,605	–	79,801	3,609,689
– Credit	736,462	(4,185)	–	125,369	615,278
– Private equity	585,478	(33,237)	(77,192)	(573)	696,481
– Infrastructure	939,596	26,983	(30,873)	134,993	808,492
– Real estate	729,327	(16,742)	–	68,473	677,597
– Diversifying strategies	566,935	83,177	(280,000)	(39,690)	803,448
	7,417,442	137,954	(508,015)	367,405	7,420,099
Non-pooled investments:					
– Equities	88	(430)	–	–	518
– Private equity	12,500	–	–	–	12,500
– Infrastructure	146	17	(698)	100	726
– Managed funds – cash	43	5	(22,001)	–	22,040
– Diversifying strategies	718	1,796	(7,694)	3,209	3,406
	7,430,937	139,342	(538,409)	370,713	7,459,289
Derivative contracts:					
– Forward exchange contracts	2,195	(53,020)	(50,768)	122,265	(16,672)
	7,433,131	86,322	(589,177)	489,368	7,442,617
Cash at investment managers	5,657	556			(28)
Amounts receivable for sale of investments	16,250	–			–
Investment income due	1	–			1
Net investment assets	7,455,040	86,878			7,442,590

Notes to the pension fund accounts continued

14a. Reconciliation of movements in investments and derivatives continued

Net Investment Assets (Prior year comparative) Period 2021-22	**Market value at 31 March 2022 £'000**	**Change in market value during in the year £'000**	**Sales during the year and derivative receipts £'000**	**Purchases during the year and derivative payments £'000**	Market value at 31 March 2021 £'000
Pooled investments:					
– Fixed income	209,114	(9,678)	(60,000)	552	278,239
– Equities	3,609,689	282,731	–	483,230	2,843,729
– Credit	615,278	26,041	–	31,240	557,997
– Private equity	696,481	103,197	(78,077)	22,445	648,916
– Infrastructure	808,492	96,076	(26,851)	162,732	576,536
– Real estate	677,597	83,668	(5,100)	1,040	597,989
– Diversifying strategies	803,448	100,374		(21,524)	724,597
	7,420,099	682,410	(170,029)	679,715	6,228,003
Non-pooled investments:					
– Equities	518	37,616	(100,342)	7,681	55,563
– Private equity	12,500	–	–	–	12,500
– Infrastructure	726	(123)	(1,878)	195	2,532
– Managed funds	22,040	131,240	(624,356)	99,641	415,516
– Diversifying strategies	3,406	1,559	(16,108)	5,982	11,972
	7,459,289	852,701	(912,712)	793,214	6,726,086
Derivative contracts					
– Forward exchange contracts	(16,672)	(40,850)	(80,244)	84,694	19,728
	7,442,617	811,851	(992,956)	877,908	6,745,814
Cash at investment managers	(28)	197			35,094
Amount receivable for sale of investments	–	–			132
Investment income due	1	–			27
Net investment assets	7,442,590	812,048			6,781,067

14b. Investments analysed by fund manager

	Market value at 31 March 2023 £'000	% of market value at 31 March 2023 %	Market value at 31 March 2022 £'000	% of market value at 31 March 2022 %
Investment managed within LPPI asset pools				
LPPI Global Equities	**3,782,095**	**50.90**	3,609,689	48.40
LPPI Diversified Strategy	**566,935**	**7.63**	803,448	10.77
LPPI Real Estate	**668,696**	**9.00**	658,708	8.83
LPPI Private Equity	**585,478**	**7.88**	696,481	9.34
LPPI Credit	**736,462**	**9.91**	615,278	8.25
LPPI Infrastructure	**939,596**	**12.64**	808,492	10.84
LPPI Fixed Income	**77,549**	**1.04**	209,114	2.80
LPPI London Fund	**60,632**	**0.82**	18,889	0.25
	7,417,442	**99.82**	7,420,099	99.47
Investments managed outside asset pools				
Insight Investment Management (Global)	**–**	**0.00**	22,040	0.29
Aeolus Property	**718**	**0.01**	3,406	0.05
LPP Group	**12,500**	**0.17**	12,500	0.17
InfraRed Capital Partners	**25**	**0.00**	479	0.01
Foresight Group	**43**	**0.00**	57	0.00
Impax Asset Management	**121**	**0.00**	190	0.00
BlackRock Management	**88**	**0.00**	518	0.01
	13,495	**0.18**	39,190	0.53
	7,430,937	**100**	7,459,289	100
Forward exchange contracts	**2,195**		(16,672)	
Cash with investment managers	**5,657**		(28)	
Amounts receivable for sales	**16,250**		–	
Investment income due	**1**		1	
	7,455,040		7,442,590	

Notes to the pension fund accounts continued

14b. Investments analysed by fund manager continued

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

Security	Market value at 31 March 2023 £'000	% of total Fund %	Market value at 31 March 2022 £'000	% of total Fund %
LPPI Global Equity Fund	3,782,095	49.39	3,609,689	47.09
LPPI Diversified Strategy	566,935	7.40	803,448	10.48
LPPI Real Estate	668,696	8.73	658,708	8.59
LPPI PE Investments (No.1) LP	585,478	7.65	696,481	9.09
LPPI Credit	736,462	9.62	615,278	8.03
LPPI Infrastructure	939,596	12.27	808,492	10.55
Total	7,279,261	95.06	7,192,096	93.82

15. Analysis of derivatives

Objectives and policies for holding 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 2023 (31 March 2022: £nil).

15. Analysis of derivatives continued

Open forward foreign currency contracts

The net position on open forward currency contracts at 31 March 2023 amounts to an asset of £2.2 million (2022: liability of £16.7 million). This amount is reflected within the cash balance held by managers.

Analysis of open forward foreign currency contracts

To maintain appropriate diversification a significant proportion of the Fund's investments is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the Fund hedges a proportion of overseas investments currency exposure.

Settlement	Currency code purchased	Currency purchased amount £'000	Currency code sold	Currency sold amount £'000	Asset value £'000	Liability value £'000
1 month	GBP	20,197	CHF	22,732	30	–
	GBP	52,554	USD	61,135	3,135	–
	CHF	2,305	GBP	2,039	5	–
	GBP	6,122	USD	7,086	394	–
1 to 6 months	GBP	18,236	CHF	20,427	61	–
	GBP	54,133	USD	68,221	1,022	–
	GBP	18,577	CHF	20,427	353	–
	GBP	56,165	USD	68,221	1,085	–
	CHF	112	GBP	99	0	–
	GBP	5,673	EUR	6,446	4	–
	USD	9,726	GBP	7,860	3	–
	JPY	13,407,300	GBP	84,291	0	(2,541)
	CHF	112	GBP	99	0	–
	USD	9,726	GBP	7,853	4	–
	CHF	112	GBP	99	0	–
	USD	9,726	GBP	7,846	6	–
	GBP	18,089	CHF	20,315	0	(82)
	GBP	47,077	USD	58,495	0	(134)
	GBP	5,708	EUR	6,446	33	–
	JPY	13,407,300	GBP	83,454	0	(1,391)
	GBP	18,399	CHF	20,315	183	–
	GBP	48,499	USD	58,495	1,252	–
	GBP	5,689	EUR	6,446	6	–
	NZD	23,879	GBP	12,053	9	–
	NOK	365,145	GBP	28,527	0	(267)
	CAD	68,854	GBP	41,094	41	–
	GBP	22,319	AUD	41,217	0	(41)
	JPY	13,407,300	GBP	83,441	0	(1,052)
	GBP	35,606	SEK	455,458	0	(17)
	GBP	18,206	CHF	20,315	0	(55)
	GBP	47,322	USD	58,495	149	–

Notes to the pension fund accounts continued

15. Analysis of derivatives continued

	Asset value £'000	Liability value £'000
Open forward contracts at 31 March 2023	**7,775**	**(5,580)**
Net forward contracts at 31 March 2023		**2,195**
Open forward contracts at 31 March 2022	2,618	(19,290)
Net forward contracts at 31 March 2022		(16,672)

16. Fair values – basis of valuation

The LPFA has financial liabilities carried at amortised cost and the carrying amount for instruments that will mature within the next 12 months from the net asset statement date is assumed to equate to the fair value.

The fair values of current financial assets and current financial liabilities at 31 March 2023 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Current financial assets and liabilities are accounted for as financial instruments and held at amortised costs.

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

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation basis is set out in a table on page 83. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

There has been no change in the valuation techniques used this year.

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.

16. Fair values – basis of valuation continued

Basis of valuation	Valuation hierarchy level	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Pooled global equities	1	Unadjusted quoted bid market prices.	Not required.	Not required.
Cash and cash equivalents	1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amount receivable for sale of investments	1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Fixed income funds	2	Unadjusted market values based on current yields.	Not required.	Not required.
Long-term credit	2	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2018 or equivalent.	Discount rates, cash flow projections.	Not required.
Forward foreign exchange derivatives	2	Market forward exchange rates at year end.	Exchange rate.	Not required.
Pooled diversifying strategies	2	Independently audited net asset value	Discount rates, cash flow projections.	Not required.
Pooled real estate investments	3	The Real Estate ASC is valued in accordance with RICS Red Book Global valuation methodology. The valuations are used to calculate the unit price.	NAV-based pricing set on a forward pricing basis.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Private equity, infrastructure investments and non-pooled diversifying strategies	3	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2015 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments at 31 March 2023.

Notes to the pension fund accounts continued

16. Fair values – basis of valuation continued

Sensitivity of assets valued at Level 3

Assets	Assessed valuation range (+/-)	Value at 31 March 2023 £'000	Value increase £'000	Value decrease £'000
Private Equity	**4.8%**	**585,478**	**613,703**	**557,253**
Infrastructure	**4.8%**	**939,741**	**985,044**	**894,438**
Diversifying strategies	**4.8%**	**718**	**752**	**683**
Real Estate	**6.6%**	**729,327**	**777,212**	**681,443**
		2,255,264	**2,376,711**	**2,133,817**

Assets	Assessed valuation range (+/-)	Value at 31 March 2022 £'000	Value increase £'000	Value decrease £'000
Private Equity	5.6%	696,481	735,484	657,478
Infrastructure	5.6%	809,218	854,535	763,902
Diversifying strategies	5.6%	3,406	3,597	3,216
Credit	4.2%	677,597	706,056	649,138
		2,186,702	2,299,672	2,073,734

16a. Fair value hierarchy

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**£'000**
Financial assets at fair value through profit or loss	**3,804,091**	**1,388,766**	**2,267,763**	**7,460,620**
Financial liabilities at fair value through profit or loss	**–**	**(5,580)**	**–**	**(5,580)**
Net investment assets	**3,804,091**	**1,383,186**	**2,267,763**	**7,455,040**

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit or loss	3,610,180	1,652,498	2,199,202	7,461,880
Financial liabilities at fair value through profit or loss	–	(19,290)	–	(19,290)
Net investment assets	3,610,180	1,633,208	2,199,202	7,442,590

The LPPI Global Equities, valued at £3.6 billion, has been restated in the balance as at 31 March 2022 to Level 1 from Level 2 as this was the classification disclosed in the final 2021-22 fund accounts as the fair value is derived from unadjusted quoted prices.

16a. Fair value hierarchy continued

Reconciliation of Level 3 assets

	Market value at 31 March 2023 £'000	Unrealised gains / (losses) 31 March 2023 £'000	Realised gains/ (losses) £'000	Sales during the year £'000	Purchases during the year £'000	Market value 31 March 2022 £'000
Private Equity	597,978	(33,237)	–	(77,192)	(573)	708,981
Infrastructure	939,740	32,682	(5,681)	(31,572)	135,093	809,218
Diversifying strategies	718	302	1,494	(7,693)	3,209	3,406
Real Estate	729,327	(16,742)	–	–	68,473	677,597
Total	2,267,763	(16,996)	(4,187)	(116,457)	206,201	2,199,202

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. LPFA has a large portfolio of Level 3 investments and changes to the value of any one investment are not likely to have a significant impact on the value of the whole class of investments or to the value of LPFA's total asset portfolio.

Pension fund accounts continued

Notes to the pension fund accounts continued

17. Classification of financial instruments

Category **Financial assets – fair value through profit and loss**	**Market value at 31 March 2023 £'000**	Market value at 31 March 2022 £'000
Pooled investments:		
– Equities	**3,782,095**	3,609,689
– Fixed interest	**77,549**	209,114
– Credit	**736,462**	615,278
– Private equity	**585,478**	696,481
– Infrastructure	**939,596**	808,492
– Real estate	**729,327**	677,597
– Diversifying strategies	**566,935**	803,448
	7,417,442	7,420,099
Equities	**88**	518
Private equity	**12,500**	12,500
Infrastructure	**146**	726
Diversifying strategies	**718**	3,406
Managed funds	**43**	22,040
Forward exchange contracts	**7,775**	2,618
Total financial assets at fair value through profit and loss	**7,438,712**	7,461,907
Assets at amortised cost		
Cash at investment managers	**5,657**	(28)
Amounts receivable for sales	**16,250**	–
Investment income due	**1**	1
Cash balances	**175,662**	199,036
Current assets – note 21	**17,951**	18,956
Total financial assets at amortised cost	**215,551**	217,965
Finance liabilities – fair value through profit and loss		
Forward exchange contracts	**(5,580)**	(19,290)
Finance liabilities – at amortised cost		
Current liabilities – note 22	**(499)**	(6,088)
Total liabilities	**(6,079)**	(25,378)
Grand total	**7,648,154**	7,654,494

18. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that its assets may fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Board. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

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 LPPI pooled funds.

Market risk is managed in line with the risk management objectives within the Fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (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, value at risk (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 one-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. LPPI uses economic scenario generation (ESG) to model future returns. Ortec Finance's (Ortec) ALM software (GLASS) is used to generate 2,000 future economic scenarios and analyse future investment returns stochastically. Assumptions around future economic conditions and asset class risk and return are primarily Ortec's, however LPPI specifies the weights of Ortec's sub-asset class building blocks for each asset class to best reflect the asset classes which LPPI manages.

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 one-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.

Notes to the pension fund accounts continued

18. Nature and extent of risks arising from financial instruments

Asset class	2023 1 year expected volatility (%)	2023 % of Fund	2022 1 year expected volatility (%)	2022 % of Fund
Global Equities	**19.0**	**49.8**	20.9	47.1
Private Equity	**25.0**	**7.7**	27.5	9.2
Real Estate	**13.6**	**9.6**	16.5	8.8
Fixed Income	**3.6**	**1.0**	5.4	2.7
Infrastructure	**15.1**	**12.4**	16.5	10.6
Credit	**9.7**	**9.7**	7.5	8.0
Diversifying strategies	**6.2**	**7.5**	4.7	10.5
Cash	**0.0**	**2.2**	0.0	3.1
Total Fund	**12.9**	**100.0**	13.8	100.0

The value of the Fund as at 31 March 2023 was £7,658 million (2022: £7,665 million) and the expected volatility was 12.9% (2022: 13.8%). Given these figures, we would expect that in roughly 2/3rds of outcomes the value of the Fund would lie between £8,646 million (2022: £8,723 million) and £6,676 million (2022: £6,607 million) 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.

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 programme is reviewed regularly as part of LPFA's investment strategy review.

18. Nature and extent of risks arising from financial instruments continued

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 12-month market implied volatilities as at 31 March 2023. The following table summarise the Fund's currency exposure and expected 12-month volatility by currency as at 31 March 2023 and as at the previous period end:

Value at 31 March 2023 (£m)	Implied volatility %	Currency	Value at 31 March2022 (£m)	Implied volatility %
2,732	9.7	USD	2,719	8.3
379	12.2	JPY	378	10.3
759	7.0	EUR	755	6.8
57	8.2	CHF	577	7.5
133	8.6	CAD	132	7.7

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. The LPFA was part of a Group Investment Syndicate (GIS), operated by the Greater London Authority (GLA), under the supervision of the participants; the GLA, the LPFA, the London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC) and the Mayor's Office for Policing and Crime (MOPAC). During the year these funds have been transferred to fund manager LPFA LPPI cash account. These funds are to be placed on money market funds in accordance with the recommendation of the fund manager.

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 2023 was £160.9 million (2022: £199.0 million).

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.

The 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 LPFA LPPI cash account held by the custodian Bank of New York Mellon, Lloyds Bank plc and the GIS.

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 2023, the value of illiquid assets (private equity, infrastructure, credit and real estate) was £2,268 million, which represented 29.9% of the total LPFA assets (31 March 2022: £2,199 million which represented 28.7% of the total LPFA assets).

All financial liabilities at 31 March 2023 are due within one year.

Notes to the pension fund accounts continued

19. Cash balances

	31 March 2023 £'000	31 March 2022 £'000
Short-term deposits	**175,662**	199,036
Cash at investment managers	**5,657**	(28)
	181,319	199,008

20. AVC investments

	31 March 2023 £'000	31 March 2022 £'000
Prudential	**13,461**	15,489

21. Current assets

	31 March 2023 £'000	31 March 2022 £'000
Contributions due – employees	**4,355**	3,071
Contributions due – employers	**8,861**	9,296
VAT	**2,388**	2,396
Sundry debtors and prepayments	**17,951**	18,956
	33,555	33,719

22. Current liabilities

	31 March 2023 £'000	31 March 2022 £'000
Other current liabilities	**499**	6,088
Other taxes	**3,257**	2,966
Benefits payable	**2,587**	1,540
	6,343	10,593

23. 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 IAS 24 and its applicability to the public sector using current advice and guidance.

Some of the Board members have positions of authority within organisations that are participating employers of the scheme. The employer contributions paid into the scheme by these employers have been disclosed as related party transactions. The Board members receive no financial benefit from these payments.

Ruth Dombey is one of the three Vice Chairs of London Councils. London Councils paid employer contributions of £1 million (£2022: £0.8 million) and it is noted that she has no pecuniary interest in financial matters. Christina Thompson is the Director of Finance and Property and the S151 Officer at the London Borough of Lambeth. The London Borough of Lambeth paid employer contributions of £0.07 million (2022: £0.08 million). The London Councils are Admitted bodies in the Fund, whereas Lambeth is a Scheduled body in the Fund.

23. Related party transactions continued

Board members, via their employment with the LPFA are not enrolled in the pension fund.

The Office of the Mayor of London is issued with a draft of the LPFA Medium Term Financial Planby the end of December and has the opportunity to provide feedback. As the Office of the Mayor of London is part of the Greater London Authority and it is a participating employer, the employer contributions are deemed to be related party transactions. The Greater London Authority paid employer contributions of £7.7 million (2022: £6.9 million) during the year.

The LPFA Operational Account, being the administering authority of the Fund and Residual Liabilities Accounts are deemed to be related parties and transactions relating to such are reflected in their accounts. During the year the LPFA Operational Account recharged costs totaling £6.2 million (2022: £3.7 million) to the LPFA Pension Fund.

The LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries (Local Pensions Partnership Investments Ltd (LPPI) and Local Pensions Partnership Administration Ltd (LPPA) on 8 April 2016. LPP is a related party of LPFA. In addition, in 2020 the LPFA acquired a £12.5 million direct investment in LPP, being £12.5 million non-voting £1 ordinary shares. This is included as private equity within investment assets. LPPI invoiced the scheme £8 million (2022: £5.3 million) for investment fees and the administration service costing £2.3 million (2022: £2.2 million) was provided by LPPA.

The LPFA relies on LPPI's AAF 01/20 assurance process, to provide confidence regarding the information provided by LPPI investment management. Also BNYM is involved as Custodian in reviewing the net asset values that LPPI issue to LPFA and we have a copy of BNYM internal controls report. For the SPV accounts these are subject to external audit annually which provides assurance over the numbers at year end.

The membership data and other service provided by LPPA pension administration services, are subject to periodic internal audit from LPPA and LPFA's internal auditors. Also there is a reliance on the Actuaries Barnett Waddingham who liaise with LPPA in providing pension data that LPFA uses for collection of contributions and benefit payments.

The year-end joint venture adjustment for 50% of the LPP Group is based on independently audited LPP Group accounts.

24. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2023 totalled £278.4 million (2022: £334.1 million) based on:

Currency	Commitment	Exchange rate	£'000
USD	181,777,128	1.236	147,015
CHF	7,029,000	1.130	6,223
EUR	70,852,514	1.138	62,257
GBP	62,931,918	1.000	62,932
Total			**278,427**

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 four and six years from the date of each original commitment.

Notes to the pension fund accounts continued

25. 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 2022, 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 defined benefit obligation at 31 March 2023 of the Fund was £6,748 million (2022: £9,991 million). The net assets of the Fund at 31 March 2023 were £840 million (2022: liability £2,439 million).

Life expectancy from age 65 (years)	31 March 2023	31 March 2022
Retiring today		
Males	**21.10**	21.80
Females	**23.90**	24.20
Retiring in 20 years		
Males	**22.20**	23.00
Females	**25.40**	25.90

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

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

	31 March 2023 % p.a.	31 March 2022 % p.a.
CPI increases	**2.90**	3.20
Salary increases	**3.90**	4.20
Pension increases	**2.90**	3.20
Discount rate	**4.80**	2.60

These assumptions are set with reference to market conditions at 31 March 2023.

26. Key management personnel

The payments to key management personnel is included within the Operational Accounts, being the administering authority. The key management personnel are the Chief Executive, the Finance Director and S151 Officer, the Chief Legal and Compliance Director, Funding and Risk Director, Chief of Staff. The details are summarised below:

	2022-23 £'000	2021-22 £'000
Short-term deposits	**740**	600
Pension	**49**	71
	789	671

Actuary's statement

Introduction

The last full triennial valuation of the London Pensions Fund Authority Pension Fund was carried out as at 31 March 2022 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 22 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £7.53 billion.
- The funding level taking into account the individual employer funding targets was 128%. The surplus on this basis was £1.63 billion which is an improvement from the position at 2019. This means the assets were 128% of the value that they would have needed to be to pay for the benefits accrued to that date based on the assumptions used.
- These results take into account the individual employer funding strategies which have been updated since the 2019 valuation.
- The contribution rate for each employer was set based on the employer's calculated cost of new benefits, known as the primary rate, plus any adjustment required (for example, to allow for deficit recovery), known as the 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.
- In particular, the discount rate varied by employer as higher allowances for prudence (leading to lower discount rates) were applied for less secure employers.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 15.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer may pay a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions payable. This secondary rate is based on each employer's particular circumstances. In many cases the secondary rate is negative, which means that a reduction is applied to the employer's primary rate to calculate the minimum total contribution rate.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 5 of the triennial valuation report.

Actuary's statement continued

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for 2022 Valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increase	3.9% p.a
Weighted average discount rate (employer specific strategies)	5.2% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vista analysis
Projection model	CMI 2021
Long-term rate improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	0.0% p.a.
2020-21 weighting parameter	5.0%

Full details of the demographic and other assumptions adopted, as well as details of the derivation of the financial assumptions used, can be found in the 2022 valuation report.

Updated position since the 2022 valuation:

Assets

Returns over the year to 31 March 2023 have been lower than assumed at the previous valuation. In the 12 months to 31 March 2023 the investment return on the Fund's assets is estimated to have been 2.59% per annum. As at 31 March 2023, in market value terms, the Fund's assets were less than where they were projected to be, based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is at a similar level compared with the 2022 valuation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid. In addition, accrued benefits will increase by 10.1% in line with the 2023 pension increase order which is higher than the pension increase assumption at the previous valuation, increasing the value of liabilities further.

Overall position

On balance, we estimate that the funding position has weakened slightly on the individual employer strategies basis compared to 31 March 2022.

Primary contributions are likely to be relatively stable due to the similar level of real discount rate compared to 31 March 2022. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

Employers participating in the Fund
Based on any employer with whom the LPFA has had an economic transfer in 2022-23

Employer body	Contribution rate %*
Alleyn's School	23.80
Apleona HSG	25.40
Archbishop Tenison's Church of England GMS	17.40
Association of Colleges	15.60
Babcock Critical Services Ltd	15.30
Babcock Training Limited	11.80
Bishop Thomas Grant School	15.80
British Film Institute	15.40
Brunel University	17.00
British University and Colleges Film and Video Council	20.90
Capital City College Group	15.50
Caterlink Ltd	32.70
Charlotte Sharman Foundation Primary School	15.20
CfBT*	–
City Literary Institute	12.90
City University	13.60
Compass Brunel Catering	26.90
Computacenter	18.10
Coram's Fields	25.30
Corpus Christi School	15.10
CBRE	15.00
Dulwich College	19.20
Dunraven School	13.20
Ealing, Hammersmith and West London College	15.00
East London Waste Authority	12.90
English Sports Council	16.00
Food Standards Agency	19.40
Food Standards Scotland	19.60
Freedom Leisure	21.90
Friars School	17.70
Geffrye Museum Trust Ltd.	16.30
GLL (Lee Valley Regional Authority)	19.50
Goldsmith,University of London	17.30
Greater London Authority	12.00
Guinness Partnership Limited	18.80
Horniman Museum & Gardens	15.70
Ibstock Place School	21.80
Immanuel & St Andrew C of E Primary School	15.90
Julian's Primary School	11.20
L.B. of Camden	22.60
L.B. of Greenwich	22.20

Employer body	Contribution rate %*
L.B. of Hackney	20.70
L.B. of Hammersmith & Fulham	24.50
L.B. of Islington	22.10
L.B. of Lambeth	22.30
L.B. of Lewisham	23.60
L.B. of Southwark	22.10
L.B. of Tower Hamlets	19.70
L.B. of Wandsworth	22.40
La Retraite RC Girl's School	14.90
La Sainte Union Convent School	20.10
Learning and Work Institute	20.80
Lee Valley Regional Park Authority	15.60
Lionheart (RICS Benevolent Fund)	25.70
Local Government and Social Care Ombudsman	15.70
Local Pensions Partnership	12.00
Local Pensions Partnership Administration	12.00
Local Pensions Partnership Investments	12.00
London Councils	13.60
London Fire Commisioner	15.30
London Legacy Development Corporation	12.00
London Metropolitan University	16.20
London Nautical School	16.60
London Pensions Fund Authority	12.00
London South Bank University	15.40
London South East Colleges	17.80
London Treasury Limited	12.00
Mary Ward Settlement	16.60
Miquill (South) Ltd	14.00
Morley College	15.10
New City College	14.40
Newcastle College Group	17.90
Notre Dame School	17.70
Notting Hill Genesis	20.80
NSL Limited	22.20
Old Oak And Park Royal Development Corporation (OPDC)	12.00
Open College Network London Region	20.50
Orchard Hill College & Academies	14.00
Poplar Harca	19.50
R.B. of Kensington & Chelsea	27.50
Roehampton University	15.40

Pension fund accounts continued

Employers participating in the Fund continued

Based on any employer with whom the LPFA has had an economic transfer in 2022-23 continued

Employer body	Contribution rate %*
Sacred Heart School	16.20
SITA UK Ltd	20.10
South Bank Colleges	16.30
South Thames College Group	18.50
Sport and Recreation Alliance Limited	12.40
S.S.A.F.A. Forces Help	19.70
St Andrew's RC Primary School	16.70
St Anne's RC Primary School	18.50
St Anthony's School	17.50
St Bede's GM Infant & Nursery School	18.00
St Bernadette's School	21.20
St Francesca Cabrini Primary School	17.80
St Francis Xavier 6th Form College	17.50
St Joseph RC Infant School	20.20
St Joseph RC Junior School	18.30
St Martin-in-the-Fields High School	20.90
St Mary's RC Primary School	17.80
St Michael's RC School	17.20
St Thomas the Apostle College	13.30
Surrey Square Primary School	15.90
The English Institute of Sport	12.00
The Froebel Trust	20.50
Transport for London	15.60
Trinity Laban	21.30
Turney School	15.50
Turnham Primary GMS School	16.00
UAL Short Courses Ltd	15.00
UK Anti Doping	12.00
United Colleges Group	23.40
United Kingdom Sports Council	12.00
University of Arts London	15.00
University of Greenwich	16.30
University of St Mark & St John	16.50
University of Westminster	15.10
Valuation Office Agency	21.00
Valuation Tribunal Service	16.30
Van Gogh Primary School	15.60
West London Waste Authority	13.50
West Riverside Waste Authority	13.80

* The scheme actuary has allocated this employer a 0% employer contribution rate, as detailed in the rates and adjustment certificate, due to the results of the triennial valuation as at 31 March 2022.

6. Appendices

i) Reporting and controls

The following describes how the organisation is controlled and any associated reporting requirements.

External review

The Public Sector Audit Appointments Ltd (PSAA) commission auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice. PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 to set the scale fees by the start of the financial year. The LPFA Board are due to ratify the PSAA proposal to appoint Ernst and Young LLP to audit the accounts of LPFA for five years from 2023-24 with effect from 1 April 2023. An Independent Auditor's Report provides the opinion of the external auditors, currently Grant Thornton (UK) LLP, on the financial statements. The Auditor also prepares and Auditor's Annual Report, which comments on the arrangements put in place by the LPFA for securing value for money. These reports can be found on our website.

Internal review and control

PricewaterhouseCoopers (PwC) was appointed as the LPFA internal auditor in April 2020. Internal auditors attend and report to the Audit and Risk Committee (ARC). An Internal Audit plan is presented at the start of every year detailing all audit reviews that will take place on a phased basis throughout the financial year. The resulting report from the reviews and any recommendations are reported and monitored at each ARC meeting along with progress against each recommendation.

Annual report and accounts

Regulation 57 of The LGPS Regulations 2013 (England and Wales) requires the Fund to prepare and publish an annual report by 1 December 2023. This Annual Report has been prepared in accordance with the CIPFA guidance – Preparing the annual report: Guidance for LGPS Funds (2019 Edition). The timelines for the preparation of the 2023 Annual Accounts was amended by The Accounts and Audit Regulations 2022, which extended the timelines for the preparation of the accounts including publication date for final accounts to 30 September 2023. The LPFA Board extended the constitutional document Annual Report and Accounts publication date to follow the amended regulations.

Fraud control

To combat potential instances of fraud and to reduce the risk of pension overpayments, LPFA participates in a range of data initiatives. These are outlined in more detail in the Fraud Control Framework which is reviewed regularly and published on our website.

National Fraud Initiative (NFI)

LPFA continues participated in the National Fraud Initiative. During 2022-23 there were no activities undertaken.

Mortality screening and overseas pensioners verification

Monthly mortality screening is carried out on pensioners and their dependants residing in the UK. This reduces the costs and risks of Impersonation of the Deceased (IOD) fraud and pension overpayments. Overseas pensioners are verified where a member's email address is known. For any non-responders or for those where an email address is not held, an annual screen is carried out to identify any new deaths. This exercise ensures that pension records are up to date as well as acting as an anti-fraud measure and safeguards members' pensions. In addition to mortality screening, LPFA has adopted the Tell Us Once (TUO) service which provides another method of being notified of deaths to help reduce the risk of pension overpayments.

We do obtain monthly Target reports that include confirmed and possible deaths with full or partial matches to our members. We also receive NFI reports however we receive this report every two years.

Overseas pensioners verification

A life certification exercise is undertaken monthly for members. LPPA undertake a certification process for overseas members on a monthly basis where LPPA hold the members' email address. For any non-responders to these exercises, and for any overseas members for whom an overseas email address is not held, annual screening is undertaken. The exercise ensures that pension records are up to date as well as acting as an anti-fraud measure and safeguards members' pensions.

Code of Corporate Governance

This Code is enforced under the Authority's power of self-regulation and sets out the rules relating to disclosure of personal interests and related-party transactions. It incorporates the seven Nolan Principles of Conduct and is further underpinned by local guidance on gifts and hospitality for Board members. The registers of interests declared by Board members and Principal Officers are available for public inspection and are completed upon joining the LPFA and at the start of every financial year. Any concerns are reviewed by the ARC.

i) Reporting and controls continued

Quality of data

LPFA has various processes in place to ensure LPPA, as the outsourced pensions administrator, examines the quality of the data it uses and maintains. These include a central electronic performance reporting system integrated with quality checks; employers' data-cleansing exercise and monthly returns; online member service that reduces the risk of human error; and data monitoring against The Pensions Regulator Record-Keeping Guidance on Common and Scheme Specific Data. The Pensions Regulator Code of Practice 14 also requires LPFA to maintain certain standards of data management, risk management processes and communication with members and employers.

Information security

LPFA's Information Security Compliance Statement predominantly mirrors LPP's Information Security Policy which is reviewed periodically to respond to any significant changes that might have an impact on LPFA's strategy and objectives. LPP is certified by the ISO 27001 Standard and has implemented an Information Security Management System. The LPP Group and LPFA are committed to preserving the confidentiality, integrity and availability of all the information assets throughout the organisation.

Freedom of Information (FOI) Scheme

LPFA is committed to the culture of openness and therefore operates a Freedom of Information Scheme as required by Statute (Freedom of Information Act 2000). The document provides guidance on the type of information that LPFA provides to meet its commitments under the model publication scheme. This document is available on the LPFA website.

Equalities objectives

LPFA operates an equality and diversity policy which was updated in October 2020 as part of the policy framework review. LPFA is committed to providing equality of opportunity and access in both its employment and service arrangements. It aims to promote diversity within its workforce and ensure that services meet the different needs of LPFA's members and employers.

Health and safety

LPFA acts in accordance with the requirements of the Health and Safety at Work etc Act 1974 and other related health and safety legislation. Officers monitor performance regarding health and safety. There were no matters that needed to be reported to the Board in 2022-23.

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2023)

Number of employers in the Fund

Status	Admitted	Scheduled	Grand Total
Ceased	12	4	**16**
Current	57	65	**122**
Grand total	**69**	**69**	**138**

Employer name	Admitted £	Scheduled £
Broadacres Housing Association Limited	36,704	
Chartered Institute of Housing	221,667	
Haberdashers AHCT	55,733	
KUSCO	326,000	
Lambeth College		7,358
L.B. of Enfield		81,065
The London Development Agency		152,138
Newable Ltd	63,945	
Parkwood Hall Co-operative Academy		7,610
Peabody Trust	18,096	
The Pioneer Group	10,767	
SENSE England	740,250	
SENSE Scotland	75,205	
SLCF & Southwark DB of Finance	13,418	
Sutton Community Leisure Ltd	31,699	
Woughton Leisure Trust	25,300	
Ceased employers total	**1,618,784**	**248,172**

Appendices continued

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2023) continued

Employer name	Admitted £	Scheduled £
Alleyns School	289,698	
Apleona HSG LTD	177,271	
Archbishop Tenison's Church of England GMS		82,027
Association of Colleges	987,834	
Babcock Critical Services Ltd	86,100	
Babcock Training Limited	128,741	
Bishop Thomas Grant School		228,964
British Film Institute	2,469,002	
Brunel University	5,838,586	
BUVFC	168,126	
Capital City College Group		4,530,024
Caterlink	20,130	
CBRE	41,855	
CfBT Education Trust	9,876	
Charlotte Sharman Foundation Primary School		70,989
City Literary Institute	769,025	
City University	3,632,387	
Compass Brunel Catering	8,634	
Computacenter Ltd	9,783	
Coram's Fields	58,308	
Corpus Christi School		134,878
Dulwich College	604,020	
Dunraven School		518,526
Ealing, Hammersmith & West London College		1,158,557
East London Waste Authority		171,678
English Sports Council	830,731	
Food Standards Agency	3,404,661	
Food Standards Scotland	436,493	
Freedom Leisure	79,744	
Friars School		45,005
Geffrye Museum Trust Ltd.	194,786	
GLL (Lee Valley Regional Authority)	639,634	
Goldsmiths, University of London	3,327,813	
Greater London Authority		13,408,454
Greenwich Leisure Limited	248,869	
Guinness Partnership Ltd	199,910	
Horniman Museum & Gardens	552,663	
Ibstock Place School	513,814	
Immanuel & St Andrew C of E Primary School		145,210
Julian's Primary School		207,551
L.B. of Camden		160,887
L.B. of Greenwich		216,361
L.B. of Hackney		-83,075
L.B. of Hammersmith & Fulham		72,444
L.B. of Islington		74,793
L.B. of Lambeth		93,354
L.B. of Lewisham		62,444

Employer name	Admitted £	Scheduled £
L.B. of Southwark		172,100
L.B. of Tower Hamlets		180,638
L.B. of Wandsworth		282,166
La Retraite RC Girl's School		397,664
La Sainte Union Convent School		237,050
Learning and Work Institute	525,190	
Lee Valley Regional Park Authority		1,026,131
Lionheart (RICS Benevolent Fund)	34,014	
Local Government and Social Care Ombudsman		1,917,203
Local Pensions Partnership	18,229	
Local Pensions Partnership Administration	303,901	
Local Pensions Partnership Investments	1,263,915	
London Councils	1,702,100	
London Fire Commissioner		13,911,893
London Legacy Development Corporation		2,372,489
London Metropolitan University		4,526,401
London Nautical School		183,958
London Pensions Fund Authority		601,526
London South Bank University	6,261,152	
London South East Colleges		2,198,367
London Treasury Ltd	171,017	
Mary Ward Centre	115,028	
Miquill (South) Ltd	–	
Morley College		643,388
New City College		3,828,105
Newcastle College Group		926,807
Notre Dame School		231,373
Notting Hill Genesis	22,573	
NSL Limited	14,098	
Old Oak And Park Royal Development Corporation (OPDC)		613,695
Open College Network London Region	136,177	
Orchard Hill College & Academies		566,971
Poplar Harca	85,869	
R.B. of Kensington & Chelsea		30,582
Roehampton University	4,615,700	
Royal Central School of Speech & Drama	1,007,545	
Sacred Heart School	169,906	
SITA		171,777
South Bank Colleges	114,976	
South Thames College Group	680,833	
Sport and Recreation Alliance Limited		2,976,257
S.S.A.F.A. Forces Help	131,778	
St Andrews RC Primary School		153,112
St Anne's RC Primary School		120,001
St Anthony's School		167,208
St Bede's GM Infant & Nursery School		44,896
St Bernadette's School		123,911

Appendices continued

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2023) continued

Employer name	Admitted £	Scheduled £
St Francesca Cabrini Primary School		76,411
St Francis Xavier 6th Form College		316,020
St Joseph RC Infant School		114,148
St Joseph RC Junior School		108,667
St Martin-in-the-Fields High School		177,050
St Mary's RC Primary School		87,825
St Michael's RC School		224,914
St Thomas the Apostle College		70,955
Surrey Square Primary School		234,004
The English Institute of Sport	2,814,812	
The Froebel Trust	48,075	
Transport for London		970,091
Trinity Laban	19,558	
Turney School		144,389
Turnham Primary GMS School		62,673
UAL Short Courses Ltd	535,010	
UK Anti Doping	634,561	
United Colleges Group		2,620,468
United Kingdom Sports Council	1,948,244	
University of Arts London		18,355,596
University of Greenwich	10,301,249	
University of St. Mark & St. John	1,224,624	
University of Westminster	10,104,713	
Valuation Office Agency		772,799
Valuation Tribunal Service		524,437
Van Gogh Primary School		81,967
West London Waste Authority		410,277
Western Riverside Waste Authority		97,405
West London Waste Authority		290,532
West Riverside Waste Authority		91,322
Current employers total	70,733,442	85,354.835
Grand total	**72,352,127**	**85,603,007**

iii) Supplier and contacts list

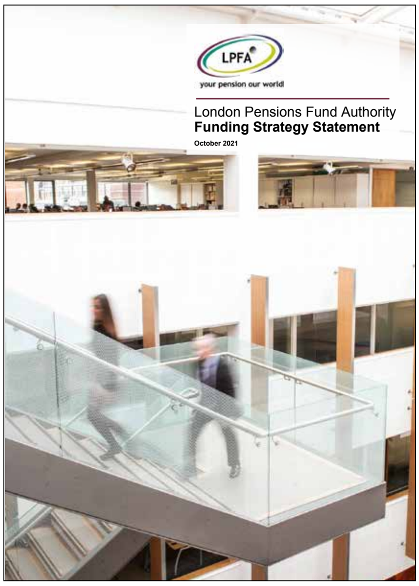
Operational

Supplier	Role	Contact
Eversheds Sutherland	Legal Advisors	0121 232 1786
pwc	Internal Auditor	0118 959 7111
Grant Thornton	External Auditor	020 7383 5100
Barnett Waddingham	Fund Actuary	0333 111 1222
Prudential	AVC Provider	0800 000 000
Lloyds Bank	Bank	0207 616 3235
BNY Mellon	Custodian	0161 725 3000
LPP Local Pensions Partnership Investments	Investment Manager	020 7369 6000
Insight Investment	Investment Manager	020 7163 4000
Aeolus Capital Management	Investment Manager	+1 441 405 4800
Record	Investment Manager	01753 852 222
The London Fund	The London Fund (LPPI & LCIV) Investment Managers	LCIV: 0208 036 9000 LPPI: See above
Greater London Authority	Cash Management	
LPPA Local Pensions Partnership Administration	Pensions Administration	0300 323 0260

Public policy statements

The following public policy statements are reviewed regularly and available on the LPFA website in the Library section. As per statutory requirements, the Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement and Communications Policy are policy are set out below.

iv) Funding Strategy Statement (FSS)



Introduction

This is the Funding Strategy Statement (FSS) of the London Pensions Fund Authority Pension Fund (the Fund), for which the London Pensions Fund Authority is the Administering Authority (the Authority). It was prepared in collaboration with the Fund's actuary, Barnett Waddingham, and after consultation with the Fund's employers and has been reviewed and updated to facilitate use of additional flexibilities under Regulations 64A and 64B of the LGPS Regulations 2013. It has been prepared with regards to the 2016 CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement. The actuary has had regard to this statement in carrying out the 2019 valuation of the Fund.

Regulatory framework

Members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

FSSs were introduced such that the first statement was to be published by 31st March 2005 and it forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014;
- the Public Service Pensions Act 2013;
- the Rates and Adjustments Certificate, which is issued in addition to the Fund's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service or pension;
- the Investment Strategy Statement (ISS); and
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

This is the framework within which the Fund's Actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund or to employers who have ceased contributing without paying a cessation debt and are not fully funded.

Purpose of the Funding Strategy Statement in policy terms

The purpose of the FSS is as set out by the Department for Communities and Local Government and the 2016 CIPFA Pensions Panel Guidance on preparing and maintaining a Funding Strategy Statement:

- "to establish **a clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework **taking into account the requirement to set contributions so as to ensure solvency and long-term cost efficiency under relevant legislation and the desirability of maintaining as nearly constant a primary employer contribution rate as possible***; and
- to take a **prudent longer-term view** of funding those liabilities."

These objectives are desirable individually but may be mutually conflicting. This statement, therefore, sets out how the Authority has balanced the conflicting aims of ensuring solvency, affordability of contributions, transparency of processes, desirability of stability of employers' contributions and prudence in the funding basis.

Aims and purpose of the Fund

The aims of the Fund are to:

- manage employers' liabilities effectively;
- ensure that sufficient resources are available to meet all liabilities as they fall due;
- safeguard the Fund against the consequences of employer default;
- set contributions to ensure Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile to the Fund and the Authority and employers' risk profiles (Public Service Pensions Act);
- enable employer contribution rates to be kept as stable as possible and at reasonable cost to the taxpayers, scheduled, designated, resolution and admitted bodies (LGPS Regulations);
- seek returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses. as set out in the 2016 CIPFA Pensions Panel Guidance and defined in the Local Government Pension Scheme Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Responsibilities of the key parties

The sound management of the Fund can only be achieved if all interested parties exercise their statutory duties and responsibilities conscientiously and diligently. Although a number of these parties, including investment fund managers and external auditors, have responsibilities to the Fund, the following may be considered to be of particular relevance for inclusion as a specific reference.

The Administering Authority should:

- collect employer and employee contributions, investment income and other amounts due to the Fund;
- operate a pension fund paying benefits as they become due;
- invest monies in accordance with the Regulations and agreed strategy;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund's Actuary;
- notify employers of the expected timing of key events and actions related to completion of the valuation process. Good communication between all parties and stakeholders is essential in building strong relationships throughout the valuation process;
- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties, including participating employers;
- monitor the Fund's performance and funding and amend the FSS and ISS accordingly;
- take measures to safeguard the Fund against the consequences of employer default;
- manage potential conflicts of interest arising from its dual role as fund administrator and scheme employer;
- enable the Local Pension Board to review the valuation process as set out in their terms of reference.

The individual employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate in accordance with LGPS Regulations;
- pay all ongoing contributions, including employer contributions determined by the actuary and set out in the Rates and Adjustments Certificate, promptly by the due date;
- develop policies on discretions and exercise discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain including payment of penalties for late payment;
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding;
- comply with the valuation timetable where required and respond to communications as necessary to complete the process; and follow all requirements laid down in the Pensions Administration Strategy;
- send timely and accurate data to the Authority, as required;
- discharge their responsibility for compensatory added years which the Administering Authority pays on their behalf and is subsequently recharged to them;
- comply with The Pensions Regulator requirements outlined within Code of Practice 14;
- pay any exit payments on ceasing participation in the Fund, where agreement has been reached with relevant parties that these should be paid;
- manage early retirements to minimise extra costs falling on the Fund.

The Fund Actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS and LGPS Regulations;
- set contribution rates in order to secure the Fund's solvency and long-term cost efficiency having regard to the desirability of maintaining as nearly constant a contribution rate as possible;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- provide advice and valuations on the exiting of employers from the Fund;
- assist the Administering Authority in assessing whether any increase is required in an individual employer's contributions under Regulation 64(4) of the 2013 LGPS Regulations;
- agree a timetable for the valuation process with the Administering Authority and provide timely advice and results.

Solvency issues, target funding levels and long-term cost efficiency

The principal issues facing the solvency of the Fund include the ability to finance liabilities as and when they arise, the rate or volatility of variations in employer contribution rates, the pace at which deficits are recovered (or surpluses used up), and the returns on the Fund's investments within reasonable risk parameters.

Securing solvency and long-term cost efficiency are regulatory requirements with a constant as possible employer contribution rate a desirable outcome. The Authority will prudentially seek to ensure the income stream from contributions and investments achieve the aim of ensuring benefits can be paid as and when they fall due. The rate of employer contributions will be set to target an ongoing valuation basis funding level of 100% for the whole Fund over an appropriate time period and using appropriate actuarial assumptions. The rate of employer contributions will be sufficient to make provision for the cost of benefit accrual, with an adjustment for any surplus or deficit in the Fund.

Public policy statements: iv) Funding Strategy Statement (FSS) continued

The Authority will set funding strategy appropriately having regard to factors such as:

- strength of covenant and security of future income streams;
- guarantor arrangements from scheme employers;
- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the scheme to new employees;
- secondary rate (deficit recovery) contributions.

Taking these factors into account, a case by case assessment review of contribution rate setting requirements may in some cases, prove necessary as part of the triennial valuation process.

All Fund employers are expected to fully meet their pension obligations outlined within the LGPS Regulations on both an ongoing and cessation basis using the methodology applied by the Fund's appointed actuarial advisor.

The assumptions used to value the liabilities of the various employers as at 31 March 2019 are set out below. Base market statistics used to derive the assumptions are smoothed around the valuation date so that market conditions used are the average of the daily observations over the period 1 January 2019 to 30 June 2019. Assets are also smoothed in a consistent way.

		Nominal	Real
Price inflation (CPI)	Market expectation of long-term future Retail Price Index (RPI) inflation as measured by the Bank of England implied RPI inflation curve based on the difference between yields on fixed and index-linked gilts as at the valuation date less 1.0% to allow for the difference between RPI and CPI	2.6% p.a.	
Pay increases	Assumed to be in line with CPI +1.0% p.a.	3.6% p.a	1.0% p.a
Discount rate	Based on the long-term investment strategy of the Fund and the relative strength of each employer	1.7% to 5.3% p.a.	-0.9% to 2.7% p.a.

Other assumptions

The liabilities have been calculated using Club Vita 2019 mortality tables, which assign a mortality assumption to each individual member based on individual characteristics which distinguish them as being longer/shorter lived than others.

Allowance is made for members' mortality to improve in the future, using the 2018 version of the CMI model with a 0.5% initial addition to improvement parameter, a smoothing parameter of 7.0 and a long-term rate of improvement of 1.25% per annum.

Staff turnover and death in service reflect updated expectations of future experience taking into account the most recent study of national LGPS experience, as assessed by the Government Actuary's Department.

Allowance for promotional salary increases has been included within the general salary increase assumption. Ill-health retirements reflect the Fund's specific experience.

Employers will manage early retirements to minimise extra costs falling on the Fund and the capitalised cost of early retirements, other than on ill-health terms up to the levels of experience assumed by the Actuary, and augmentation of service or pension will be funded by the employer, by lump sum payment at the time of retirement.

75% of males and 70% of females are assumed to have an eligible dependant at retirement or earlier death. For members that have already retired, allowance is made for their dependant to have died since retirement.

At retirement members will commute 50% of the maximum pension allowed by HMRC at a rate of 12:1.

No allowance has been made for individual member transfers out based on member experience up to the 2019 valuation date.

For each tranche of benefit, members have an age at which they are able to take their benefits unreduced. This is their "Rule of 85" age for service prior to 1 April 2008, it will be their "Rule of 85" age (for older members) or 65 (for younger members) for service between 1 April 2008 and 31 March 2014 and it will be their State Pension Age (but with some transitional protection for older members) for service after 1 April 2014. It is assumed that each member will retire at the average of these ages (weighted by pension).

75% of ill-health retirements assumed to be at Tier 1, 15% at Tier 2 and 10% at Tier 3.

McCloud/Sargeant judgement allowance

On 20 December 2018 a judgement was made by the Court of Appeal in relation to two employment tribunal cases (McCloud and Sargeant), which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

The Court of Appeal ruled that the transitional protection offered to some members as part of the scheme reforms amounted to unlawful discrimination. On 27 June 2019, the Supreme Court denied the Government's request to appeal the judgement.

It has been noted by the Government in its 15 July 2019 statement that it expects to have to amend all public service pension schemes in light of the judgement, including the LGPS.However, any remedy will either be imposed by the Employment Tribunal or negotiated and applied to all schemes, so it is not yet clear how this judgement may affect LGPS members' benefits.

The outcome of McCloud/Sargeant case is likely to mean changes to the LGPS benefit structure. The changes and timing of these changes are still highly uncertain but are likely to impose additional albeit not particularly material costs on the LGPS. Allowance has been made in the 2019 actuarial valuation via the prudence allowance built into the discount rate to meet these potential costs.

Other strategy considerations

LPFA recover pension increases from some employers with no remaining active members and these payments are allocated to the appropriate employer's notional asset allocation. Where appropriate the Authority would also seek to recover such payments in accordance with the relevant LGPS regulations from other employers in accordance with actuarial advice and dependent on the level of guarantee provided by the former employer.

Pooling of employers will be considered where an employer is directly related to another employer (e.g. common ownership).

Phasing in contribution changes may be agreed on an incremental basis to reduce the impact of large changes and to meet the regulatory requirement and FSS objective for rates to be as nearly constant as possible. Each employer shall be reviewed on its own merits.

Past service deficit contributions are to be paid as cash sums by all employers unless they specifically request a change to a percentage requirement, are actively open to new members, can demonstrate a stable or increasing active membership and pensionable payroll and LPFA agree to such an approach.

In the event of an employer being in surplus, consideration will be given to the funding position that would apply if they were to cease active accrual. Should the employer also be in surplus on that measure, this surplus may be released back to the employer through an adjustment to their contribution rate.

Should the employer be in deficit on that measure, no deduction is to be made from their future service contribution rate.

Where employers have a deficit, their spread period will first be considered based on the funding categories set out in Appendix 1 and, combined with the cost of new benefits, this will give the implied total contributions (whether expressed wholly as a percentage of salary or as a combination of salary and cash elements).

In order to improve the funding position as quickly as possible, where implied total contributions have decreased, employers will generally be required to maintain their previous contributions to ensure 100% funding is achieved at the earliest opportunity.

Where appropriate, LPFA may exercise its power to amend contributions under Regulation 64A of the LGPS Regulations 2013. LPFA's policy on amending contributions between valuations is set out in its Contribution Flexibility Policy.

Exiting the Fund

The Administering Authority may consider and implement an individual funding target with consideration to the expected deficit when the employer ceases.

On the cessation of an employer's participation in the Fund, the Fund Actuary will be asked to carry out an actuarial valuation to determine the assets and liabilities in respect of the benefits held by the exiting employer's current and former employees, as required by the LGPS Regulations. The assumptions used for this valuation will not necessarily be consistent with the long-term funding assumptions used for the 2019 valuation and, in particular they will take into account the amount of funding support available after the employer ceases.

Following the cessation of an employer in the Fund, LPFA may consider entering into a Deferred Debt Agreement under Regulation 64(7B) of the LGPS Regulations 2013. LPFA may also consider spreading any exit payment under Regulation 64B of the LGPS Regulations 2013. LPFA's policy on Deferred Debt Agreements and its policy on spreading exit payments are set out in our Admission and Cessation policy

One of the greatest risks to the Fund (and its participating employers) is that a body ceases to exist with an outstanding deficit that it cannot pay and which will not be met by any bond, indemnity, or guarantor. Previous sections of this policy are drafted with a view to safeguarding against this. However, it is also important that the Fund has the flexibility to terminate an admission agreement at the appropriate point to protect the other employers in the Fund and to allow it to levy an exit payment (assuming there are appropriate grounds for doing so under the relevant LGPS Regulations). LPFA's policy on terminations is set out in its Admission and Cessation policy.

Links to investment policy

Funding and investment strategy are inextricably linked.

The investment strategy is set after taking investment advice, to reflect the liabilities of the Fund and these may be set to achieve the funding strategy agreed with employers. The investment strategy is set out in the published Investment Strategy Statement.

LPFA does not account for each employer's assets separately. The Fund's Actuary is required to notionally apportion the assets between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. In addition, any bulk transfers between employers or individual transfers of which the Actuary is aware are allowed for through notional transfers between the employers.

This approach aims to broadly replicate the assets that would have resulted had each employer participated in their own ring- fenced section but some approximations are required with regard to internal transfers and the timing of cash flows.

The limitations in the process are recognised but, having regard to the extra administration cost of building in new protections, it considers that the Fund Actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Key risks and controls

LPFA has an active risk management programme in place to identify, measure and control key financial, demographic, regulatory, and governance risks as well as employer and liquidity risk. The key risks are summarised in Appendix 2 and reviewed regularly.

Consultation and publication

The Authority has prepared and updated the FSS in collaboration with the Fund's Actuary and consulted the employers in the Fund through written correspondence at various stages. The FSS has been published on the LPFA website and printed copies are available on request.

A copy has been sent to each employer, the Fund's actuary, investment managers and advisers, the Department for Communities and Local Government (DCLG), other interested parties and the Local Pensions Board.

Scheme members will be informed of the publication and the key elements of the strategy in the annual report to members.

A summary of the funding principles which underpin the strategy will also be published in the Annual Report and Accounts.

Monitoring and review

The investment performance of the Fund is monitored relative to the growth in the liabilities on a monthly basis.

The key funding principles will be monitored on an annual basis and a statement of significant variance will be incorporated into the actuarial report as part of the LPFA's annual report and accounts.

As a policy statement, the FSS is reviewed in detail at least every three years ahead of completion of the triennial valuation, with the next full review due to be completed by 31 March 2023 in order to inform the 31 March 2022 triennial valuation. The FSS will be reviewed in the event of any significant or material change arising prior to the next valuation and a revised statement issued accordingly.

Public policy statements: iv) Funding Strategy Statement (FSS) continued

ANNEX 1 – Employer funding categories and termination requirements

The period over which any current past service deficit is to be recovered and the discount rate to be used in calculating contribution rates will be dependent on a number of factors, including the statutory nature of any overriding level of guarantee, or where other forms of security such as a bond or charge on assets can be provided with due consideration of the maturity profile of the Fund. The overall aim of the Fund and the funding strategy is to maintain an ongoing valuation basis funding level of 100% for the Fund within the prudential framework in which the Fund operates. Those employers with a strong covenant will be able to benefit in full from our overall investment approach.

LPFA also need to ensure that other employers who are not as secure are not unduly subsidised by those employers. Given there is a wide range of credit risk posed by the various scheme employers the LPFA have determined the need for some employers to contribute more in order to mitigate those risks and consequently ensure equitable treatment of all scheme employers.

The table below sets out the funding term and discount rate adopted for each category of employer for the 2019 actuarial valuation. Note that the definition of each category reflects the policy adopted for the 2019 actuarial valuation. This policy has now been superseded by LPFA's Employer Risk Management Framework, however the 2019 definitions are included below for completeness.

Category	Employers	Funding term	Discount rate
A	LGPS "Scheduled" and "Resolution/Designated Bodies" where, in the event of such an employer ceasing to participate in the Scheme, the liabilities are guaranteed by a government department or similar body. These are statutory entities that are either required to, or can choose to, offer the LGPS under the LPFA Fund. "Admitted Bodies" where, in the event of such an employer ceasing to participate in the Scheme, full deficiency funding is provided via a statutory body or government department (e.g. bodies with statutory guarantor). "Admitted Bodies" delivering "outsourced" functions as prescribed under the LGPS Regulations where the letting authority party to the admission agreement was a category A employer at the commencement of the agreement.	Up to 11 years from the 2019 valuation	100% of outperformance of the Fund-level discount rate over gilts
B	Admitted Bodies" or LGPS "Scheduled" and "Resolution/Designated Bodies" with no statutory underpin but where either; (a) the body can now provide, to the LPFA's satisfaction, evidence of financial security to justify the longer funding term than prevailing future working life (FWL) (e.g. a "parent company" guarantee, secured income streams or external bond/insurance cover for an appropriate amount, a charge over assets); or, (b) the body is part of a directly related group of bodies within the LPFA Fund and where another one of those bodies has now formally accepted default funding for the body in question through "pooled sub-funding" within the Fund. In this case the funding period for the body will equal funding period of the guarantor body if longer. For the avoidance of doubt, if a category A employer is fully underwriting the liabilities of the body then that category will apply. "Admitted bodies" delivering "outsourced" functions as prescribed under the LGPS Regulations where the letting authority party to the admission agreement was a category B employer at the commencement of the agreement.	Up to 11 years from the 2019 valuation	90% of outperformance of the Fund-level discount rate over gilts
C	"Admitted Bodies" with no external underpin. "Admitted bodies" delivering "outsourced" functions as prescribed under the LGPS Regulations where the letting authority party to the admission agreement was a category C employer at the commencement of the agreement.	Up to Future Working Life from the 2019 valuation	50-75% of outperformance of the Fund-level discount rate over gilts (depending on financial strength)

Notes

1 In any case an appropriately shorter funding period will be substituted by LPFA, e.g. where the body is known to be of short or fixed-term life (e.g. the duration of the relevant service contract held by the "Admitted Body").

2. The LPFA may choose to apply a longer or shorter funding term or different funding basis for a given employer as a result of specific advice received from the Fund's Actuary.

3. Category A and B employers have the option to request a shorter funding period over which any prevailing deficiency is recovered.

4. It is the known/evidenced position for a given employer at the time in question that will inform funding decisions taken under the above and the position will be kept under review.

5. External advice may be needed to provide the "satisfaction" required under Category B (a).

6. Where employers under any category close (or are already closed) to new members, specific guidance will be sought from the Fund's Actuary as to the appropriate revised contributions required, to ensure liabilities are fully funded. The period over which recovery is made can be adjusted to take account of evidence of financial security or appropriate guarantees subject to external advice being obtained where necessary. The general aim will be to ensure that the relevant cessation deficit is met in full in accordance with regulation 64(2), i.e. that the value of the assets in respect of current and former employees of a particular employing authority is neither materially more nor materially less than the anticipated liabilities of the Fund in respect of those employees at the date of cessation.

ANNEX 2 – Summary of key risks and controls

Risk	Controls
Investment risk: Failure to achieve anticipated investment returns; failure of investment strategy to deliver investment objectives leading to the forced selling of assets to pay pensions.	Quarterly monitoring by the LPPI Investment team where underperformance will be reported to the LPFA Board. Quarterly LPFA Investment Panel meetings are held with the LPPI investment team and presentations made to the LPFA Board and at any other meetings as required. LPPI should only anticipate long term return on a relatively prudent basis to reduce risk of under-performing. This will be supplemented by analysing progress at triennial valuations and by the calculation of liabilities and funding level between formal valuations, monitored regularly against asset returns. LPFA further control this risk with a diversified strategic asset allocation and by having a treasury management strategy in place. The results of the triennial valuation will further inform strategy. Quarterly risk framework reporting is used to assess risks to the funding level and total contributions which are also used to inform the LPFA Board and the investment strategy.
Pay increases and price inflation significantly more than anticipated.	Inter-valuation monitoring of funding level provides early warning of this risk. Inflation sensitivity analysis is included within monthly solvency reporting. A liability driven investment strategy is in place with the aim of mitigating inflation risk in the context of the triennial valuation basis, and the inflation hedge ratio is regularly monitored.
Liquidity risk: insufficient cash available to pay pensions leading to the forced selling of assets to pay pensions.	Liquidity reporting is included in regular reporting. Cash flow capacity is reported to LPFA Audit and Risk Committee (ARC) quarterly. The Fund aims to maintain a cash balance sufficient to cover at least three months' pension obligations. This risk is further mitigated by ensuring that there are sufficient liquid assets available to support unexpected but plausible cash outflows.
Employers become unstable, insolvent or abolished with insufficient funds to meet liabilities, whereby their liabilities fall on other Fund employers.	Adherence to the Risk based approach adopted at 2013 valuation. An admitted body policy is in effect and a process to ensure that employers have been categorised accurately. All cessation debts are proactively chased with a built-in escalation process. LPFA Board and LPFA ARC are regularly notified on high-risk employers. New admission agreements are added to a register prior to storing securely. Validity of all admission agreements are reviewed at each annual covenant check. This risk is further mitigated by sector specific annual covenant checks and by establishing a financial monitoring system for high risk employers; security is implemented as appropriate. Employer services continue to educate employers on their liabilities and responsibilities.
Impact of regulatory changes or government intervention on LGPS benefits and liabilities.	These risks will be dealt with as they arise and the LPFA Board will consider mitigations on a case by case basis.
Incorrect longevity and mortality assumptions.	Participation in Club Vita analysis of mortality in Fund. Mortality assumptions and allowance for future mortality improvements determined as part of the triennial valuation following advice from fund actuary.
Regulatory and compliance risk	LPP has governance, risk management and compliance functions that are responsible for building regulatory and compliance checks into business processes.

For more information, please contact:
communication@lpfa.org.uk

Public policy statements: v) Investment Strategy Statement (ISS)

1. Introduction

The Board ("the Board") of the London Pensions Fund Authority ("LPFA") has prepared this Investment Strategy Statement ("the Statement") in respect of the London Pensions Fund Authority Pension Fund ("the Fund"). This Statement has been prepared in accordance with the Guidance on Preparing and Maintaining an Investment Strategy Statement and after taking appropriate advice.

As set out in the Regulations, the Board will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take "proper advice" when formulating an investment strategy. In preparing this document and the overall investment strategy the Board has taken advice from Local Pensions Partnership Investment Limited (LPPI) which is an FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments. Advice has also been received from other advisers as necessary in respect of specific elements of the statement.

2. Investment objectives

The Fund's primary objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this primary objective, the Board has adopted the following investment objectives:

- Optimise the net returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a sustainable future funding level;
- Enable employer contribution rates to be kept as stable as possible.

The Board has adopted a range of metrics to assess the likelihood of these objectives being achieved in practice.

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour.

3. Asset allocation framework

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the Board, consistent with the Fund's risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall net return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the portfolio benefits from increased diversification. The LPFA Board has identified a total of six asset classes plus cash (viewed a store of liquidity) that combined form the Strategic Asset Allocation.

The six asset classes shown in Appendix 1 have different exposures to economic factors (GDP growth and inflation) and combine different geographies. In assessing suitability, the Board has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

These are the building blocks used to specify the Strategic Asset Allocation.

Long-term Strategic Asset Allocation

The Board has determined benchmark weights for each asset class which it believes to be best suited to meeting the long-term objectives of the Fund. It has also identified tolerance ranges within which shorter term variations will be tolerated. Movements within these ranges are permitted for any reason, including changes in market values and opportunities to enhance returns or manage risks. The benchmark weights and tolerances are shown in the table below.

Asset class	Strategic Asset Allocation %	Tolerance range %
Cash	1.5	±5*
Credit	16.0	±5
Fixed Income	1.0	±10*
Infrastructure	14.0	±5
Private equity	5.0	±5
Public equities	50.0	±10
Real estate	12.5	±5
Total	100%	

*subject to a minimum of zero.

Short-term Strategic Asset Allocation

It will take time to align our assets to the long-term Strategic Asset Allocation, particularly in those private market asset classes where capital cannot be deployed immediately. As a result, a short-term Strategic Asset Allocation will be used to measure the Fund's investment performance during a transition period ending on 30 June 2024. The short-term Strategic Asset Allocation has the following characteristics:

- The allocation to Credit is 3.5% lower than the long-term allocation
- The allocation to Infrastructure is 1.5% lower than the long-term allocation
- 5% of assets are allocated to Diversifying Strategies, which is a legacy asset class that is being terminated during the transition period.

Tolerance ranges

The Fund's exposure to each asset class is to be maintained within the applicable range as long as attractive opportunities that meet LPFA's return, risk, and cash flow requirements can be found. In the absence of suitable opportunities, investments will not be "forced" and under/over allocations may be made to any asset class. This includes allocations falling outside of the tolerance range. Should any allocations fall outside of the range the Board shall require the allocation to be brought back within the range as soon as suitable opportunities are identified.

The mandates are managed by LPPI, to whom the Fund has delegated investment management and implementation duties in line with the principle of asset pooling within the LGPS. LPPI has discretion to act on behalf of the Board in order to implement the allocations set out in the Strategic Asset Allocation. This includes determining any over/under allocation within the tolerance ranges. Should allocations fall out of the ranges, LPPI is responsible for informing the LPFA and agreeing appropriate action.

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. The investment objective for each asset class is set out in the table on the following page. Note that all returns referred to below are net of fees and expenses.

Asset class	Objective	Benchmark	Target Return
Cash	To provide a store of liquidity for benefit payments and investment purchases.	SONIA	In line with benchmark.
Credit	To gain cost effective exposure to credit and credit-related assets globally, with a focus on harvesting illiquidity, complexity and idiosyncratic credit risk premia and on minimising expected losses.	50:50 composite of • 50% S&P Leverage Loans Total Return Index, Hedged GBP; and • 50% Bloomberg Barclays Multiverse – Corporate Aggregate Total Return Index, Hedged GBP calculated monthly	Exceed benchmark by 1% p.a. to 3% p.a., net of all fees and expenses.
Diversifying strategies	To gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The aim is to generate returns in excess of cash at low correlations to equities and bonds.	HFRI Fund of Funds Conservative GBP Hedged Index.	Exceed benchmark by 1% p.a., net of all fees and expenses.
Fixed Income	To deliver long-term total return from investing in Global Fixed Income instruments.	Bloomberg Barclays Global Aggregate Bond Index, GBP Hedged.	Exceed benchmark by 0.25% p.a., net of all fees and expenses.
Infrastructure	To gain cost effective, diversified exposure to global infrastructure assets located predominantly in UK, Europe and North America. Provide predictable cash flows and partial inflation participation.	UK CPI +4% p.a.	Exceed benchmark by 0% p.a. to 2% p.a., net of all fees and expenses.
Private equity	To provide long-term total return by accessing attractive private equity opportunities at a competitive overall cost.	MSCI World SMID Cap, net dividends reinvested Index, in GBP.	Exceed benchmark by 2% pa to 4% pa, net of all fees and expenses.
Public equities	To deliver long-term total return from investing in Global Public Equities, investing in underlying funds managed by LPPI and by external third parties.	MSCI All Country World, net dividends reinvested, in GBP Index.	Exceed benchmark by 2% pa, net of all fees and expenses.
Real estate	To gain cost effective, diversified exposure to UK and international property assets. Provide predictable cash flows and partial inflation participation.	MSCI UK Quarterly Property Index (GBP).	Exceed UK CPI by 3% pa to 5% pa, net of all fees and expenses.

Public policy statements: v) Investment Strategy Statement (ISS) continued

4. Strategic Currency Allocation

The risk and return profile of any asset is made up of two distinct elements:

- the characteristics of the asset itself, and
- the currency in which it is denominated.

It is possible to isolate these two elements and consider them separately. The Board has considered the characteristics of a range of developed market currencies and determined a Strategic Currency Allocation, which is complementary to the Strategic Asset Allocation.

The Strategic Currency Allocation specifies a target exposure to each currency, and ranges within which the exposure must be held. These target exposures can be higher or lower than the exposure provided directly by the underlying Fund assets. Forward contracts, managed by a specialist currency manager, are used to deliver the required exposure to each currency.

The Strategic Currency Allocation is set out below.

Geography	Currency	Underlying currency exposure at 31 March 2022 %	Strategic Currency Allocation %	Tolerance range %
UK	GBP	41.53	45.00	N/A
USA	USD	41.45	36.00	± 0.25
Euro Area	EUR	9.14	10.00	± 0.10
Japan	JPY	0.82	5.00	± 0.10
Canada	CAD	1.04	1.75	± 0.05
Switzerland	CHF	2.29	0.75	± 0.10
Australia	AUD	0.45	0.50	± 0.05
Norway	NOK	0.09	0.50	± 0.05
Sweden	SEK	0.72	0.25	± 0.05
New Zealand	NZD	0.10	0.25	± 0.05
Other*	–	2.37	N/A	N/A
Total		100%	100%	

* The exposures to currencies not specifically mentioned in the Strategic Currency Allocation (included as "other" in the table above) will be accepted at the level delivered by the underlying assets. The exposure to GBP (or in the case of Danish Krone, the exposure to Euros) will be reduced to accommodate these exposures.

5. Investment governance

The Board is responsible for setting the objectives and risk tolerances of the Fund. The Board has specified a number of metrics and triggers to measure and monitor the Fund's objectives. LPPI report quarterly to the Board against these metrics. Based on these parameters, the Board determines the Strategic Asset Allocation and Strategic Currency Allocation that it believes represents an appropriate balance between the investment objectives. The implementation of the asset allocation is delegated to an expert investment manager, in this case, LPPI. LPFA is a 50% shareholder in LPP (with the remaining 50% owned by Lancashire County Council) and maintains ongoing corporate governance controls but plays no direct role in Investment Management activities. The Board monitors the performance of LPPI and the portfolio.

Asset class	% Pooled*	Legal structure
Cash	100.00	Limited partnership
Fixed income	100.00	Authorised contractual scheme
Infrastructure	99.99	Limited partnership
Private equity	100.00	Limited partnership
Public equities	100.00	Authorised contractual scheme
Real estate	97.20	Authorised contractual scheme
Real estate	0.0%	Authorised contractual scheme

* Data as at 31 March 2022.

6. Investment implementation

The implementation of all investments is delegated to LPPI, an FCA authorised company. The partnership was set up by the LPFA and Lancashire County Council for the purpose of achieving economies of scale, greater internal resource, and superior investment opportunities. The partnership brings the benefit of scale and expert resources beyond that which would be available to the Fund alone. This facilitates lower costs and a broader opportunity set which together facilitate improved net returns.

Pooled vehicles are used wherever appropriate. Where assets are not physically pooled the management is typically pooled. LPPI has created six asset class categories to allow access to the asset classes listed in the Strategic Asset Allocation section. The asset class categories are a combination of internally managed and externally managed strategies that offer an effective and efficient way of achieving asset class exposures.

The Fund also expects to benefit from scale via pooling arrangements with other funds in order to better access direct investments in areas such as infrastructure. Some of the asset class categories are expected to use derivatives as part of their strategies. Derivatives can reduce implementation costs or change economic exposures. They may be used for both active and passive management strategies. The broad use of derivatives is explicitly approved by the Board both for investment purposes and efficient portfolio management. Both exchange traded and over the counter derivatives may be used.

7. Pooling of assets

The Board has delegated the management of its investments to LPPI who are responsible for managing 100% of the assets of the Fund. A significant majority of the Fund's assets have been transitioned into investment pooling vehicles managed by LPPI. A small minority of assets remain on the balance sheet of the Fund as "legacy assets". Assets are held as legacy assets if the costs of transitioning outweigh any potential gains, the assets have reached "harvesting period", or transitioning would have a negative impact on the Fund's investment strategy. Proceeds from assets in "harvesting period" will be reinvested through LPPI pooled funds.

8. Risk management

Maintaining adequate funding, both at an individual employer level and for the Fund as a whole, is an important priority for the Board. Funding position is influenced by changes in asset and liability values and for this reason the Board has adopted an Asset and Liability Management approach. This approach has historically included the use of a liability hedging programme to manage exposure to inflation and interest rates. This programme is no longer in effect and is in the process of being removed.

Diversification is a very important risk management tool. As described in the section on Strategic Asset Allocation, the Board will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies.

The Board expects this to provide (at least) two levels of protection: first, in periods of market turmoil some assets will preserve capital better than others, allowing the portfolio to better withstand a shock. Second, in periods of rising markets, some assets will do better than others, and since the Board does not know with certainty which ones will do best, it is better to diversify.

Another line of defence at the Fund level is to examine how the portfolio would perform under different scenarios including stress scenarios. The objective is to minimise the impact that losses to the portfolio have on future contribution rates. When setting the Strategic Asset Allocation and Strategic Currency Allocation the Board has considered different stress scenarios and possible outcomes.

The asset class categories included in the Strategic Asset Allocation are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

9. Performance measurement

Fund performance is measured at a number of different levels.

At the highest level, the Board has set a Return Objective of UK CPI +3.6% pa. LPPI will seek to manage the Fund with a view to achieving the Return Objective. The Board recognises that the Return Objective is intended to apply only over the very long time horizons over which the Fund's liabilities will be paid. The Board also notes that the achievement or otherwise of the Return Objective is not necessarily a good measure of LPPI's performance.

The performance of the Fund is also measured relative to the returns on the notional Policy Portfolio. The performance of the Policy Portfolio is calculated based on:

- allocations to each asset class in line with the Strategic Asset Allocation, and
- returns on each asset class in line with the benchmark for that asset class.

The performance of the pooling arrangements is monitored via regular reporting and through periodic meetings. Performance for LPPI is measured against the Policy Portfolio. LPPI seeks to outperform the Policy Portfolio on a risk-adjusted basis by tilting asset weights in an opportunistic manner, via active sub-asset class selection, and selecting the best stocks/managers for each of the pooled funds.

The Board also monitors the performance of each asset class relative to the benchmark for that asset class.

Where performance falls short of expectations the Board will identify the cause of this underperformance and will respond appropriately. The Board's response could include:

- altering the Strategic Asset Allocation (for example where asset allocation is the underlying cause)
- requesting changes to the management of the pooled funds (for example where management skill within LPPI is the underlying cause) or
- withdraw approval of any of the LPPI pooled funds from the list of approved funds for use within the Policy Portfolio.

In practice LPFA would expect to work collaboratively with LPPI to identify and remedy the cause of any underperformance.

10. Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments

LPFA is committed to being a long-term responsible investor. Through LPPI, the Fund complies with and follows the principles of both the UK Stewardship Code (2012) and to the UN-backed Principles for Responsible Investment. LPFA is also a member of the Occupational Pensions Stewardship Council, the Institutional Investors Group on Climate Change, and the Local Authority Pension Fund Forum.

Responsible Investment is an investment approach which recognises the significance of the long-term health and stability of the market as a whole and encompasses:

- the integration of material ESG factors within investment analysis and decision-making
- the active use of ownership rights in order to protect and enhance shareholder value over the long term – primarily through voting and engagement.

The objective of Responsible Investment is to decrease investor risk and improve risk-adjusted returns. Responsible Investment principles are at the foundation of LPFA's approach to stewardship and underpin its fiduciary duty to its beneficiaries. Details of LPFA's approach to responsible investment are set out in our Responsible Investment Policy.

LPFA has identified climate change as a long-term material financial risk with the potential to impact all asset classes within the portfolio over time. Our policy on Climate Change sets out expectations of LPPI in relation to how the risks and opportunities arising from climate change will be identified, monitored and managed.

ESG integration and the active use of ownership influence are integral to the investment management services provided by LPPI, which are delivered in accordance with an LPPI Responsible Investment Policy. It is an LPPI RI belief that ESG factors are relevant at every stage in the investment cycle – within investment strategy, investment selection and within the stewardship of assets in ownership. As part of a prudent approach which applies care, skill and diligence, LPPI procedures ensure that ESG issues are routinely considered as part of the investment analysis, are incorporated into the due diligence leading to investment selection and continue to be monitored and reviewed as part of the active ownership of assets under management.

Public policy statements: v) Investment Strategy Statement (ISS) continued

The approach to incorporating ESG factors is to establish the type and materiality of relevant issues on a case by case basis, whilst taking account of global norms, rather than to apply artificial exclusions through negative screening. ESG factors are considered over the time horizon within which specific investments are likely to be held, in order to clarify the context that risks and returns operate within and assist the evaluation of investment risks and opportunities.

LPFA's predominant concern is to invest the Fund on the basis of financial risk and return having considered a full range of factors contributing to financial risk including both those detailed above and relevant social factors to the extent these indirectly or directly impact on financial risk and return.

Where appropriate, LPFA may request that LPPI take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the Fund and where there is good reason to think that Fund members would support this decision.

11. Exercising the rights of ownership

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. The Fund's commitment to actively exercising the ownership rights attached to its investments reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by LPPI, including direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. In the case of listed equities, the most direct form of ownership influence comes through shareholder voting and engagement.

12. Voting

In most cases the Fund holds no direct ownership of shares of companies. However, through the investments managed by LPPI, the Fund has indirect ownership interests in listed companies across the globe. To ensure effective and consistent use of the voting rights attached to these assets LPPI works with an external provider of governance and proxy voting services. Voting is undertaken centrally rather than being delegated to individual managers and is in line with LPPI's Shareholder Voting Policy which promotes risk mitigation and long-term shareholder value creation by supporting responsible global corporate governance practices. The policy is reviewed and updated on an annual basis to reflect emerging issues and trends. A quarterly report on voting activity is available from the LPP website which is signposted via a link from the LPFA website.

13. Engagement

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. LPFA appreciates that to gain the attention of companies in addressing governance concerns, it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA);
- Giving support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interests;
- Joining wider lobbying activities when appropriate opportunities arise.

Through LPPI, the Fund complies with the UK Stewardship Code (2012) and a statement of compliance which explains the arrangements which support its commitment to each of the seven principles is displayed on LPPI's website.

14. Monitoring and review

As set out in the Regulations, the Board will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

Appendix 1 – Asset class characteristics

Asset class	Long-term return drivers	Economic Growth sensitivity*	Inflation sensitivity*	Geography
Credit	Yield (minus credit losses) Roll down Change in yield Liquidity premium	Low	Medium	Diversified
Fixed income	Yield (minus credit losses) Roll down Change in yield	Low	High	Diversified
Infrastructure	Dividend income Dividend growth Capital growth	Medium	Medium	Predominantly OECD
Private equity	Dividend income Earnings growth Change in PE Liquidity premium	Medium	Medium	Diversified
Public equities	Dividend Income Earnings growth Change in PE	High	Low	Diversified
Real estate	Rental yield minus Capex Rental growth Capital growth	Medium	Medium	Predominantly UK

* Sensitivities shown are to positive shocks, i.e., if growth and inflation are higher than expected.

Public policy statements: vi) LGPS Governance Compliance Statement

On 31 October 1989 we were established as a Public Body by 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI No. 1815]. The Order was the primary instrument for outlining our powers and duties which, in the context of the Fund administration, are very similar to those of local government authorities.

As an Administering Authority (AA) of the local government pension scheme (LGPS) we are responsible for maintaining, administering, and investing our own fund within the LGPS. However, while most AAs are local authorities and operate in accordance with local government law, we are not associated with a particular local authority. By distinction we operate in accordance with our own legal constitution. This Governance Compliance Statement is made pursuant to Regulation 55 of The LGPS Regulations 2013.

We adopted the Local Code of Corporate Governance (Code) which reflects the seven core principles of good governance, as identified in the 'Delivering Good Governance in Local Government: Framework' (CIPFA/Solace, 2016 Edition). The Code captures the full range of our statutory responsibilities and governance activities. It is available on our website https://www.lpfa.org.uk/library/our-policies-and-procedures.

From April 2016, the majority of our functions were outsourced to the Local Pensions Partnership Ltd (LPP Group) under a Service Level Agreement (SLA). The LPP Group is a business we jointly own with Lancashire County Council. As a joint shareholder and client, we have an important role to ensure the LPP Group remain accountable for its service delivery. Whilst many of our functions are outsourced, the LPFA Board (our Board) remain answerable for the statutory and regulatory responsibilities of the Authority.

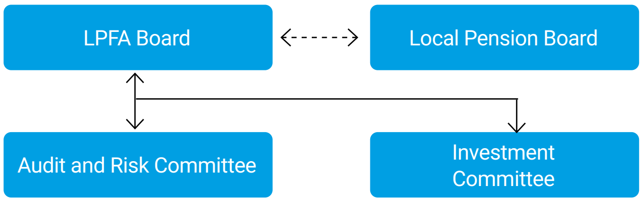
Appointments to our Board are the responsibility of the Mayor of London (the Mayor) in accordance with the provisions of SI No. 1815, which require there to be between seven and eleven members. The Mayor appoints the Chair and may appoint a deputy Chair.

The appointment process is operated by the Greater London Authority (GLA) and is by open advertisement and subject to independent scrutiny. The terms and conditions of appointment are set out in a formal letter from the GLA, which includes the length of appointment, remuneration, and details of the role and responsibilities and duties of members.

Our Board operates under a framework of corporate governance and undertakes its responsibilities with reference to Standing Orders (SO), which prescribe all activities relating to the conduct of LPFA Board business, including voting. These SOs form a section of our Constitutional Document and represent a key aspect of our corporate governance framework; they may only be amended by formal approval from our Board. The Constitutional Document is published on our website.

The Constitutional Document details matters reserved for decision by our Board and contains the terms of reference (ToR) of its Standing Committees: the Audit and Risk Committee (ARC), Investment Committee (IC) and the Local Pension Board (LPB). The Board, ARC, IC and LPB all meet at least four times a year.

LPFA Board and Committee structure



As Standing Committees, ARC and IC operate under the delegated powers of our Board and are empowered to carry out specific duties which are defined in their ToR. Our governance arrangements are monitored and reviewed by ARC as part of their oversight of internal controls. The role of IC is to monitor our operation and management of our investment and funding strategies.

The LPB is separate and independent from us as an AA, as established in The Public Service Pensions Act 2013. The Local Government Pension Scheme Regulations 2013, as amended by The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, required the establishment of a local pension board. The LPB assists us to secure compliance with LGPS regulations; but is not a decision-making body. Rather, the LPB provides an additional layer of compliance and governance to our administration. Its first core function is to assist with compliance relating to governance of the Fund.

We appoint the LPB members which comprise of four member representatives, four employer representatives and an independent chair. The representatives have voting rights; are selected from within the Fund membership and from participating employers.

Our Chief Executive and Principal Officers have certain statutory functions and formal responsibilities. Executive powers are delegated to the Principal Officers under the 'Scheme of Delegations to Officers' within the Constitutional Document. This sets out the parameters within which the officers can exercise the powers delegated under the scheme and to deliver our daily operations.

Member representation is facilitated by member representation on our LPB and at our annual Fund Member Forum. All members of the public are invited to observe the Public Session of our Board meetings.

Public policy statements: vi) LGPS Governance Compliance Statement continued

We follow the seven core principles of good governance as set out by CIPFA and Solace and ensure compliance as an LGPS Fund and a shareholder of LPP. The seven principles are listed below. The content in this annual report, particularly within the Governance and Responsible Investment sections, highlights how we meet these principles.

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

Governance Compliance Statement

operate in accordance with our own legal constitution and our structure is relatively unusual as we are an Administrating Authority (AA) without being connected to a local authority. The following table sets out how we comply with the government statutory guidance on LGPS Governance Compliance Statements issued in November 2008. However, it is important to recognise that areas of 'non-compliance' are not indicative of any deficiencies in our governance arrangements, but rather reflective of the unique way we are constituted by statute.

Requirement	Compliance	LPFA position and Notes
1. Structure a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	Whilst the statutory guidance refers to a 'main committee', this is not applicable as instead we have a Board comprising of members appointed by the Mayor of London. The Board is responsible for our overall running and makes key decisions on matters reserved for the Board, for example, agreeing the corporate strategic plan and the investment policy and strategy of the Fund. As such, the management of benefits and strategic management of fund assets clearly rests with the Board, which receives regular updates on the performance of outsourced pension administration and investment services against agreed service level standards.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Employer and member representatives of the LGPS serve on the Local Pension Board (LPB), rather than the LPFA Board. The LPB plays an important role assisting our Board with the oversight and efficient management of the Fund. There are good linkages between the two bodies, with LPB's activities reported to the Board at each quarterly meeting, and the independent chair of the LPB invited to attend the Board annually to present the LPB's annual report.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect our governance arrangements. Instead, our Board is supported by two standing committees (Audit and Risk Committee (ARC) and Investment Committee (IC)), with LPB providing an additional level of support through its role in assisting the Board with the oversight and efficient management of the Fund. To facilitate good channels of communication between the Board, ARC, IC and LPB, the following structures are in place: • All ARC, IC, and the LPB minutes are presented to the Board on a quarterly basis during its Public Session. • The minutes of the Corporate and Strategic Session Board meeting are shared with LPB. • The LPB independent chair of the LPB is invited to attend the Board meeting annually to present their annual report. • Where required or when it is pertinent based on the subject matter, joint training for Board and LPB is provided.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect our governance arrangements. The LPFA ARC and IC are comprised of Board members. The LPFA LPB meets the regulatory requirements. In addition, LPB members are invited to joint training sessions with the Board where topics are relevant to both groups.

Governance Compliance Statement continued

Requirement	Compliance	LPFA position and Notes
2. Representation a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers; and iv) expert advisors (on an ad-hoc basis).	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to the 'main or secondary committee structure' in the statutory guidance does not correctly reflect LPFA's governance arrangements. Whilst LPB members do not have a seat on the Board, there is representation via feedback from LPB to our Board. The Board and Committee Calendar is structured in such a way as to ensure that LPB meetings usually take place prior to quarterly Board meetings to ensure that LPB's views can be communicated to the Board. Members of the public can attend public sessions of the Board, and copies of all public Board reports are provided on our website. Additionally, the LPB Chair attends the Board on an annual basis to observe and present an annual review of LPB activity. In terms of the representation of key stakeholders in our governance framework: i) LPB Employer representatives are selected from our main employer groupings, including Local Government and Housing. ii) LPB Member representatives are selected from the active, pensioner and deferred membership. Iii, iv) Independent advisors and expert advisors such as lawyers or actuaries, are invited to attend Board and Committee meetings, as required.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect LPFA's governance arrangements. That said, members of the Board, Standing Committees and the LPB are all treated equally in terms of access to meetings and meeting papers. LPFA provides effective induction and training to members of the Board/Standing Committees/LPB. The LPB reports back to the LPFA Board. The independent chair of the LPB (who does not have voting rights) reports back to the LPFA Board on an annual basis.
3. Selection and role of lay members a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect our governance arrangements. Instead, new members of our Board are provided with a comprehensive induction to ensure they fully understand their role. This includes a suite of relevant reading material, and new Board members are encouraged to observe a meeting of each standing committee and the LPB to familiarise themselves with our governance framework and gain additional context of our operations. Similarly, new LPB members are required to undertake a tailored induction programme setting out the role of the LPB within our governance arrangements. The Constitutional Document (specifically the LPFA Standing Orders, Matters reserved for decision by the Board, Terms of Reference of the Standing Committees and the LPB) defines the role of the Board, its Standing Committees and the LPB.
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	Our Board members, members of Standing Committee and members of the LPB are required to complete a register of interests form on joining LPFA which is reviewed and updated annually. In addition, at the start of each Board, Committee and LPB meeting members are required to declare any new interests. A review of third-party transactions involving our Board and LPB members is presented to the Board at the start of each financial year for review and action as necessary. Members of our Board, Standing Committees, and LPB comply with the Code of Conduct for Members; and Conflicts Policy.
4. Voting a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Our policy on voting is laid out in Standing Orders, which form part of the Constitutional Document. The Constitutional Document is published on our website..

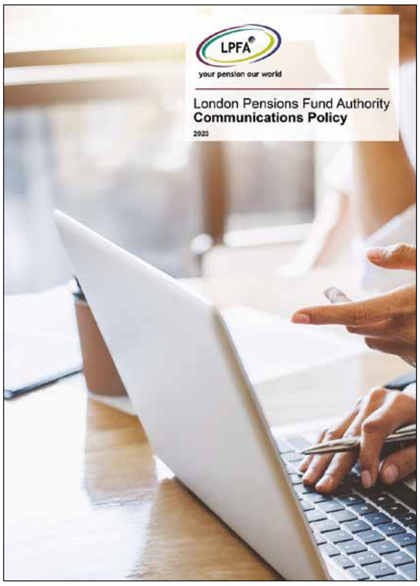
Appendices continued

Public policy statements: vi) LGPS Governance Compliance Statement continued

Governance Compliance Statement continued

Requirement	Compliance	LPFA position and Notes
5. Training / Facility / Expenses a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Our Board and LPB have agreed training plans, which are reviewed on at least an annual basis. Time is allocated on the day of each quarterly Board meeting for training on relevant topics, and the Board agrees training programme at the start of each year. A Framework on the reimbursement of expenses is available on our website, including the Gifts, Hospitality and Expenses Register which is approved for publication each quarter by ARC.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels, or any other form of secondary forum.		Our Board and LPB have agreed training plans, which apply to all members of these respective bodies. Standing Committees are constituted by LPFA Board members and therefore committee specific training is incorporated into the main LPFA Board training plan.
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to 'committee members' should be read as including our Board members given that its two standing committees are comprised of LPFA Board members. The Board training plan is reviewed by the Board annually following the Board member performance review process conducted by the LPFA Chair each year to ensure that members contribute effectively and demonstrate commitment to their role. The LPB also approves an annual training plan to ensure that its members are provided with relevant training to enable them to discharge their responsibilities in this role.
Meetings a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our Board, ARC, IC and LPB all meet on at least a quarterly basis, Board dates and the times of the public session of the Board are published on our website.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	ARC, IC and LPB meetings are scheduled to take place prior to the Board meetings to ensure that, where relevant, the decisions and views of each body can be put to the Board as part of its decision-making process.
c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	Engagement with employer and member representatives is achieved via the LPB, the annual Fund Member Forum and the annual Employer Forum.
6. Access a) That subject to any rules in the constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of ARC, IC and LPB have access to papers for the public sessions of LPFA Board meetings.
7. Scope a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	N/A	This requirement relates to administering authorities that are local authorities, and which therefore have wider responsibilities and associated governance arrangements. Given our status as an administering authority that is not connected to a local authority, and that we exist solely for the purpose of acting as an administering authority of the LGPS, this requirement is not applicable.
8. Publicity a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	Governance arrangements are published via the Constitutional Document and Local Code of Corporate Governance on our website. The website also provides details on how a member of the public can request to attend a public session of the LPFA Board, along with the reports and minutes for all Board meeting public sessions. Agendas and minutes of past LPB meetings are also published on our website.

Public policy statements: vii) Communications Policy Statement



Our Communication Principles

All our communications – and those carried out for us by LPPA – will be:

Straightforward, clear, accessible

We will try to avoid jargon and make our communications clear and easily understood by the reader. We use multiple media channels to reach as many members as possible.

Accurate, timely and professional

We deliver accurate communications on time. We are transparent and not misleading. All communications issued on our behalf must be jointly branded in accordance with our brand guidelines.

Measurable and open to feedback

To ensure continuous improvement and value for money, we will try to measure the effectiveness of our communications. We listen to feedback from all scheme members, employers, and other stakeholders and act when appropriate.

Digital preferred

We support the Government's 'digital by default' aims but, for statutory and regulatory communications, to tackle digital exclusion, we will make it clear that hard copies are available for those that need them.

Regulatory compliance

Communications issued by us or LPPA are compliant with the following: The Occupational Pension Schemes (Disclosure of Information) Regulations and the Public Sector Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (and any amendments thereto) and applicable codes of practice issued by The Pensions Regulator.

Member communications

Objectives

- We want to support our members with the information they need to plan for their retirement.
- We want to increase registrations to PensionPoint, our online member portal.
- We aim to keep our members informed about our approach to responsible investing, their pension rights, the scheme, membership, and the contributions made by employers.
- We seek to reduce queries and complaints through continuous improvement.
- We will comply with our statutory obligations.

We do this in the following ways:

1. Online

The easiest way to stay in touch is through online services. Our web platforms are detailed below.

Site	www.lpfa.org	www.mypensiononline.org.uk
Purpose	This is the corporate website of the LPFA.	This is PensionPoint, a member self-service portal delivered by LPPA.
Content available	Corporate news and updates including our annual report, all statutory and regulatory documents as well as information on net zero and responsible investment information.	Here members can find documents such as their Annual Benefit Statements (ABS) and P60. They can also access member newsletters, monthly pay advice and calculators.

2. By post

We know that not everyone wants to, or can, use digital means to reach us and some members prefer mail. We aim to reply to letters in a timely manner. Members who have opted out of electronic communications can request, from LPPA, printed copies of the following communications posted to a home address:

- Annual Benefit Statements (ABS)
- Fund Newsletters
- Pensioners pay advice
- P60s
- Scheme publications and literature
- Monthly pay advice

Public policy statements: vii) Communications Policy Statement continued

3. Through our helpdesk

Our helpdesk is based in Preston and aims to respond to calls and queries in a prompt manner.

4. Events

We use invitation only events to inform our members and employers of our progress, to provide training and to gain feedback. We review the format of our events regularly to make sure that they deliver value for money and support the sustainability and understanding of the Fund. The current member events are:

- **The Fund member forum** – This annual event is an opportunity for members to hear about our performance over the year and ask questions of Board members and LPFA, LPPI and LPPA management. It is held in person and virtually.
- **Public sessions of the LPFA Board** – These are listed here (https://www.lpfa.org.uk/who-we-are/board-board-reports)

5. Newsletters and publications

The table below details the types of publications issued by the LPFA or LPP (Administration), the frequency with which they are provided and how they can be received.

Publication	Publication Frequency	Distribution		
		Email	Web	Hard copy
P60s	Annual	Yes	No	Yes
Annual Allowance Pensions Savings Statement	Annual	Yes	No	Yes
Benefit illustrations	Annual	Yes	No	Yes
Newsletters (Actives, Pensioners, Deferred)	Annual	Yes	Yes	Yes
Annual Report video	Annual	Yes	Yes	No
Annual Report and Accounts	Annual	Yes	Yes	Yes
Valuation report	Every 3 years	No	Yes	Yes
Newsletter (Employer)	3 times a year	Yes	No	Yes
Investing Responsibly Brochure	Every two years	No	No	Yes
LPFA Fund News	Twice a year	Yes	No	No
The Investor Climate Action Plan (ICAP)	Annual	Yes	No	Yes

Employer risk communications

Objectives

- We seek to help employers understand costs and funding issues.
- We want to help employers provide accurate member data and receive the support necessary to reduce errors.
- We want to make sure that members are provided with necessary information and that we highlight the value of LPFA membership in the attraction and retention of employees.
- We seek to make sure that employers are aware of the policies that relate to their duties.

We do this in the following ways:

- **Online** – UPM employer portal is the site for employer secure access. Employers can submit online forms, data or carry out data matching facilities.
- **Our Employer Management Services (EMS) team** – The EMS is the main point of contact with employers in our fund for all major strategic discussions.

Events

We use events to support our employers, provide training and to get feedback. We will review the format of our events to make sure that they provide value for money and support our long-term sustainability. Our current employer-focused events are:

- **Practitioners conference** – Held by LPPA, this is an opportunity for employer staff with HR and payroll responsibilities to undertake training and improve their understanding of working with us.
- **Employer workshops** – Set up as and when required to debate current issues and regulations changes as required and requested.
- **Training** – Provided by LPPA, this covers provision of end- of-year member data, including the completion of the appropriate data capture spreadsheet. Providing training for small groups to improve understanding of pension administration, legislation, the principles of the Scheme, changes and costs (e.g., as a result of restructuring).
- **The Employer Forum** – To discuss our annual performance, administration, investment and any other relevant issues.

Newsletters, publications and social media

Please see table above. In addition to the newsletter, our EMS and LPPA maintain numerous guides and factsheets. These can be found here: https://www.lpfa.org.uk/employers/employer-guides-factsheets. We also provide timely bulletins when appropriate.

Communication with media and other stakeholders

We communicate with many other stakeholders including industry organisations (e.g. The Pensions Regulator and the Pensions and Lifetime Savings Association), activist bodies, other LGPS funds, the Greater London Authority, the Mayor of London, the media and other bodies.

As a high-profile organisation, we are also contacted by the media for information. Our dealings with the press will conform to the principles set out above.

Objectives

Our communication objectives are:

- To accurately report our valuation results, our performance and our Fund's policy decisions against discretionary elements of the scheme.
- To be transparent and share our responsible investment and climate change progress.
- To meet our obligations under various legislative requirements such as the Freedom of Information Act and the requirements of The Pensions Regulator
- To ensure the proper administration of the Fund.
- To fairly deal with the resolution of pension disputes raised by a member with the media.
- To articulate the Fund's views on wider pensions issues where appropriate.

When appropriate, we will do this by:

- Responding to consultations about regulatory changes and the future of the Fund.
- Publishing press releases, articles and blogs on our website and our social media channels (primarily LinkedIn and Twitter).
- Publishing press releases providing statements setting out our opinion on LGPS issues.
- Responding to Freedom of Information and other requests. Our FOI policy is on our website.

Social media

We use social media to share our own content, and that of others, to update our members and employers, to encourage collaboration in the industry, engage with stakeholders and support industry peers. Content for social media is signed off in advance by the Chief Executive Officer and managed by our communications team.

- We do not prevent employees from using social media for private use. The views or opinions expressed by an employer on their personal social media account are theirs alone.
- If the employee references the LPFA as their employer on their biography, then we expect the employee to be mindful of our reputation and present themselves professionally and in alignment with our values.
- A follow-back is not an endorsement. The same applies to re-tweeting or sharing messages posted on accounts that we do not own, or marking them as 'favourites', or otherwise sharing information on a different platform.
- All information, posts and responses to postings are written as our official voice. They will be positive and professional and should not give individuals' personal opinions.
- We manage our social media accounts to ensure that information is correct and up to date and that posts are regularly monitored, effective and appropriate.

Oversight of our communications

Local Pension Board (LPB)

The Terms of Reference of the LPB include the opportunity for it to "assist with the development and reviewing of scheme member and employer communications as required by regulations".

Key policies, reports and minutes of the LPB are available on our website. It is a matter reserved for decision by the LPFA Board to approve all policies.

Contact Us

Alistair Peck, Head of Communications and Engagement
London Pensions Fund Authority
169 Union Street, London, SE11 0LL

DL: 0207 369 6112
Email: communications@lpfa.org.uk

Appendix

Notes:

Every Local Government Pension Scheme (LGPS) administering authority must prepare, publish and maintain a new policy statement on communication strategy. The policy statement must set out the administering authority's policy concerning communications with members, representatives of members, prospective members and employers. The policy statement must set out:

- The policies on the provision of information and publicity about the Scheme to members, representatives of members, and scheme employers.
- The format, frequency and method of distributing such information or publicity; and
- The promotion of the Scheme to prospective members and their employing authorities.

Since the formation of Local Pensions Partnership (LPP) in April 2016, many member and employer communications are now issued on our behalf by LPP. LPP adheres to these standards when issuing any communications on behalf of LPFA.

Additional contacts

The LPFA (General)

For any general enquiries relating to this annual report or the Fund, please contact:

London Pensions Fund Authority
2nd Floor, 169 Union Street
London SE1 0LL
United Kingdom

E: communications@lpfa.org.uk

Regional Pool (Administration and Investments)

The LPFA's Administrators (Enquiries for members, benefits and other administrative issues)

LPPA
PO Box 1381
Preston
PR2 0WP

T: 0300 323 0260
E: www.lppapensions.co.uk/contact/
www.lppapensions.co.uk

The LPFA's Investment Managers

LPPI
First Floor
1 Finsbury Avenue
London EC2M 2PF

T: 020 7369 6000
E: info@lppi.co.uk

Going digital

Members
Our preferred method of communication is electronic. We communicate with members via email or via our member self-service facility, which members can register for at: www.lppapensions.co.uk. To opt out of electronic communications, please write to LPPA at the address above.

Employers
Employers can submit online forms, data or carry out data matching facilities via a secure online portal for employers: www.yourfund.org.uk.

Making a complaint

Internal Dispute Resolution Procedure (IDRP)

If an employer or member has a complaint, they are advised to contact LPPA in writing, in the first instance, either by post or email to try and resolve the problem.

During the year LPPA has furthered its guidance available regarding the IDRP to provide members with a better understanding of the IDRP process, our promises and further sources of information which might be helpful during or after the complaints process.

The guidance is clearly visible and easily available on the LPPA website (www.lppapensions.co.uk/customer-care/internal-dispute-resolution-procedure/) for ease of access for all users and contains information on all aspects of a dispute, including external sources to assist the member with the complaint if they need further assistance like the Pensions Ombudsman, The Pensions Advisory Service and The Pensions Regulator. There is also a step by step flowchart outlining the process to assist users in fully understanding the process and relevant time scales.

The Pension Advisory Service (TPAS)

PAS is available to assist members and beneficiaries with any difficulties they cannot resolve with their scheme administrators. TPAS can be contacted at:

11 Belgrave Road, London SW1V 1RB
T: 0800 011 3797
E: enquiries@pensionsadvisoryservice.org.uk
www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

T: 0800 917 4487
E: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Glossary

ARC	Audit and Risk Committee
AVC	Additional Voluntary Contribution
CEO	Chief Executive Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CIPFA/LASAAC code	CIPFA and the Local Authority (Scotland) Accounts Advisory Committee
Code	Local Code of Corporate Governance
COP14	The Pension Regulators Code of Practice 14 – Governance and administration of public service pension schemes
COP26	26th UN Climate Change Conference of the Parties
COVID-19	Coronavirus
DB	Defined Benefit
DSF	LPPI Diversifying Strategies Fund
EU	European Union
ESG	Environmental, Social and Governance
FIF	LPPI Fixed Income Fund
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
GCF	LPPI’s Global Credit Fund
GDP	Gross Domestic Product
GEF	LPPI’s Global Equity Fund
GIF	LPPI’s Global Infrastructure Fund
GLA	Greater London Authority
GMP	Guaranteed Minimum Pension
IAS	International Accounting Standards
IDRP	Internal Dispute Resolution Procedure
IFRS	International Financial Reporting Standards
IP	Investment Panel
ISS	Investment Strategy Statement
KPI’s	Key Performance Indicators
LAPFF	Local Authority Pension Fund Forum
LCC	Lancashire County Council
LCIV	London Collective Investment Vehicle Ltd
LDI	Liability-driven investment
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
LPFA	London Pensions Fund Authority
LPP (Group)	Local Pensions Partnership Ltd
LPPA	Local Pensions Partnership Administration Ltd
LPPI	Local Pensions Partnership Investments Ltd
MHCLG	Ministry of Housing, Communities and Local Government
NAV	Net Asset Value
NED	Non-Executive Director
NFI	National Fraud Initiative
PAS	Pension Administration Strategy
PLSA	Pensions and Lifetime Savings Association
PRI	Principles for Responsible Investment
PSAA	Public Sector Audits Appointments
RI	Responsible Investment
RCM	Record Currency Management
SAA	Strategic Asset Allocation
SLA	Service Level Agreement
SPS	Strategic Policy Statement
TPI	Transition Pathway Initiative
UK	United Kingdom
UPM	Universal Pension Management administration system

Annual Report 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.

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