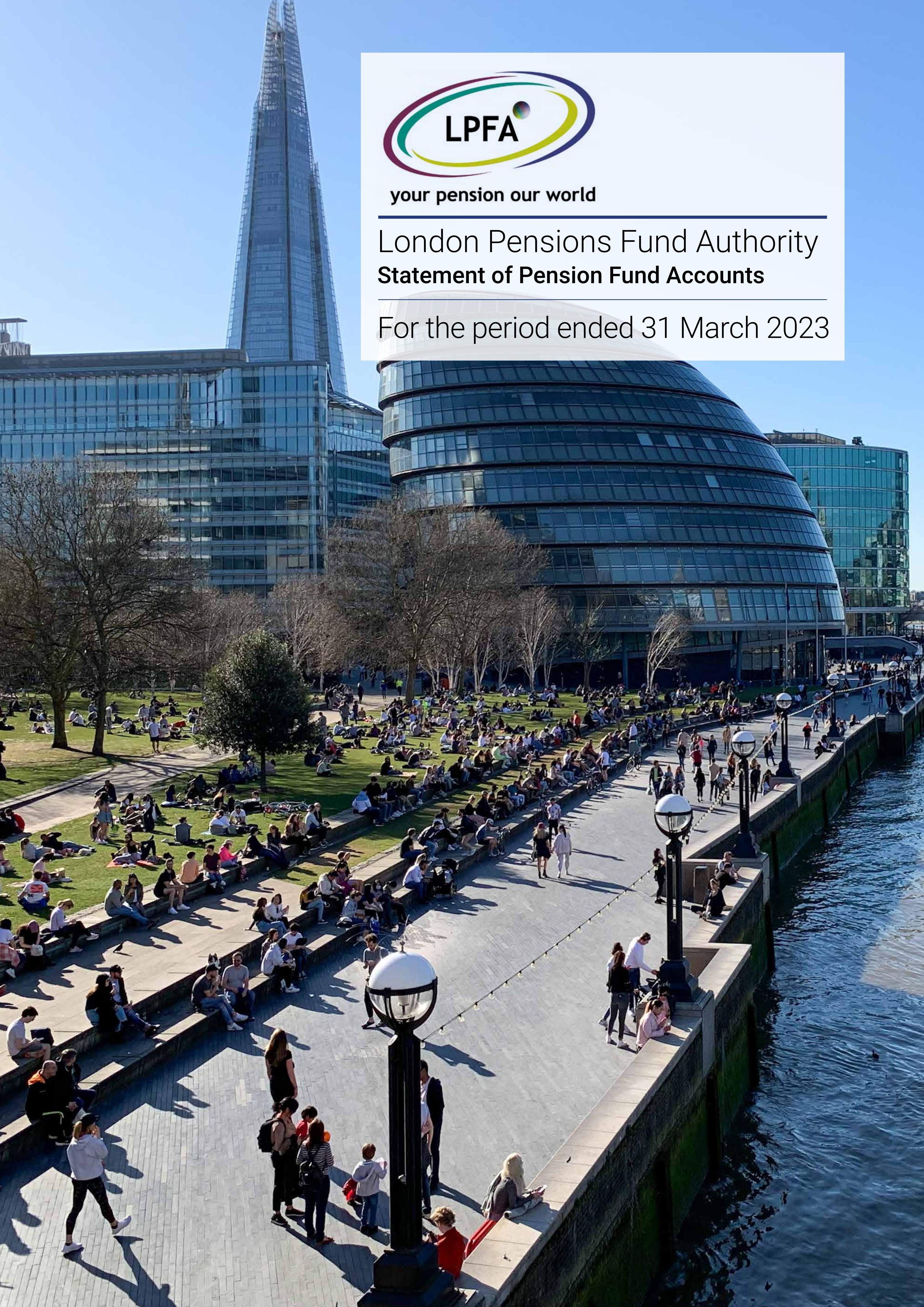

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London Pensions Fund Authority

Statement of Pension Fund Accounts

For the period ended 31 March 2023

Information

Board members

John Preston (Chairman)
Rita Bajaj
Ruth Dombey
Tamlyn Nall
Belinda Howell
Terence Jagger
Deborah Rees
Clare Scott
Christina Thompson
Richard Olszewski (appointed 1 January 2023)
Sophia Morrell (appointed 1 April 2022)

Chief Executive Officer

Robert Branagh

S151 Officer

Michelle King

Deputy S151 Officer

Audrey Allen-Chitwa (appointed 20 September 2023)

Business address

2nd Floor
169 Union Street
London
SE1 0LL

Auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

Bankers

Lloyds Bank
4th Floor
25 Gresham Street
London
EC2V 7HN

Lawyers

Eversheds Sutherland LLP
Two New Bailey
6 Stanley Street
Salford
M3 5GX

Contents

1. Format of the Statement of Accounts	1
2. Statement of Responsibilities for the Statements of Accounts	2
3. Narrative Report	3
4. Auditor's report to the London Pensions Fund Authority (LPFA)	5
5. Fund Account	9
6. Net Assets Statement	10
7. Notes to the Fund Account	11
8. Actuary's Statement	36
9. Employers Participating in the Fund	38

1. Format of the Statement of Accounts

Format of the Statement of Accounts

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

The LPFA's Pension Fund Statement of Accounts for the financial year 2022/23 consists of:

The **Fund Account** which shows the Fund's income and expenditure for the year;

The **Net Assets Statement** which shows the net assets of the Fund at 31 March 2023; and,

The **Notes** and accounting policies to support the Pension Fund accounts.

2. Statement of Responsibilities for the Statement of Accounts

LPFA's responsibilities

LPFA is required to:

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

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

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

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

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

Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

AUDREY ALLEN-CHITWA

Audrey Allen-Chitwa, Deputy Section 151 Officer
Dated: 23 October 2023

3. Narrative Report

London Pensions Fund Authority (LPFA), is the largest Local Government Pension Scheme (LGPS) in London. The pension fund had a 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 result compared to budget

Pension Fund	Actual 2022-23 £'000	Budget 2022-23 £'000	Variance 2022-23 £'000	Variance 2022-23 %
Dealings with members and employers				
Contributions	**157,955**	**145,400**	**12,555**	**8.63**
Transfers in	**12,278**	**–**	**12,278**	**–**
Benefits payable	**(278,918)**	**(283,600)**	**4,682**	**1.65**
Transfers out	**(26,498)**	**–**	**(26,498)**	**–**
Net additions/ (withdrawals) from dealings with members	**(135,183)**	**(138,200)**	**3,017**	**2.18**
Management expenses				
Investment management	**(123,461)**	**(103,100)**	**(20,361)**	**-19.75**
Administration	**(2,347)**	**(2,200)**	**(147)**	**-6.68**
Oversight & governance	**(4,087)**	**(4,800)**	**713**	**14.86**
Investment Services Fee LPPI	**(67)**	**(735)**	**668**	**90.88**
Total management expenses	**(129,962)**	**(110,835)**	**(19,127)**	**-17.26**
Returns on Investments				
Net investment income	**173,404**	**132,100**	**41,304**	**31.27**
Taxes on income	**(1,975)**	**–**	**(1,975)**	**–**
Profit and loss on disposal and change in market value	**86,878**	**498,400**	**(411,522)**	**-82.57**
Total return on investments	**258,307**	**630,500**	**(372,193)**	**-59.03**
Net inflow/(outflow) to the Fund	**(6,838)**	**381,465**	**(388,303)**	**-101.8**

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 budgeted net inflow by £388.3 million predominantly due to the 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 budgeted 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 5-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 1-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 annualized.

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.

Asset Class	31 March 2023		31 March 2022		Strategic Asset Allocation (%)	Range (%)
	Exposure (£m)	Exposure (%)	Exposure (£m)	Exposure (%)		
Public equity	3,782.00	49.30	3,610.00	47.48	50.00	40 – 60
Fixed income	78.00	1.00	209.00	2.75	1.00	0 – 11
Private equity	585.00	7.60	696.00	9.15	5.00	0 - 10
Infrastructure	940.00	12.20	809.00	10.64	12.50	7.5 - 17.5
Credit	736.00	9.60	615.00	8.09	12.50	7.5 - 17.5
Real estate	729.00	9.50	678.00	8.92	12.50	7.5 - 17.5
Diversifying strategies	653.00	8.50	807.00	10.61	5.00	0 – 10
Cash	170.00	2.20	180.00	2.36	1.50	0 - 6.5
Total	**7,673**	**100%**	**7,604**	**100%**	**100%**	

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

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

Report on the Audit of the Pension Fund Financial Statements

Opinion on financial statements

We have audited the financial statements of London Pensions Fund Authority Pension Fund (the 'Pension Fund') administered by the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund

Responsibilities of the Authority and the Section 151 Officer

As explained more fully in the Statement of Responsibilities within the accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit and Risk committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 3 investments, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ciaran McLaughlin, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

23 October 2023

5. Fund Account

Fund account

	Notes	**2022-23 £'000**	2021-22 £'000
Dealing with members, employers and others directly involved in the Fund			
Contributions	7	**157,955**	153,630
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 additions/(withdrawals) from dealings with members		**(135,183)**	(120,234)
Management expenses	11	**(129,962)**	(98,638)
Net additions/(withdrawals) less 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 market value	14a	**86,878**	812,048
Net returns on investments		**258,307**	971,857
Net increase/(decrease) 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

6. Net Assets Statement

Net assets statement as at 31 March 2023

	Notes	**31 March 2023 £'000**	31 March 2022 £'000
Investment assets	14	**7,460,620**	7,461,880
Investment liabilities	14	**(5,580)**	(19,290)
Total net investments assets		**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)
		202,874	222,162
Net assets of the fund available to fund benefits at the end of the reporting period*		**7,657,914**	7,664,752

* Please note the total of £7,673 million disclosed in the investment performance disclosure can be reconciled to the value in the net asset statement 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 the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in note 25.

AUDREY ALLEN-CHITWA

Audrey Allen-Chitwa, Deputy Section 151 Officer
Dated: 23 October 2023

ROBERT BRANAGH

Robert Branagh, Chief Executive Officer
Dated: 23 October 2023

7. Notes to the Fund Account

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.

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 voluntary and employees are free to choose whether to join 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 a local authority function following outsourcing to the private sector.

Details of the participating employer bodies and their individual contribution rates for the year ended 31 March 2023 are set out on pages 39-40.

The Fund membership was as follows:

Fund membership	**31 March 2023**	31 March 2022
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 & 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

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 our 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 assets 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.

Employer's augmentation contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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 assets statement as a current asset.

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

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 profits/losses during the year.

Fund account - expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that 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.

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..
- Associated project expenses.

Oversight and governance expenses are contained in the Operational accounts and are recharged to the Pension Fund.

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

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 assets 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 assets 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 or losses arising from changes in the fair value of the liability between 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 yet paid is accounted for on an accruals basis and included 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 assets 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 those involved in the following estimates:

Unquoted private equity and infrastructure investments

Private equities and infrastructure investments are valued at fair value in accordance with International Private Equity and Venture Capital Guidelines (December 2018). See note 5 for further information on the 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 IAS26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuarial Statement on page 48 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 rate has been on an upward trend since 2021, and has increased by over 2% to 4.8%. b) a 0.1% increase in long term salary increase would increase the present value of the obligations by £5.4 million. c) a 0.1% increase in pension rates that 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 risk 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 – deficit	**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 community bodies	**69,524**	69,194
Transfer admitted bodies	**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.

8. Transfers in from other pension funds

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

There were no group transfers in the year.

7. Notes to the Fund Account continued

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 admitted bodies	**85,668**	79,153
Transferee admitted bodies	**2,349**	1,766
Resolution bodies	**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 and surpluses and exit payments	**11,268**	–
Individual transfers	**14,798**	11,810
	26,498	12,472

The group transfers relate to the cessation value payments made to employers who exited the fund when in surplus.

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
	129,961	98,638

11a. Investment management expenses

	2022-23 £'000	2021-22 £'000
Management fees	**67,794**	49,034
LPP management fees 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 costs).

Fees are also payable to the external auditors in relation to the certification of the data used to calculate the IAS19 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.

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
	13,495	39,190
– Derivatives – forward exchange contracts	**7,775**	2,618
– Cash at investment managers	**5,657**	(28)
– Amounts receivable for sales	**16,250**	–
– Investment income due	**1**	1
	29,683	2,591
	7,460,620	7,461,880
– Derivatives – forward exchange contracts	**(5,580)**	(19,290)
Net investment assets	**7,455,040**	7,442,590

14a. Reconciliation of movements in investments

	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in market value during the year £'000	Market value at 31 March 2023 £'000	Market value at 31 March 2022 £'000
Pooled investments:					
– Fixed income	(968)	(119,950)	(10,647)	77,549	209,114
– Equities	79,801	–	92,605	3,782,095	3,609,689
– Credit	125,369	–	(4,185)	736,462	615,278
– Private equity	(573)	(77,192)	(33,237)	585,478	696,481
– Infrastructure	134,993	(30,873)	26,983	939,596	808,492
– Real estate	68,473	–	(16,742)	729,327	677,597
– Diversifying strategies	(39,690)	(280,000)	83,177	566,935	803,448
	367,405	(508,015)	137,954	7,417,442	7,420,099
Non-pooled investments:					
– Equities	–	–	(430)	88	518
– Private equity	–	–	–	12,500	12,500
– Infrastructure	100	(698)	17	146	726
– Managed funds – cash	–	(22,001)	5	43	22,040
– Diversifying strategies	3,209	(7,694)	1,796	718	3,406
	370,713	(538,409)	139,342	7,430,937	7,459,289
Derivative contracts:					
– Forward exchange contracts	122,655	(50,768)	(53,020)	2,195	(16,672)
	493,368	(589,177)	86,322	7,433,131	7,442,617
Cash at investment managers			556	5,657	(28)
Amounts receivable for sale of investments			–	16,250	–
Investment income due			–	1	1
Net investment assets			86,878	7,455,040	7,442,590

During the year end Investment reporting, Bank of New York Mellon, the Investment Custodians, were able to provide the reconciled sales and purchases for the Forward Exchange contracts.

This disclosure has not been available in previous years.

14a. Reconciliation of movements in investments continued

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

14b. Investments analysed by fund manager continued

The following investments represent more than 5.0% 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 Diversifying Strategies	**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%

* Insight is included for comparative purposes only.

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).

Open forward foreign currency contracts

The net position on open forward currency contracts at 31 March 2023 amounts to a asset of £2.2 million (31 March 2022: asset 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 funds investments is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the fund hedges a proportion overseas investments currency exposure.

Settlement	Currency code purchased	Currency purchased amount £'000	Currency code sold £'000	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	56,133	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	–	(2,541)
	CHF	112	GBP	99	–	–
	USD	9,726	GBP	7,853	4	–
	CHF	112	GBP	99	–	–
	USD	9,726	GBP	7,846	6	–
	GBP	18,089	CHF	20,315	–	(82)
	GBP	47,077	USD	58,495	–	(134)
	GBP	5,708	EUR	6,446	33	–
	JPY	13,407,300	GBP	83,454	–	(1,391)
	GBP	18,399	CHF	20,315	183	–
	GBP	48,449	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	–	(267)
	CAD	68,854	GBP	41,094	41	–
	GBP	22,319	AUD	41,217	–	(41)
	JPY	13,407,300	GBP	83,441	–	(1,052)
	GBP	35,606	SEK	455,458	–	(17)
	GBP	18,206	CHF	20,315	–	(55)
	GBP	47,332	USD	58,495	149	–

15. Analysis of derivatives continued

Settlement		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 twelve 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 cost.

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 bases is set out in a table below. 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 changed 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.

16. Fair value - 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 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 2022 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cash flows; differences between audited and unaudited accounts.

16. Fair value - basis of valuation continued

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. This table excludes the investment in LPP.

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
Real estate	4.2%	677,597	706,056	649,138
		2,186,702	2,299,672	2,073,734

16a. Fair value hierarchy

Market value at 31 March 2023	Quoted market prices Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'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 financial assets	3,804,091	1,383,186	2,267,763	7,455,040

Market value 31 March 2022 (restated)	Quoted market prices Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'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 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.

Reconciliation of Level 3 assets

	Market value at 31 March 2023	Purchases during the year	Sales during the year	Realised gains/ (losses)	Unealised gains/ (losses)	Market value at 31 March 2022
Private equity	597,978	(574)	(77,192)	–	(33,237)	708,981
Infrastructure	939,740	135,093	(31,572)	(5,681)	32,682	809,218
Diversifying strategies	718	3,209	(7,693)	1,494	302	3,406
Real estate	729,327	68,473	–	–	(16,743)	677,597
Total	2,267,763	206,201	(116,457)	(4,187)	(16,996)	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 is 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.

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	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)
Investment income due	1	1
Amounts receivable for sales	16,250	–
Cash balances	175,662	199,036
Current assets – Note 21	17,952	18,956
Total – Financial assets at amortised cost	215,521	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	(6,080)	(25,378)
Grand total	7,648,154	7,654,494

The difference between the total financial instruments and the net asset statement relate to assets and liabilities that are not financial instruments, being the VAT receivable, the contributions due, the benefits payable and the other taxes.

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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 LPP 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 1-year time horizon is used as one risk measure for the Fund and is measured as a one standard deviation movement in the returns for each of the major asset classes in which the Fund is invested. The expected volatility provides a measure of the potential largest change in the value of the Fund in around 2/3rds of the time. The total fund volatility considers the expected interactions between the different asset classes, based on underlying volatilities and correlations of the assets. 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 1-year time horizon, the assumed distribution of prices may be different and it does not provide a measure of potential outcomes outside the one standard deviation movement.

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

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**	16.6	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**	13.8	100

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 two thirds 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 risks 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 program is reviewed regularly as part of LPFA's investment strategy review.

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.

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

The expected standard deviation of the Fund's significant currency exposure is based on 12 month market implied volatilities taken from Bloomberg as at 31 March 2023. The following tables summarise the Fund's approximate 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 2022 £m	Implied volatility %	Currency	Value at 31 March 2023 £m	Implied volatility %
2,719	8.3	USD	2,732	9.7
378	10.3	JPY	379	12.2
755	6.8	EUR	759	7.0
577	7.5	CHF	57	8.2
132	7.7	CAD	133	8.6

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.

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, real estate, non-pooled diversifying strategies) 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.

7. Notes to the Fund Account 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	**17,951**	18,956
	33,555	33,719

22. Current liabilities

	31 March 2023 £'000	31 March 2022 £'000
Sundry creditors	**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 IAS24 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 Chair 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 Section 151 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 is an Admitted body 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 Plan by 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 totalling £6.2 million (2022: £3.7 million) to the LPFA Pension Fund.

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 GBP 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.

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: £334.1million) based on:

Currency	Commitment	Exchange rate	£
US$	181,777,128	1.236	147,015,343
CHF	7,029,000	1.130	6,222,784
EUR	70,852,514	1.138	62,257,034
GBP	62,931,918	1.000	62,931,918
Total			**278,427,080**

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

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

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 latest Triennial Actuarial Valuation, which for this report was 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 the funded obligation at 31 March 2023 for the Fund was £6,748 million (2022: £9,991 million). The net asset for the Fund at 31 March 2023 was £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 half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

	31 March 2023 % p.a.	31 March 2022 % p.a.
CPI increases	**2.90**	3.20
Salary increases	**3.90**	4.20
Pension increases (CPI)	**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:

	31 March 2023 £'000	31 March 2022 £'000
Short-term benefits	**740**	600
Pension	**49**	71
	789	671

8. Actuary's Statement as at 31 March 2023

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 31 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.

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

9. Employers Participating in the Fund

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 education trust*	–
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

* 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.

9. Employers Participating in the Fund 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