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London Pensions Fund Authority
Pension Fund Annual Report

2021-22

About us

The London Pensions Fund Authority (LPFA) is the largest Local Government Pension Scheme (LGPS) provider in London. Our pension fund had a balance sheet value of £7.6 billion as at 31 March 2022. We are responsible for the pension provision of 92,659 members.

Our mission is to provide a high-quality, cost-effective pensions service. We're committed to meeting the needs of our employers and members and we seek to play an active and collaborative role in the pensions industry.

In 2016, we formed a pensions partnership with Lancashire County Council (LCC) called the Local Pensions Partnership Ltd (LPP) to improve efficiencies and value for money.

The LPFA retains strategic oversight of the LPFA pension fund. LPP, through LPP Investments (LPPI) and LPP Administration (LPPA), manages the pension fund's assets and administers the Fund on our behalf.

Contents

Key facts and highlights of 2021-22

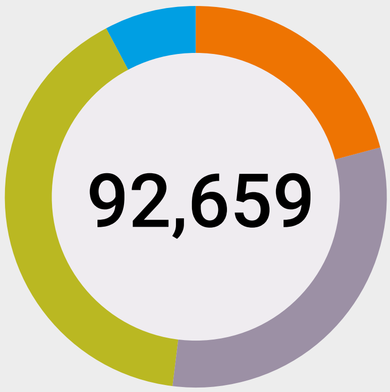
As at 31 March 2022

Members

Active employers in the Fund

123

Membership breakdown



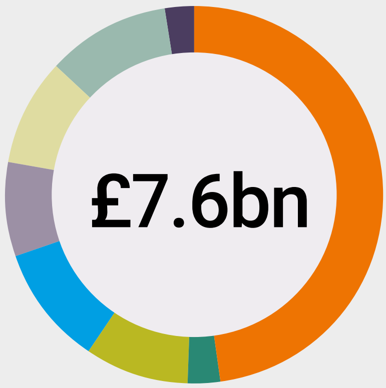
- 19,963 Active contributors
- 29,329 Deferred beneficiaries
- 36,127 Pensioners and dependants
- 7,240 Undecided leavers and Frozen refunds

Balance sheet value

Five year record

2021-22	£7.6bn
2020-21	£6.9bn
2019-20	£5.8bn
2018-19	£6.0bn
2017-18	£5.6bn

Asset allocation (%)



47.48	Public equity
2.75	Fixed income
9.15	Private equity
10.64	Infrastructure
8.09	Credit
8.92	Real estate
10.61	Diversifying strategies
2.36	Cash

£19 million of savings made

Savings since pooling began now total £19 million up from £16.6 million in 2020-21. These come from the economies of scale and the bargaining power of LPPI with underlying investment managers.

Acting on climate change

In February 2022, the last extractive fossil fuel company was removed from LPFA's listed equity portfolio. The announcement came shortly after the LPFA's September 2021 net zero commitment.

Meeting the needs of our employers

Our Employer Management Services team is dedicated to meeting the needs of our 123 employers and managing the risks to the Fund. Notable activities have included preparing for the 2022 triennial valuation, developing security agreements to protect the Fund in the event of employer insolvency and engaging with several employers that are considering participating in the Fund.

1. Overview

1.1 Chair's Statement

→ "We continue to strive to invest responsibly and in September 2021 announced our net zero ambitions in acknowledgement of the risks that climate change poses to the Fund and to our society."

Welcome to the LPFA's annual report for the year to 31 March 2022. I hope that you and your loved ones are staying safe and well. Events of the last year have been challenging for all but with the restrictions of the pandemic now lifted, we are looking forward to the future. I am pleased to say that the Fund remains well administered, effectively governed and our members' pensions are safe and secure.

Investment highlights

The Fund's investments remain well diversified across regions, asset classes and sectors and our commitment to being a long-term investor continues to bear fruit.
I am delighted to say that the Fund has outperformed our 1-, 3- and 5-year benchmarks as set out below.

Return metric	1 year	3 year	5 year
Total return	13.5%	9.6%	7.8%
Return Objective	10.6%	7.0%	6.6%
Policy Portfolio Benchmark	9.6%	9.3%	7.6%

We continue to strive to invest responsibly and in September 2021 announced our net zero ambitions in acknowledgement of the risks that climate change poses to the Fund and to our society. Our progress is detailed on our website's net zero hub.

With the increase in our allocation to investing in Infrastructure, the Fund is also playing an increasingly important role in the UK's infrastructure and energy future. Through GLIL, the London Fund and other Infrastructure vehicles, I am particularly pleased to see the LPFA's involvement in a range of companies across the energy supply chain from solar power and wind farms to battery storage and smart meters.

Supporting a thriving pool

I am delighted to report that we have made cumulative savings of over £19 million since pooling and I would like to extend my thanks to our pool, the LPP and their component parts, LPPA and LPPI. As joint owners of LPP Group, both the LPFA and Lancashire County Council (LCC) have a shared interest in the success of the organisation and we are keen to see LPP continue to thrive. I would also like to thank our LCC colleagues for their continued support and partnership.

Ensuring a well-run fund

Further progress has been made over the period with the appointment of a new S151 officer and the development of the Investment Panel into a formal Investment Committee of the Board. The former helps strengthen oversight of LPFA's financial affairs, while the latter enhances the effectiveness of our oversight of LPPI's investment decisions.

We extend our thanks to Barbara Weber who stepped down from the Board during the year as her term came to an end. We are also delighted to have welcomed Deborah Rees, Rita Bajaj, Belinda Howell and Clare Scott to the LPFA Board. Their extensive skills, particularly across governance, fund management, climate change and responsible investment, position the Fund well for future developments and the challenges ahead.

I am proud of the progress that we have made so far, and I thank you for your continued support.

John Preston
LPFA Chair

1.2 CEO's Statement

"We remain determined to deliver value for money and are pleased to say that this increased investment is leading to a reduction in complaints, a more professional, more effectively governed organisation, above benchmark returns and a consistent meeting of SLAs. We will not stand still of course, and we will continue to improve the service that we offer our members and employers."

It has been an productive year and I am delighted that we have made such progress delivering on our mission: to provide a high-quality, cost-effective pensions service that meets the needs of our employers and members while playing a collaborative role in the pensions industry. Our mission is underpinned by three strategic pillars: evolving our investment and liability management, building stronger operational efficiency and working in partnership and collaboration. I look at these in more detail below.

Evolving investment and liability management

– Investment performance

The Fund's net assets increased from £6.9bn to £7.6bn (balance sheet value) supported by strong investment performance. This was an increase of just under £700 million over the period.

– Investing in our employer relationships

Our now 3-strong Employer Management Services team remains essential in meeting the needs of our 123 employers and managing the risks to the Fund. Major achievements over the period have included preparation for the 2022 triennial valuation, developing security agreements to protect the Fund in the event of employer insolvency and engagement with several employers that are considering participating in the Fund.

Building stronger operational efficiency

– Enhancing LPFA's management capability

We have increased our senior leadership capability at LPFA and I am pleased to see their positive impact overseeing LPFA's daily operational activities as well as the work of LPPI and LPPA. The LPFA now employs 20 members of staff across four directorates: Finance, Corporate Services, Risk & Funding and Legal & Compliance. Regular training is in place to ensure that every colleague is equipped to deliver on LPFA's mission. Steady progress has been made as a result of taking work back into LPFA and growing our internal resources but further work on our culture and operational ways of working will be accelerated next year.

– Being an active shareholder

Alongside LCC, LPFA colleagues and Board members continue to provide effective governance and oversight of LPPI and LPPA. We were very pleased that LPP Group has maintained service levels throughout the pandemic and continue to invest in new digital services. We continue to ensure that LPP Group is compliant with key shareholder documentation and Service Level Agreements (SLAs). Reviews and monitoring of LPP's financial management remains frequent and our internal auditor work supports our efforts to identify and mitigate the key current and future risks to the Fund.

– Outsourced investment and administration costs

Cost per member has increased in 2021-22 reflecting the increased investment to support the efficient running of the Fund but this should be set against the savings made since pooling. This now totals £19 million up from £16.6 million in 2020-21. This comes from the economies of scale and the bargaining power of LPPI with underlying investment managers.

We remain determined to deliver value for money and are pleased to say that this increased investment is leading to a reduction in complaints, a more professional, more effectively governed organisation, above benchmark returns and a consistent meeting of SLAs. We will not stand still of course, and we will continue to improve the service that we offer our members and employers.

– Evolving our communications

Our corporate website is now live and our corporate communications programme is focused on communicating the progress that the Fund is making around climate change and more broadly in relation to responsible investment (RI). We know that these are topics that our members and stakeholders feel strongly about. We also continue to work with LPPA to drive improvements in our member communications and have introduced new forms of communications including Fund News emails, more frequent social media updates and new member and employer event formats.

1. Overview continued

1.2 CEO's Statement continued

I am also pleased that 2022 saw LPFA members migrate to PensionPoint, LPPA's new member portal. The roll out was in general a great success. I would encourage all members to register to use PensionPoint to allow better control of their pension and we would appreciate any feedback on the portal.

Working in partnership and collaboration
I, and other members of the LPFA team, continue to advocate collaboration in our sector, through GLIL, the London Fund and more broadly. Our team continues to seek opportunities to work with all our pooling and industry colleagues. I spoke at the Pensions and Lifetime Savings Association (PLSA) on pooling, Reset Connect in London Climate Action Week, C40 Cities and I also attended the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel. Our communications team has regular meetings with industry stakeholders and we continue to make strides to improve the flow of information from the Fund supporting our drive for transparency and openness.

– **Investing responsibly and climate change**

Responsible Investment (RI) is important to the LPFA and we will continue to be transparent and accountable on our path to net zero and on our wider RI work. Following on from our net zero commitment in September 2021, we divested all fossil fuel holdings from our listed equity portfolio in February 2022 and, at the time of publishing this report, will be about to submit our net zero action plan to the Institutional Investors Group on Climate Change (IIGCC).

We will also continue to work with LPP Group to ensure that the LPFA is an active asset owner and that we manage the risks and opportunities posed by climate change and other social challenges. We will actively seek to share with and learn from other organisations making progress across Environmental, Social & Governance (ESG) issues.

The team has accomplished a lot since joining the LPFA, but we know that there is much more to do.

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

Robert Branagh
LPFA CEO

2. Governance

A major strategic objective for the LPFA is to remain a well-run and high-quality pension fund. This section explains how the LPFA is governed, outlines the highlights of 2021-22, the governance framework, our approach to risk management as well as the roles of our Board, Local Pensions Board (LPB) and Senior Leadership Team (SLT). The Annual Report from the Chair of the LPFA's LPB is found at the end of the section.

2.1 At a glance

2021-22 has been a period of adaption and evolution for the LPFA, with the organisation continuing to function effectively and deliver against its strategic objectives.

The pandemic meant the continuation of remote working and virtual video conference meetings for much of the year, as allowed for by the LPFA Constitutional Document. Some Board meetings were held in person during the year and the organisation moved to flexible hybrid working and meeting arrangements from September 2021 onwards in line with government guidelines.

2.2 Governance highlights

The Governance highlights during 2021-22 were:

- **Effective oversight:** The LPFA SLT has been able to drive the Fund's strategic priorities, make sure business controls are fit for purpose, ensure appropriate oversight of LPPI and LPPA and compliance with statutory guidance.

  The incoming Finance Director was appointed as LPFA's new Section 151 Officer from 1 August 2021, with designated responsibility for ensuring the proper administration of LPFA's financial affairs.

- **Strengthening oversight:** During 2021-22, the Board replaced the informal Investment Panel with the Investment Committee, a formal standing committee of the LPFA Board. This will further strengthen LPFA's oversight of LPPI's investment decisions.

- **Refinement of internal control best practice:** Supporting the Mayor's Office, and building on the work undertaken the previous year, the SLT has continued to develop and enhance internal controls, including the introduction of a new finance system and development of the Risk Framework. Work has also been undertaken to further develop robust monitoring mechanisms through the introduction of formal Policy and Compliance Frameworks.

- **Futureproofing the LPFA Board and Local Pension Board:** The Mayor of London appointed four new LPFA Board members with effect from 1 April 2021. The LPFA also recruited four new LPB members: one employer and three member representatives.The LPB's independent Chair was re-appointed for a further term of two years commencing from 1 April 2021, and an LPB employer representative was re-appointed for a further term.

2.3 LPFA Operations and Constitutional Framework

LPFA has a unique status in the UK with specific legal rights and responsibilities. It is an Administering Authority without a connected local authority and operates in accordance with its own legal constitution. It is also a corporation formed by statute which established it as a 'body corporate'.
The LPFA's corporate governance framework is modelled on guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The LPFA's governance framework outlines the systems, processes, culture and values by which it is directed and controlled, and the activities for which it is accountable.

2. Governance continued

2.3 LPFA Operations and Constitutional Framework continued

The corporate structure, set out in the image below, shows how the LPFA is governed. Terms of reference of the LPFA Board, its standing committees and the LPB can be found on the LPFA website. Details of the annual review which ensures that LPFA has a sound system of internal control, required by regulation[1], are published within the LPFA Annual Governance Statement on the LPFA website. LPFA's Governance Compliance Statement outlines how it delegates its function under regulation[2].

2.4 Conflicts of interest

All senior managers, LPFA Board members and LPB members are requested to complete conflicts of interest declarations when joining the LPFA, and at the start of every financial year. At the start of each Board, Committee and LPB meeting, members are asked to declare any new conflicts. The Register of Interests is regularly updated and presented to the Audit and Risk Committee for consideration.

2.5 The LPFA Board

The LPFA's Board appointment process and permitted size are defined by statute. The Constitution details the specific matters reserved for decision by the Board and outlines the Standing Orders adopted by LPFA under its authority to regulate its own proceedings. Details can be found on the LPFA's website.

All Board members have voting rights and decisions are made by those members present. LPFA Board papers on the LPFA website show the decisions made by the Board throughout 2021-22. In addition to regular Board meetings, two additional strategic sessions were held over the financial period to finalise the LPFA's strategic priorities. An annual Board Strategy Session was held in September 2021 to discuss shareholder matters, ways of working, oversight of LPPI's investment activity and responsible investment.

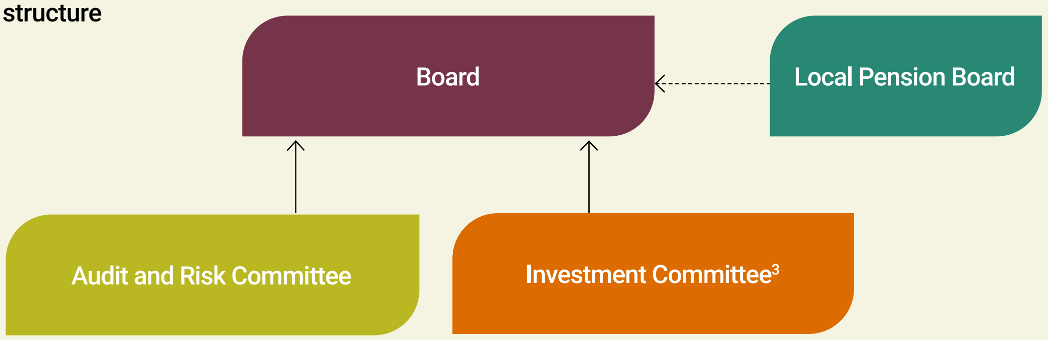
Board appointments

The new Board members appointed over the period enhance the Board's capabilities and expertise. The diverse background of the Board is an asset and informs effective decision-making.

Board changes

During the year, Barbara Weber stood down from the Board at the end of her term of office. Deborah Rees, Rita Bajaj, Belinda Howell and Clare Scott all joined the Board in May 2021.

LPFA's corporate structure



1 The London Government Reorganisation (Pensions etc.) Order 1989, as amended by the Greater London Authority Act 1999 Section 402 and 403.

2 Local Government 1985, Schedule 13, paragraph 5 (1).

3 During 2021-22, the LPFA Board decided to replace the informal Investment Panel (IP) with a formal, Investment Committee (IC), which is a standing committee of the Board. The IP existed until 31 December 2021 and the IC was established with effect from 1 January 2022.

Board composition

The current Board members are set out below*: Full biographies are available at www.lpfa.org.uk

1. John Preston
   Chair
2. Rita Bajaj
   Investment Committee Member
3. Cllr. Ruth Dombey
4. Belinda Howell
   Investment Committee Member
5. Terence Jagger
   LPFA Shareholder Non-Executive Director on the LPP Group Board
6. Tamlyn Nall
   Chair of the Investment Committee
   Member of the Audit and Risk Committee
7. Deborah Rees
   Audit and Risk Committee Member
8. Clare Scott
   Investment Committee Member and Audit and Risk Committee Member
9. Christina Thompson
   Chair of the Audit and Risk Committee
10. Sophia Morrell
    (from 1 April 2022)

* Dr Barbara Weber stepped down from the LPFA Board on 31 July 2021, following the conclusion of her term of appointment. Councillor Mark Allison was appointed to the LPFA Board on 1 April 2022 but stood down on 5 May 2022.

2. Governance continued

2.5 The LPFA Board continued

The table below shows further details on Board members' tenure and Board and Committee attendance.

Board member	Appointment period	Experience	Appointed as part of a London Council	Board attendance*	Committee Membership 2021-22	Attendance at Committee meetings
John Preston Chair from 1 January 2020	1 January 2020 to 31 December 2023	Finance General management UK and international Business Pensions Administration	No	5 out of 5	n/a	n/a
Terence Jagger	1 January 2016 to 31 December 2019, extended to 31 December 2023	Public Administration Finance	No	5 out of 5	Audit and Risk Committee	1 out of 1
Tamlyn Nall Chair of Investment Panel from February 2019 to December 2021 Chair of Investment Committee from January 2022	1 January 2016 to 31 December 2019, extended to 31 December 2023	Finance	No	4 out of 5	Audit and Risk Committee Investment Panel Investment Committee	5 out of 5 3 out of 3 2 out of 2
Dr Barbara Weber	30 June 2017 to 31 July 2021	Infrastructure Investment	No	2 out of 2	Audit and Risk Committee Investment Panel (interim member)	2 out of 2 1 out of 1
Cllr. Ruth Dombey	19 October 2018 to 31 December 2022	Local Government Administration Finance	Yes	3 out of 5	n/a	n/a
Christina Thompson Chair of the Audit and Risk Committee	1 January 2019 to 31 December 2022	Finance in Local Government	Yes	4 out of 5	Audit and Risk Committee	5 out of 5
Rita Bajaj	18 May 2021 to 30 April 2025	Investment Management and Risk	No	5 out of 5	Investment Panel Investment Committee	3 out of 3 1 out of 2
Belinda Howell	18 May 2021 to 30 April 2025	Environmental, Social and Governance stewardship and Responsible Investment	No	5 out of 5	Investment Panel Investment Committee	3 out of 3 2 out of 2
Clare Scott	18 May 2021 to 30 April 2025	Local Authority, Public Sector and LGPS	No	5 out of 5	Audit and Risk Committee Investment Panel Investment Committee	3 out of 5 3 out of 3 2 out of 2
Deborah Rees	18 May 2021 to 30 April 2025	Investment management, Risk management and Stewardship	No	5 out of 5	Audit and Risk Committee	3 out of 4
Sophia Morrell	1 April 2022 to 31 March 2026	Pensions policy Financial services regulation Communications	No	n/a	n/a	n/a

* Excludes attendance at the LPFA Board Strategy Away Day.

Remuneration and nomination matters

Remuneration and nomination of Officers resides with the Board as does the appointment of statutory Principal Officers and the CEO's objectives and performance appraisals. Board members' remuneration is set by the Mayor and is published on the LPFA's website.

Board development

Board member performance reviews are conducted annually by the LPFA Chair to ensure that members contribute effectively and demonstrate commitment to their role. The review provides Board members with the opportunity to consider their skills and highlight opportunities for future training and development. Board members are personally responsible for identifying any gaps in their knowledge which could prevent them performing their duties effectively. All new members of the Board and LPB are provided with an induction plan which assesses individuals' skills and competencies so that each induction can be tailored appropriately. The following training sessions and external events were attended by Board members during the year:

- LPFA New Member Training on 9 June 2021
- An introduction to LPP and LPPI on 16 June 2021
- Funding and Employer Profile on 19 October 2021
- Triennial Valuation Process on 16 December 2021
- LPPI Investment Conference on 1 March 2022.

Board evaluation

In 2018, an externally facilitated evaluation judged that the LPFA Board was operating effectively. Subsequent Board and Committee effectiveness reviews were postponed in 2020 and 2021. This was due to the pandemic and to allow time for the new Board members to familiarise themselves with the organisation. A Board effectiveness review is scheduled to take place during 2022-23.

2.6 Audit and Risk Committee

The ARC monitors the operation of the LPFA's internal control, financial management, governance, compliance and risk arrangements, and makes appropriate recommendations to the Board.

The ARC is comprised of LPFA Board members, all with voting rights. During the year, the ARC reviewed its terms of reference (ToR). These were updated to reflect changes to the LPFA governance structure following the establishment of the Investment Committee on 1 January 2022. The updated ToR were approved by the LPFA Board in March 2022.

The ARC's annual report, separate to this one, has been published on the LPFA website.

LPFA's external auditor is Grant Thornton. The Auditor's Annual Report for LPFA is published on the LPFA website summarising the key findings from the audit of the Statement of Accounts. The report confirms proper arrangements for economy, efficiency and effectiveness in the use of LPFA resources.

2.7 Investment Panel/Investment Committee

During 2021-22, the Board decided to introduce an Investment Committee (IC) as a second standing committee of the Board. Established on 1 January 2022, the IC replaced the existing informal Investment Panel (IP), which reviewed the performance of the Fund's assets prior to discussion by the LPFA Board. The key difference between the two is that the Committee makes formal recommendations to the Board on areas of delegated responsibility, primarily investment related matters.
The IC has also been provided with delegated authority to review and approve the LPFA's Funding Risk Management Framework. The IC is comprised of LPFA Board members, all with voting rights, and is attended by representatives from LPPI.

2.8 Local Pension Board

The LPB is formed of both member and employer representatives. Its role is to assist the LPFA Board with the oversight and the efficient management of the Fund. The independent Chair's annual report provided later in this document provides a detailed summary of LPB business.

LPB members are encouraged to attend suitable external training events to support their continued professional development and understanding of LPB agenda items. To encourage collaboration, joint training was undertaken with the LPFA Board and LPB members have also been involved in some of the Fund's engagement activities, such as the Employer Forum and the Practitioners Conference.

2. Governance continued

2.9 LPFA Principal Officers and Senior Leadership Team

As well as the CEO, the Principal Officers of the LPFA were Helen Astle (the Chief Legal and Compliance Officer and Monitoring Officer), Michelle King, (Finance Director and Section 151 Officer), the Director of Funding & Risk and the Chief of Staff. The Principal Officers ensure that appropriate advice is given to the Board on financial and legal items and that resources are used efficiently and effectively. The LPFA's Officers and their roles can be found on the LPFA website.

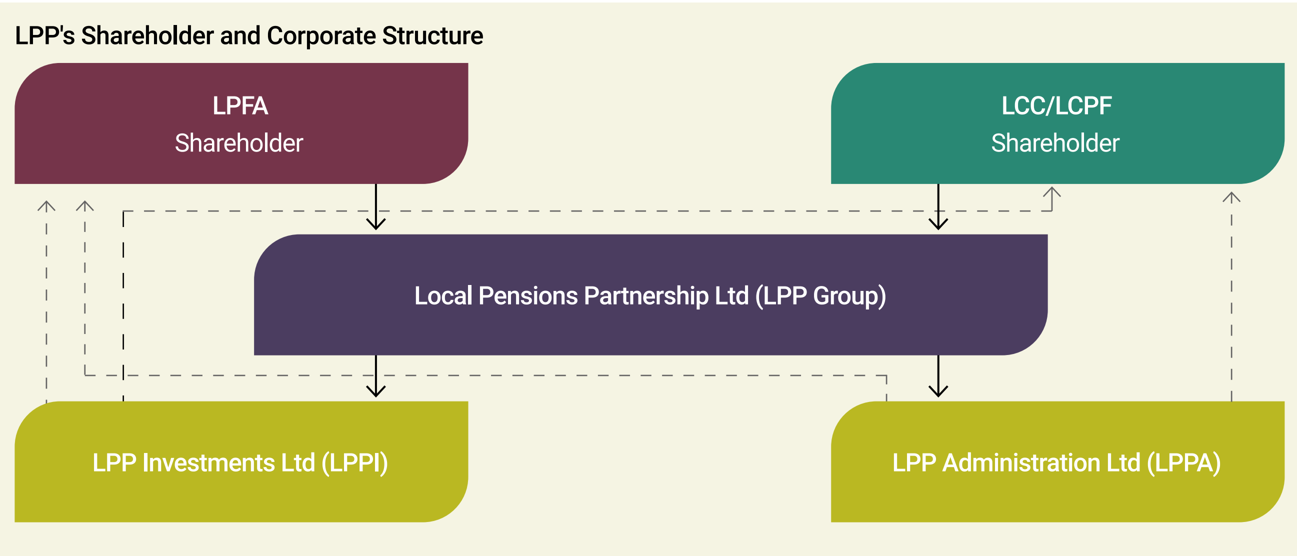
2.10 Asset Pooling, Governance and Oversight

The LPFA Fund assets are held in the Local Pensions Partnership Pool. The Local Pensions Partnership Ltd comprises a group holding company, (LPP Group) with two subsidiaries, LPPI and LPPA. LPPI is authorised and regulated by the Financial Conduct Authority (FCA) and provides investment management services. LPPA provides pensions administration services. A summary of the shareholder structure is set out in the image below.

As a client, the service provided by LPP Group is governed by legal and Service Level Agreements (SLAs) which are based on an expectation of the levels of quantitative and qualitative service provided. Ensuring operational efficiency through the governance and oversight of LPP Group is a standing item for the LPFA Board.

The highlights of the shareholder activities undertaken are as follows:

- As one of two shareholders of LPP Group, the LPFA has entered into a Shareholder Agreement (with co-equal shareholder, LCC). the LPFA and LCC are required to approve specific matters regarding LPP Group including LPP remuneration, strategic planning and budgeting.
- The LPFA has a shareholder appointed Non-Executive Director (NED) on the LPP Group Board. The NED has a standing item on the LPFA Board meeting to share thoughts on his recent attendance at LPP Group meetings and shareholder forums.
- The LPFA's CEO is a director on the LPPA Board and an observer to the LPP Board. The LPFA's Chief Legal and Compliance Officer is an observer to the LPPA Board.
- Shareholder meetings are held between the LPFA, LCC and LPP Group. Regular informal meetings between the LPFA's CEO and LPP senior executives are held throughout the year to review performance. LPP's Group performance is monitored at LPFA Board meetings on a quarterly basis, with updates on the progress made against KPIs by LPPA and LPPI representatives.



2.11 Risk management

The management of the Fund is based on the objectives outlined in its Investment Strategy Statement (ISS) and the Funding Strategy Statement (FSS). The Fund's primary funding objective is to ensure that over the long term the Fund will meet all liabilities as they fall due.

LPFA's risk management activity can be considered in three main areas:

1. The LPFA has adopted a funding risk appetite framework to measure and monitor the risks of failing to meet its primary objective.
2. The LPFA also maintain a comprehensive risk register and risk management principles to monitor and manage all the major risks facing the Fund.
3. The LPFA's internal auditors provide assurance around the risks identified in the risk register and the robustness of the risk controls in place.

The ARC seeks to provide the LPFA Board with assurance about the robustness of the Fund's risk management framework. The ARC monitors the operation of the Fund's risk management processes, compliance and internal controls to ensure that risks are appropriately identified and managed, and that they remain within the Board's risk appetite.

Funding risk appetite framework

The LPFA's funding risk appetite framework specifies metrics and tolerances intended to monitor the risk of failing to meet the Fund's primary objective. The framework specifies four metrics as set out in the table below.

The LPFA Board has specified "amber" and "red" tolerances for each of these metrics and actions to be taken if the tolerances are breached. LPPI carries out asset and liability modelling each quarter to assess these metrics. The results of these calculations are reported to ARC for review. More detailed reporting of the Fund's investment risk profile is considered through the LPFA's IC meetings with LPPI representatives. IC reports any issues identified to the Board.

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

2.11 Risk management continued

Risk management principles and the Risk Register
The LPFA regularly identifies and mitigates a range of risks. Risk management principles have been developed to outline risk categories, as well as the governance roles and responsibilities to ensure the identification and monitoring of risks. The risk categories and principal controls are set out in the table below.

The Risk Register is reviewed monthly by the LPFA management team to ensure that any new risks are identified and the correct controls are in place to manage these risks effectively. The CEO is responsible for ensuring that new risks are identified and captured and that controls remain appropriate.

Risks relating to employers are included in the Risk Register as funding risks. These risks are managed by the LPFA's Employer Management Services team. More information can be found in the employer section of this report within the Pension Administration section.

The Risk Register is also scrutinised by the ARC. The ARC issues recommendations to the Board where appropriate, providing an additional layer of assurance to the risk oversight. The annual report from the ARC is published on the LPFA's website and provides an insight into the work undertaken by the ARC during the 2021-22 financial year.

Assurance provided by internal audit
From 1 April 2020, the LPFA has used the internal audit services of PricewaterhouseCoopers (PwC) to provide assurance on the internal controls, governance, operational activity and oversight of the Fund. PwC report the findings from their internal audits to the ARC and agree actions to be taken by the LPFA management team to mitigate any risks identified. During the year, the LPFA's internal audit work progressed well providing assurance that governance arrangements are largely established and embedded while identifying additional areas for improvement.

The LPFA also employs PwC to provide assurance over LPP's administration and investment activities, and the ARC receives an annual partnership compliance report to provide assurance that LPP has suitable controls in place. A summary of recommendations and actions are prepared by the LPP internal auditor for circulation to the LPFA's CEO.

LPP continues to hold the Information Security 27001 accreditation and the Cyber Essentials Accreditation. This provides the LPFA with a degree of assurance around the control framework at LPP.

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

The roles, responsibilities, and reporting requirements of the different groups within the LPFA are listed below.

Group	Roles and Responsibilities	Reporting
Risk Owner	• Responsibility for management of assigned risk • Escalate urgent issues or emerging risk events to the Funding and Risk Director as necessary	• Risk Owners to escalate issues or incidents as they occur. • Initial escalation is to the Funding and Risk Director and LPFA CEO.
Control Owner	• Responsibility for management of control of assigned risk • Providing assurance to Risk Owner that the control is operating effectively	
LPFA Management Team	• Monthly horizon scanning for new risks • Approving changes to risk scores proposed by Risk Owners	• Monthly review of Risk Register.
Funding and Risk Director	• Operational responsibility of maintaining the Risk Register • Together with Risk Owners, consider possible controls • Facilitate monthly reviews of risk register by the LPFA Management Team • Escalate urgent issues or emerging risk events to the CEO as necessary	
LPFA CEO	• Ensuring progress on actions in the register • Reporting to Board, ARC and LPB • Authorising risk controls where the time or monetary costs of a control are significantly lower than the benefits derived in terms of reduced risk • Authorise action to address urgent issues or emerging risk events • Inform the LPFA Board and/or ARC of actions taken to address urgent issues or emerging risk events	
Audit and Risk Committee	• Defining and ultimate responsibility of monitoring the Risk Management process • Monitoring the Risk Register and the effectiveness of risk controls • Recommending Risk Appetite Statement to LPFA Board • Using the Risk Register to inform audits and Committee decision-making • Authorising risk controls where requested by the LPFA CEO	• Quarterly reporting to ARC by the S151 Officer and the Funding and Risk Director. • Current version of Risk Register. • Summary of changes since previous version of Risk Register.
LPFA Board	• Overall responsibility for the Risk Management process • Overall responsibility for Risk Appetite • Using the Risk Register to inform Board decision-making	• Six monthly reporting by CEO to Board, and LPB. • Any existing and new risks/update on 'High' ('Red') risks. • Any changes to risk Impact and Likelihood scores. • Any overdue actions. • Review of risk appetite and full Risk Register by ARC and subsequently by Board and LPB.
Local Pensions Board	• Annual review of the Risk Register as it relates to Fund risks • Liaise with the LPFA CEO on the effectiveness of the Risk Controls	• Six-monthly reporting by CEO to Board, and LPB. • Any existing and new risks/update on 'High' ('Red') risks. • Any changes to risk Impact and Likelihood scores. • Any overdue actions. • Review of risk appetite and full Risk Register by ARC and subsequently by Board and LPB.
Local Pensions Partnership (LPPI and LPPA)	• Provide LPFA with regular updates on risks LPP is managing on LPFA's behalf • Inform LPFA of any new or emerging risk relating to LPFA	

2. Governance continued

2.12 LPFA Local Pension Board – Annual Report 2022

The LPFA's Local Pension Board (the LPB) has been up and running for nearly seven years. As a reminder to readers, our legal duty is to assist the Executive Board (the Board) with oversight and the effective running of the Fund; the LPB has no executive functions. LPB members explicitly represent either employers or members, which also gives us a representative role within the governance structure.

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

As the LPB's role is to assist the Board, a good relationship with it is essential to fulfil our remit. Over the year, Board members have regularly attended our meetings, and several training sessions are now held jointly. I also have regular conversations with the LPFA Chief Executive Officer (CEO) and the Chair of the Board between meetings to ensure that activities are aligned.

This year has seen a continuation of working from home because of the various restrictions imposed because of the COVID-19 pandemic. For much of the year both LPFA, and to a large extent Local Pensions Partnership Investment (LPPI) and Administration (LPPA) staff who provide the bulk of services to the Fund, have only been able to use their offices on an occasional basis. An important focus for the LPB has therefore been on monitoring the maintenance of service levels to employers and members. I discuss this in more depth later in my report.

The restrictions meant that the LPB itself held the first of the year's four meetings by video and audio conference and remaining three in a hybrid format. Like many other organisations, we have found that virtual meetings are not as satisfactory as face to face, but it has been possible for us to fulfil our duties in full. They have, however, made it more efficient for Officers and service providers to attend our meetings to support the reports on the agenda.

This report commences with the mechanics of the LPB and the training we are required to undertake. It then covers our activities over the past 12 months, and I conclude with a review of where we expect to concentrate our attention in the next year.

Membership of the Local Pension Board

The LPB has nine members: four Employer representatives, four Scheme Member representatives, and an Independent Chair. Apart from the Chair, none are remunerated other than for expenses incurred in attending meetings or training.

The LPB meets four times a year, and I report to the Board formally on the LPB's activities once a year. I also oversee an annual effectiveness appraisal to make recommendations on improvements, and a report on this goes separately to the Board.

Information about the LPB, including minutes and agendas, are available on the Fund's website https://www.lpfa.org.uk/our-story/who-we-are/local-pensions-board

There is no internal budget, but costs are approved and paid by the Fund. In this year, the LPB's costs amounted to £7,149.

During the year, there was some change in the LPB membership. Two of the members originally appointed at its establishment of the LPB, Peter Scales and Frank Smith, reached the end of their terms. In addition, Jenny Lo and Prashant Solanky chose to resign for personal reasons. I commented on the retirements and replacements for the first two last year. I would like to thank Jenny and Prashant for their services and in their place am delighted to welcome James Cherry and Surendra Wanza as member representatives. James is a deferred member with a strong background in pensions. Surendra is a retired member with a wealth of public sector and governance experience.

There were no other changes to the LPB's composition during the year, though I note that there will be further change next year when two of the original members and I will stand down after completing our eight years' service.

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

LPB Board Membership and Attendance 2021-22

LPB Members		Total attendance
Chair	William Bourne	4 out of 4
Member Representatives	Mike Allen (Appointed 5 June 2021)	3 out of 3
	Jenny Lo (Resigned 7 October 2021)	1 out of 2
	Peter Scales (Retired 4 June 2021)	1 out of 1
	Omolayo Sokoya	4 out of 4
	Prashant Solanky (Resigned 21 June 2021)	0 out of 1
	James Cherry (Appointed 1 September 2021)	3 out of 3
	Surendra Wanza (Appointed 23 November 2021)	2 out of 2
Employer Representatives	Sean Brosnan	2 out of 4
	Stephen Boon	4 out of 4
	Jasbir Sandhu (Appointed 5 June 2021)	2 out of 3
	Amy Sweeting*	1 out of 1
	Frank Smith (Retired 4 June 2021)	1 out of 1

* Although Amy Sweeting was a member of the LPB during 2021-22, she was on maternity leave from May 2021 until 2022 and therefore, with the Chair's agreement, did not attend the June, September and November 2021 meetings.

Training

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. External training opportunities were again limited by the lockdown restrictions, but during the year we held online training sessions before each of our meetings and LPB members also joined the Board for joint training on several occasions. Subjects covered included the relationship with LPPA, the member engagement survey, employer covenants, the risk register, and the upcoming valuation.

Activities during the year

Despite the changes in the Board's composition and the continuing challenges posed by the national lockdowns, I am pleased to report that this year was, for the LPB, to a large extent business as normal.

At every meeting we spend time reviewing LPPA compliance with the Service Level Agreement. We monitor performance against a range of indicators and discuss any breaches of regulations and complaints. We also have standing items covering governance, compliance, engagement with members and employers, and communications. On a regular basis we review the stated policies which the Fund follows, and during this year we reviewed the Policy Framework, which is in place to ensure that we do this comprehensively. We also looked in detail at the Employer Services policies, compliance with the Pension Regulator's Code of Practice, and LPFA's cyber security policy.

2021-22 Training attended by LPB members and independent Chair

LPB Members		Total attendance
09-06-2021	External	Eversheds Sutherland – New Member Training LGPS Pension Committees, Pension Boards and Officers (training with LPFA Board: four members attended)
08-09-2021	Internal	Member survey engagement by LPFA Interim Marketing and PR Manager
23-11-2021	Internal	Mechanics of the Risk Register by LPFA Funding and Risk Director
22-02-2022	Internal	Triennial Funding Valuation

2. Governance continued

2.12 LPFA Local Pension Board – Annual Report 2022 continued

During the year a couple of topics came up regularly. One, not surprisingly, was the implementation of LPPA's project to move to a single administration system across all its clients. This is a major project, which is key to achieving cost savings alongside reliable and efficient services in the future. The Board has discussed it at every meeting both to help LPPA implement the change as smoothly as possible, and to mitigate the impact which it inevitably has on other administration activities. LPFA went 'live' on the new system in February, and while there were inevitable teething problems, it appears to have been a success.

The second topic was Additional Voluntary Contributions. These are extra contributions which members may choose to make and which are invested by a separate manager, the Prudential, into its own unitised funds. As a result of a major systems project, there have been problems at the Prudential end which have impacted both the service received by members, and LPPA's abilities to meet its own service deadlines. The LPB discussed these at every meeting during the year and made recommendations. I am glad to say that service levels seem to have recovered, though we will continue to monitor what is happening.

Finally, we are alert to the need for good communication and engagement with members, especially as the new administration system is introduced. Engagement with employers will be a priority for the next 12 months. Jasbir Sandhu spoke at the 2021 Fund Employers' Forum, and we have continued to make suggestions to develop the LPFA website further.

Looking forward to next year

Despite the significant disruption to investment markets from the Russian invasion of Ukraine, for the LPB I expect 2022-23 to be largely business as normal. We intend to meet in person and will continue to fulfil our core functions of assisting with Fund oversight as usual. The implementation of the new administration system will continue to be near the top of our agenda for some time to come, as will communications and engagement generally.

I mentioned last year a number of other regulatory requirements coming down the track. The government has brought in legislation to increase climate risk disclosure, but we are still waiting on the others. The Pensions Regulator intends to combine the code of practice which the Local Government Pension Scheme falls under with nine others. The renamed Department for Levelling Up, Housing and Communities expects to publish new guidance on investment strategy, including further requirements on pooling. The recommendations made in the Scheme Advisory Board's Good Governance project have yet to be implemented in laws or guidance.

While I believe LPFA is well placed to be compliant with these when they do come into force, the LPB will perform its statutory role of assisting the Board to ensure full compliance as their requirements are published.

With the support of LPFA's Officers and LPPA and LPPI staff, we expect to play our part in assisting the Board to ensure that your Fund continues to be well managed and to pay your pensions on time. In what are difficult times, that is always the ultimate focus of our activities.

William Bourne

William Bourne
Independent Chair of the LPFA
Local Pension Board

31 March 2022

3. Investment

All investment, administration and governance decisions are made within the investment policies and principles set down by the LPFA. Day-to-day investment management and implementation has been outsourced to LPPI. This section outlines cost savings following pooling as well as investment performance and asset allocation. Responsible investment is covered at the end of the section.

3.1 At a glance

2021-22 saw above benchmark performance for the LPFA Fund. Over the year, the Fund delivered a +13.5% investment return, which exceeded our benchmarks. The value of the Fund's assets at 31 March 2022 was £7.6bn, compared with £6.9bn at 31 March 2021 which represents an increase of just under £700 million over the 12 months.
Asset management fee savings following pooling continue to build with the cumulative total reaching over £19 million this year. The LPFA's investment administration and custody suppliers are listed in the Annex.

3.2 Asset pooling disclosures

The table below shows the costs to the LPFA of setting up the individual pooling vehicles within the pooling company, LPPI.

Pool set up costs

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

The table below compares the investment management fee savings realised since admission to the Pool versus the preceding year. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

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

3. Investment continued

3.3 Ongoing investment management costs 2021-22

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

The table below summarises investment management costs for 2021 -22. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			LPFA directly owned assets			
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	**Fund Total** £'000
Management fees	41,499	–	41,499	902	–	902	42,401
Performance fees	36,686	–	36,686	138	–	138	36,823
Transaction costs	4,050	4,292	8,342	68	1,099	1,167	9,509
Custody costs	–	–	–	55	–	55	55
Administration	–	5,449	5,449	–	107	107	5,556
Borrowing and arrangement fees	–	1,338	1,338	–	–	–	1,338
Distribution, comms and client service	–	1	1	–	–	–	1
Governance, regulation and compliance	–	4,152	4,152	–	93	93	4,245
Property expenses	–	3,244	3,244	–	–	–	3,244
Other fees	–	2,077	2,077	–	–	–	2,077
Total	**82,235**	**20,552**	**102,787**	**1,162**	**1,299**	**2,461**	**105,249**

3.4 The relationship between costs, risk and return

Achieving excellent value for money is at the heart of LPPI's investment thinking. Whether this is in managing assets directly or by utilising specialist third-party managers, weighing up the benefit of an asset/strategy against the cost is central to the process of selection. LPPI believes in the benefits of active management and seeks to provide long-term outperformance over passive/index returns in each segment of the portfolio. A significant part of the Fund's portfolio is invested in alternative/private market asset classes such as Real Estate, Infrastructure and Private Equity. These asset classes are unable to be managed passively due to their lack of liquidity and active management (undertaking operational improvements, for example) is a key driver of returns. In exchange for a greater involvement within the investment selection and management process, costs can exceed those typically seen within public market investments. Whether an asset falls within the public or private market classification, active management typically requires additional research, diligence, and systems amongst other considerations to facilitate stronger returns. This additional investment in resource should translate through to better long-term risk-adjusted returns. Strong asset performance over the last few years, generated through actively managed assets, has been identified as the principal driver for the improvement in the LPFA's funding position at the latest triennial valuation review which can be found on the LPFA's website. LPPI's Investment Committee oversees all investment managers and weighs up the benefits of deploying capital across different asset classes to optimally balance capital growth and capital preservation whilst seeking to provide the best value for the LPFA's members.

3.5 Macro outlook – the last 12 months

The latest fiscal year was a tale of two halves – a strong economic recovery in the first three quarters followed by an increasingly challenging macroeconomic backdrop in Q1 2022, with financial conditions tightening, growth expectations being revised lower and inflation readings rising to multi-decade highs. In this environment, risk assets exhibited a similar pattern of strong returns until the end of the calendar year, followed by a significant correction in Q1 2022.

On a regional basis, the UK economy expanded the most, but this followed the deepest contraction in 2020 among major developed economies. In fact, UK GDP rose above its pre-pandemic level just in Q1 2022. Consumer spending was the key driver behind the expansion (with a shift from goods towards services spending), whilst government spending contribution to growth was much more moderate (amid much less COVID-19 related spending). US GDP, which was relatively unscathed by the pandemic (with a recovery of the previous output lost already by the end of 2020), continued to expand strongly. However, there were notable fluctuations emanating from big inventory build-ups and unwinds, highlighting the supply chain disruptions present in the global economy.

Eurozone GDP expanded strongly in Q2 and Q3 2021; however, the last two quarters of the Fund's fiscal year saw a significant drop in the region's growth. The common currency economy has been much more impacted by Russia's invasion of Ukraine in February 2022 due to its higher dependency on oil and natural gas imports from the former, as well as its stronger overall trade ties. Many companies announced plans to withdraw and shut down their Russian operations quickly in the weeks following Russia's invasion. This has contributed to an even more acute increase in food prices (with Ukraine's significant wheat production and trade being impaired) as well as oil and natural gas prices.

These impacts have fed into the common theme of rising inflation, especially since Q4 2021. Strong demand at first for certain types of goods and services amid economies' "re-opening" post COVID-19 soon morphed to a persistent excess demand over supply, fuelling widespread price increases. Central banks, after standing behind a narrative of "temporary price increases" acknowledged that inflation peaks will be significantly higher than previously assumed and that price decline to the central bank targets will take much longer. To facilitate this path, they pivoted quickly to a less accommodative policy stance, with the Bank of England leading interest rate hikes and the Federal Reserve moving shortly thereafter.

Equities posted high single-digit returns over the fiscal year, with developed market equities finishing with significant positive returns, despite their decrease in Q1 2022, whilst emerging market equities trailed for another year. The latter exhibited strongly negative returns due to poor performance from Chinese, Hong Kong and South Korean shares. Markets with high energy and commodity exposure, such as the UK, were top performers, whilst Eurozone, Japanese and highly valued US technology shares lagged across developed markets.

Despite a challenging start this year, equity fundamentals have not deteriorated significantly. Q1 2022 earnings results held up relatively well for S&P 500 companies in general, as well as other equity markets. Strong demand has enabled companies to pass on cost increases to consumers and maintain margins so far. Having said that, weaker guidance and corporate sentiment have started to translate to a downgrade of analysts' near- and medium-term earnings forecasts. Although we may see a rebound after a significant equity sell-off (which has made equity valuations appear much more attractive), it would be imprudent to extrapolate this into a new multi-year rally without considering the widely changed and weakening macroeconomic environment.

Fixed Income assets had one of their most challenging 12-month periods to the end of March 2022, with yields rising from supressed levels on a widely shifting outlook for inflation and monetary policy. In many cases, long-term sovereign bonds posted double-digit declines during this time. Interest rate sensitive investment grade corporate bonds declined in the region of 5%. High yield bond returns were much less negative, as bonds' spread widening was not accompanied by a significantly higher level of corporate defaults or rating downgrades.

The Fund's portfolio continues to be well diversified across different asset classes, regions and sectors. This should assist with navigating through increased macroeconomic uncertainties. The Fund's significant allocations to Real Estate and Infrastructure assets, with their assumed implicit or explicit inflation participation, should help it attain inflation-adjusted returns in line with its long-term objectives.

3. Investment continued

3.6 Performance

The Fund has a long-term investment horizon. The LPFA's investment strategy is based on the Fund's objectives of balancing capital growth with capital preservation, maintaining adequate liquidity to cover all liabilities as they fall due. The Fund invests its assets to meet its liabilities over the long term, and therefore performance should be assessed against these objectives and over a corresponding period.

All the performance figures presented below are as at 31 March 2022.

Over the year, the Fund delivered a +13.5% 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) as well as the Fund's Return Objective*. The value of the Fund's assets at 31 March 2022 was £7.6bn, compared with £6.9bn at 31 March 2021 (i.e., an increase of just under £700m over the 12 months).

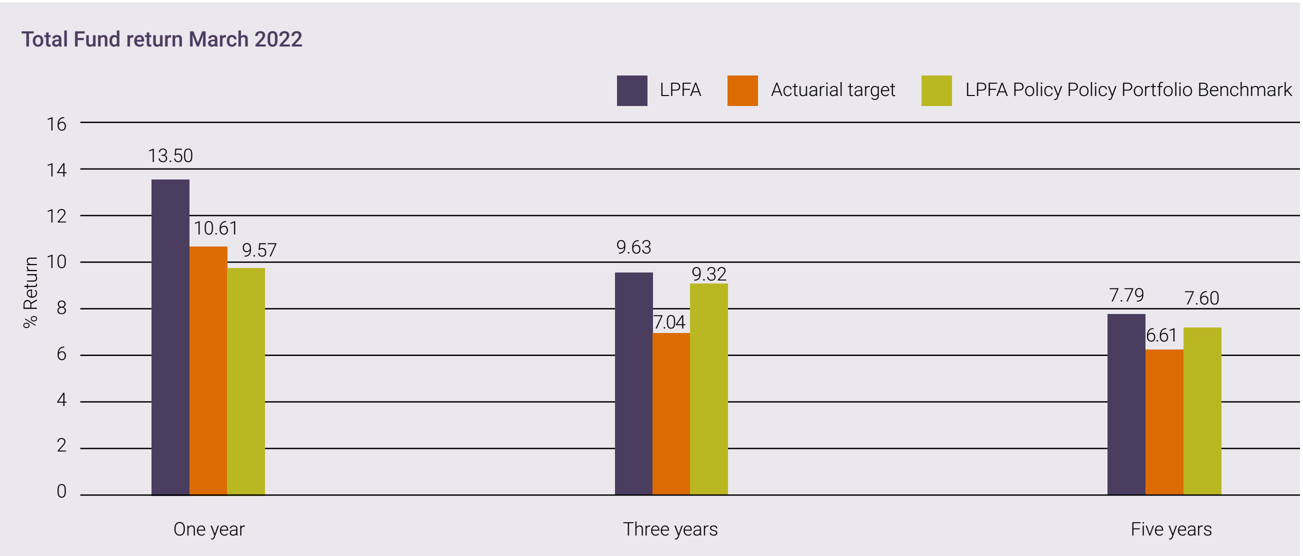
All asset classes, except for Fixed Income, posted positive absolute returns over the 12 months, with Private Equity (+35.5% return) being the standout performer over the period. The Fund's Real Estate portfolio (+16.9% return) and Infrastructure portfolio (+12.1% return) both posted double-digit returns and outperformed their respective benchmarks over the 12 months, as did the allocation to Diversifying Strategies (+10.3% return). The Fund's Public Equity portfolio returned +12.2% over the 12 months though it was the only asset class to underperform its respective benchmark over the period, underperforming by -0.2%.

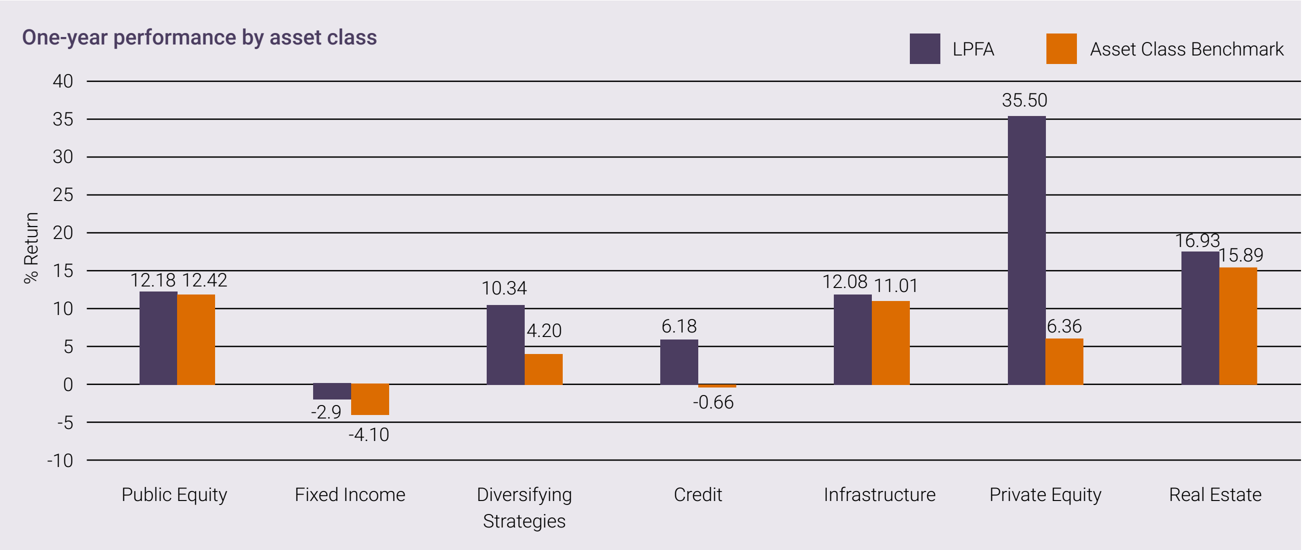
Strong asset performance has resulted in the Fund outperforming both its Return Objective and Policy Portfolio Benchmark over the 1-year, 3-year and 5-year time horizons.

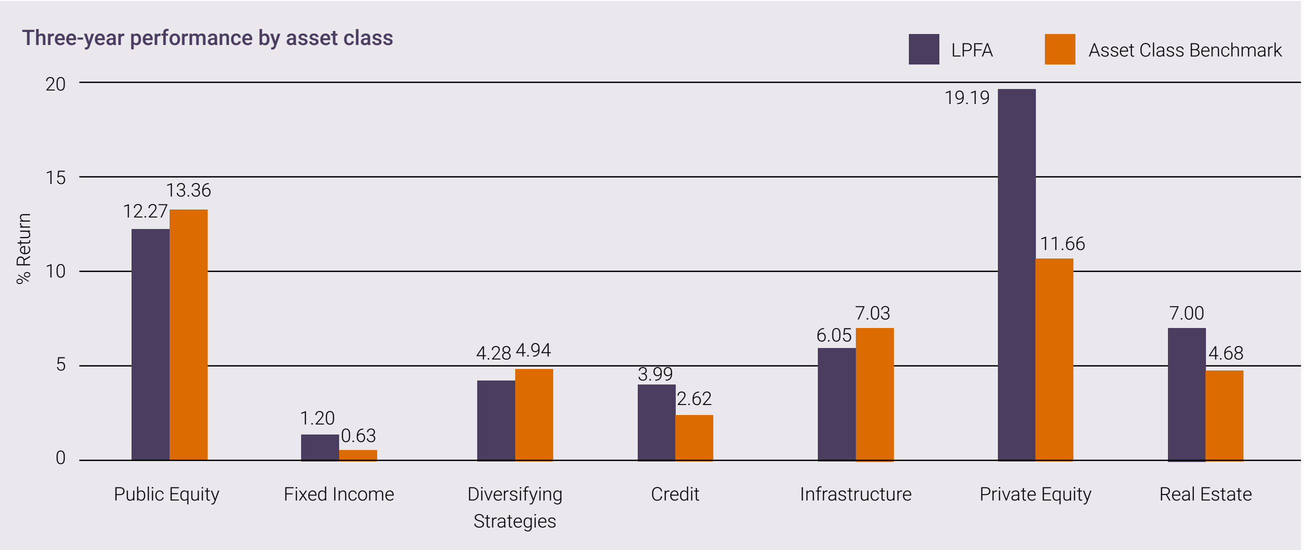
Annualised return (% pa)	**1 Year**	**3 Year**	**5 Year**
Total return	13.5%	9.6%	7.8%
Return Objective*	10.6%	7.0%	6.6%
Policy Portfolio Benchmark	9.6%	9.3%	7.6%

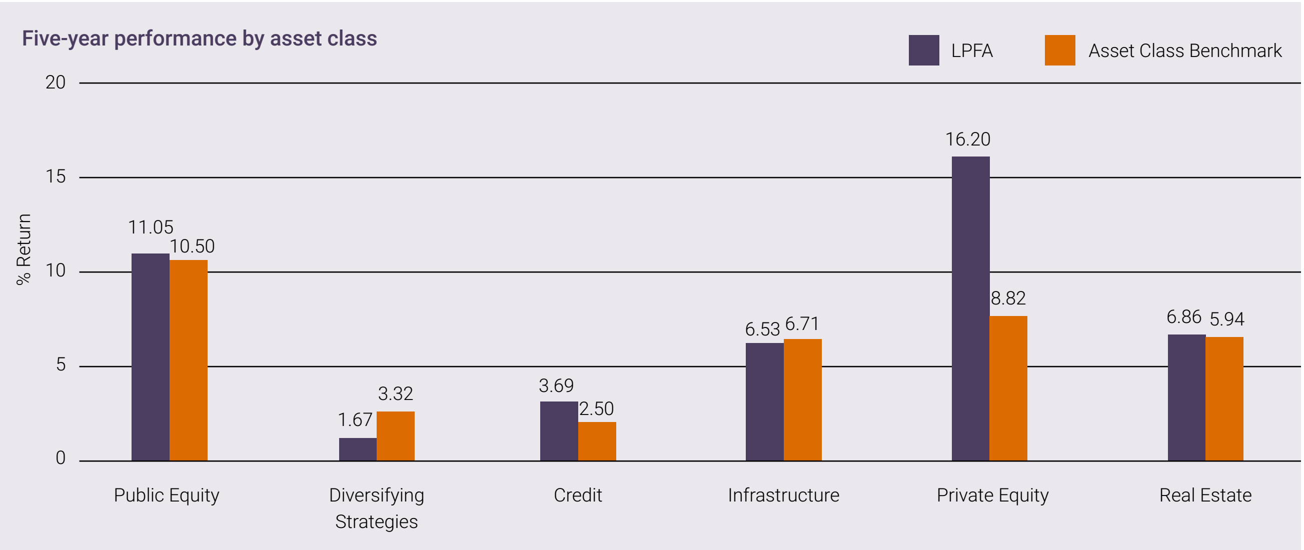
* A blend of UK CPI +3.6% p.a. from April 2021, 5.3% (equivalent to UK CPI + 2.7% p.a. at March 2019) between March 2019 and April 2021 and RPI +3% prior to this date.

Note: Returns over one year are annualised.




One-year performance by asset class
LPFA
Asset Class Benchmark
% Return
40
35
30
25
20
15
10
5
0
-5
-10
12.18 12.42
-2.9
-4.10
10.34
4.20
6.18
-0.66
12.08 11.01
35.50
6.36
16.93
15.89
Public Equity
Fixed Income
Diversifying Strategies
Credit
Infrastructure
Private Equity
Real Estate


Three-year performance by asset class
LPFA
Asset Class Benchmark
% Return
20
15
10
5
0
12.27
13.36
1.20
0.63
4.28 4.94
3.99
2.62
6.05
7.03
19.19
11.66
7.00
4.68
Public Equity
Fixed Income
Diversifying Strategies
Credit
Infrastructure
Private Equity
Real Estate


Five-year performance by asset class
LPFA
Asset Class Benchmark
% Return
20
15
10
5
0
11.05
10.50
1.67
3.32
3.69
2.50
6.53 6.71
16.20
8.82
6.86 5.94
Public Equity
Diversifying Strategies
Credit
Infrastructure
Private Equity
Real Estate

3. Investment continued

3.7 Current and strategic asset allocation

The Fund's Strategic Asset Allocation (SAA) was updated during the second quarter of 2021. This involved the Fund reducing its allocation to Fixed Income (from 2.5% to 1.0%) and Diversifying Strategies (from 15% to 10%) whilst increasing the Fund's allocation to Credit (from 9.0% to 12.5%), Infrastructure (from 10.0% to 12.5%) and Cash (from 1.0% to 1.5%). The rationale for these changes was to look to preserve the Fund's funding level whilst managing risks and generating additional income as the Fund's liability outflows grow. The Fund also adopted a strategic currency allocation in September 2021, with the aim of increasing the Fund's exposure to defensive currencies. Prior planned changes to the Fund's Private Equity allocation (from 7.5% to 5.0%) and Real Estate allocation (from 10% to 12.5%) were implemented alongside the portfolio changes.

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

The following table presents LPFA's current asset allocation versus strategic target at the end of March 2022.

	31 March 2022		31 March 2021			
Asset class	**Exposure (£m)**	**Exposure (%)**	**Exposure (£m)**	**Exposure (%)**	**Strategic AA (%)**	**Range**
Public Equity	3,610	47.48%	3,183	46.37%	45.0%	35% - 55%
Fixed Income	209	2.75%	278	4.05%	1.0%	0% - 10%
Private Equity	696	9.15%	648	9.44%	5.0%	0% - 10%
Infrastructure	809	10.64%	579	8.44%	12.5%	7.5% - 17.5%
Credit	615	8.09%	558	8.13%	12.5%	7.5% - 17.5%
Real Estate	678	8.92%	598	8.71%	12.5%	7.5% - 17.5%
Diversifying Strategies	807	10.61%	737	10.74%	10.0%	0% - 20%
Cash	180	2.36%	283	4.12%	1.5%	0% - 7.5%
Total	**7,604**	**100.00%**	**6,864**	**100.00%**	**100.0%**	

The allocation of the Fund's assets for the previous financial year has been included for comparison purposes. LPPI advises the Fund on its long-term SAA, but LPFA retains autonomy in deciding how this is finally set. An interim adjustment to the SAA took place during the first quarter of the 2022-23 financial year, and a detailed review of the Fund's SAA is expected to be undertaken in the autumn of 2023 once the results of the Fund's triennial Actuarial Valuation are known.

3.8 Asset classes

Public Equities

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

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

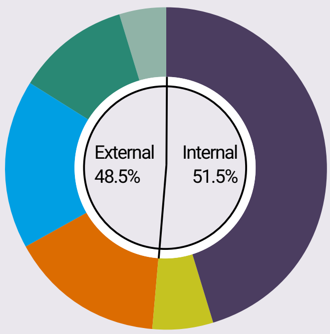
The Fund's investment in Public Equities arises through an allocation to the LPPI Global Equity Fund (GEF), which combines an internally managed portfolio with a variety of external equity managers (see LPPI Global Equities Fund: Manager Composition chart). The GEF maintains an overall bias to high-quality companies (i.e., companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification. As a global fund, the GEF invests in a wide range of geographic regions, though maintains a bias towards North America and Western Europe (see LPPI Global Equities Fund: Regional Weights vs MSCI ACWI). The Fund previously also held a synthetic equity mandate with Insight Investments, though this was exited over the course of the 12 months.

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

Over the 12 months to 31 March 2022 the Fund's Public Equity portfolio generated a positive absolute return of +12.2%, underperforming its benchmark by 0.2%. Performance over the 12 months was a tale of two periods, with the GEF outperforming its benchmark in the first nine months to the end of 2021, where higher growth sections led the market, in particular Technology stocks. However, the first quarter of 2022 witnessed a significant market rotation, with market leadership being passed to more cyclical, commodity-based stocks, such as Energy, ones which the GEF is generally underweight to versus the benchmark (See LPPI Global Equities Fund: Sector weights vs MSCI World). This led to the GEF underperforming its benchmark in the first quarter of 2022 which subsequently impacted the 12-month performance.

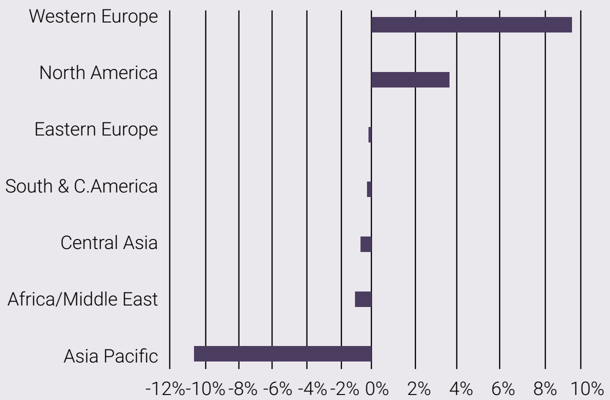
Please also note our net zero ambitions in the Responsible Investment Section.

LPPI Global Equities Fund: Manager Composition

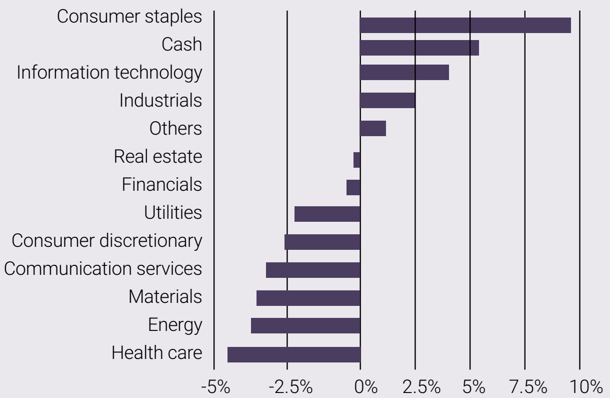


Total may be above 100% due to rounding

LPPI Global Equities Fund: Regional Weights vs MSCI ACWI



LPPI Global Equities Fund: Sector weights vs MSCI World



3. Investment continued

3.8 Asset classes continued

Fixed Income

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

The Fund's exposure to Fixed Income arises through its holding in the LPPI Fixed Income Fund (FIF), which consists of two complementary underlying managers (see LPPI Fixed Income Fund: Manager Composition). The FIF has a bias towards higher-quality fixed income assets, (see LPFA Fixed Income: Holdings by credit rating) showing the breakdown of the assets by credit rating (as in indication of its quality). The higher the quality of the asset (i.e., the closer to the AAA rating), the lower the expected chance of default of the entity to which the money has been lent.

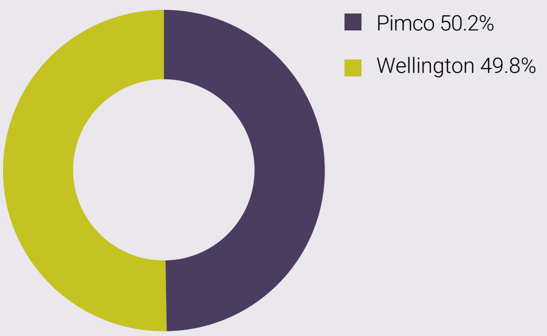
The FIF is benchmarked against the Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged) and aims to outperform this benchmark by 0.25% p.a. over a full market cycle of at least seven years.

The FIF returned -2.2% over the 12 months to 31 March 2022, outperforming its benchmark by 2.0%. Both underlying managers posted negative absolute returns over the period.

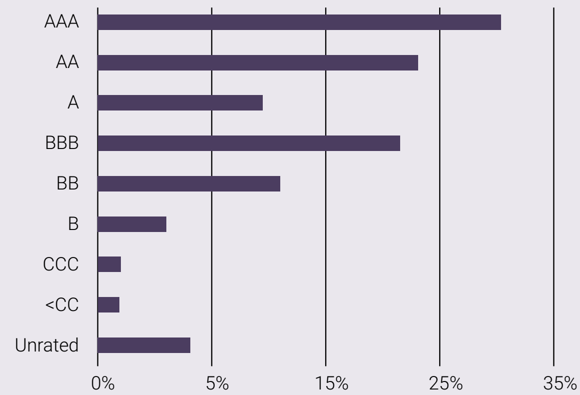
The negative absolute return was driven by the FIF's interest rate exposure, most notably in the first quarter of 2022, as long-term interest rates rising led to the value of many fixed income assets falling.

The FIF's outperformance of its benchmark was also driven by interest rate exposure, as the assets in the FIF were less sensitive to changes in interest rate movements than those in the benchmark, which meant that the benchmark fell by more over the period.

LPPI Fixed Income Fund:
Manager Composition



LPFA Fixed Income:
Holdings by credit rating



Private Equity

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

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

The Fund's Private Equity investments are held through a variety of funds managed by a diverse collection of managers who, in turn, cover a variety of strategies, investment types and geographic regions as shown in the charts below.

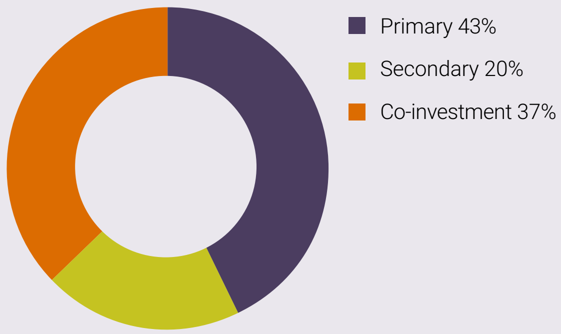
The Fund's exposure to Private Equity is being gradually reduced in line with the Fund's long-term strategy.

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

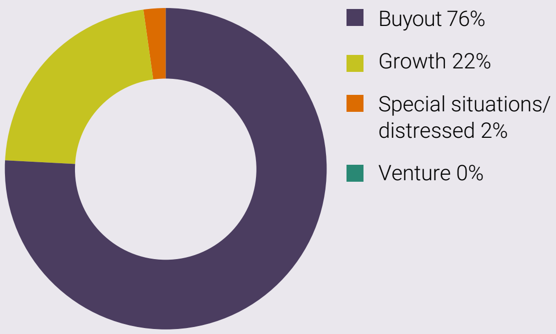
The Fund's Private Equity portfolio returned +35.5% over the 12-month period to 31 March 2022, outperforming the benchmark by 27.4%. It should be noted that the performance calculation of the portfolio lags that of the benchmark, which is a Public Equity index, as by their nature it takes much longer to value Private Equity assets than Public Equities.

With long-term investment periods, performance is generally best viewed over longer horizons. The Fund's Private Equity portfolio has generated double-digit annualised returns over both the three- and five-year periods, as well as outperforming since inception.

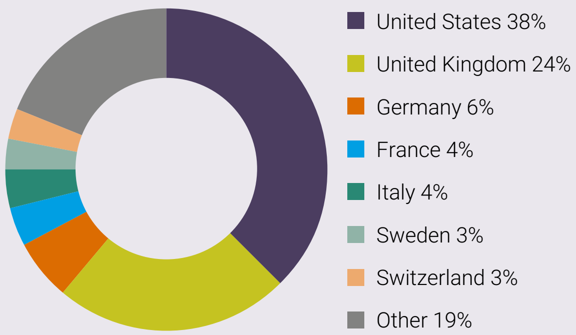
LPFA Private Equity:
Investment strategy



LPFA Private Equity:
Investment type



LPFA Infrastructure:
Industry exposure



Percentages may be above 100% due to rounding

3. Investment continued

3.8 Asset classes continued

Real Estate

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

The majority of the Fund's Real Estate portfolio is invested in the LPPI Real Estate Fund (REF), with the remainder in the London Fund (although the London Fund's investment also cover Infrastructure and Growth Capital assets). The REF consists of a portfolio of directly held properties managed by Knight Frank Investment Management and a collection of external managers. As the 'LPFA Real Estate: Geographic exposure' chart below shows, the Fund's Real Estate portfolio is primarily made up of UK assets.

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

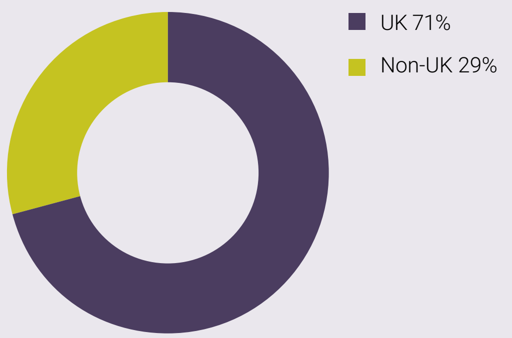
Over the 12-month period to 31 March 2022 the Fund's Real Estate Portfolio returned +16.9%, outperforming the benchmark by 0.9%.

The REF benefited from its high allocation to the Industrial and Logistics sectors over the twelve months, (see below: LPFA Real Estate: Sector exposure %). Across the global Logistics sector, a continuing shift in consumer habits to more online shopping drove performance, whilst the Retail sector continued to struggle over the year as the number of shoppers struggled to return to pre-pandemic levels.

The London Fund welcomed the London Borough of Haringey Pension Fund as a new investor in 2021. Alongside the London Fund's initial investment into a 'build to rent' housing platform to support the development of new quality housing stock for London, a second investment was made in March 2022 into a fund focused on redevelopment and regeneration in Greater London. Post the end of the reporting period the London Fund also co-invested in a joint venture to develop a sustainable office adjacent to London Bridge Station, with the intention for the office to have world-leading ESG credentials including low-carbon construction and being net zero in operation.

Given the long-term nature of real estate investments, performance is best assessed over longer time horizons. Over three-year and five-year periods, the Fund's Real Estate portfolio has produced strong absolute and relative performance.

LPFA Real Estate:
Geographical exposure



LPFA Real Estate:
Sector exposure %

Infrastructure

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

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

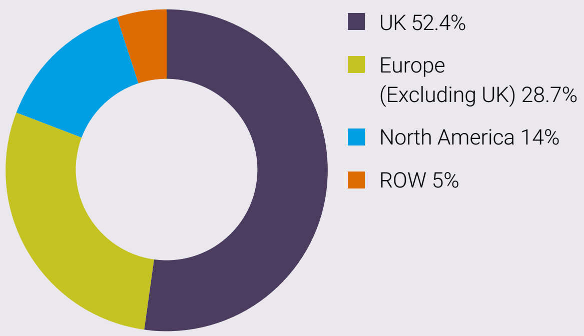
Almost all the Fund's Infrastructure exposure is through LPPI's Global Infrastructure Fund (GIF). This comprises allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focuses predominantly on Infrastructure in the UK, Europe and North America as illustrated in the charts below. The portfolio is diverse across several sectors, as also shown below.

A key component of the GIF is GLIL, an Infrastructure platform designed to fully align the interests of several pension fund investors who wish to benefit from the very long-term investment opportunities in Infrastructure investing. Through GLIL, the Fund now owns interests in various UK infrastructure assets, including wind-powered electricity generation, water assets, rail rolling stock and ports.

The Fund's Infrastructure portfolio is benchmarked against UK CPI +4.0% p.a. and has a target of UK CPI +4.0% p.a. to 6.0% p.a, over a rolling ten-year period.

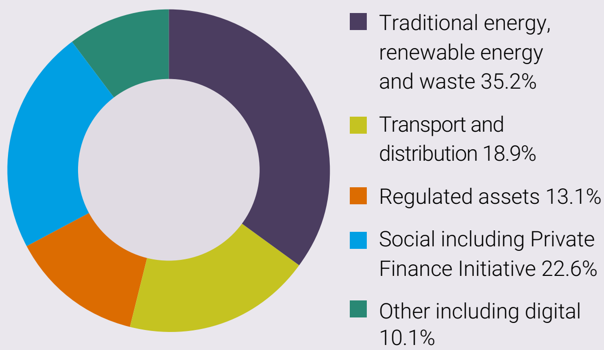
Over the 12 months to 31 March 2022, the portfolio returned +12.1%, outperforming the benchmark by 1.0%. GLIL assets were a positive contributor to performance, whilst successful exits from several assets in the indirect portfolio were also beneficial over the year. The legacy infrastructure funds that are held outside of the GIF are all close to being fully realised.

LPFA Infrastructure:
Geographical breakdown



Percentages may be above 100% due to rounding

LPFA Infrastructure:
Industry exposure



Percentages may be above 100% due to rounding

3. Investment continued

3.8 Asset classes continued

Credit

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

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

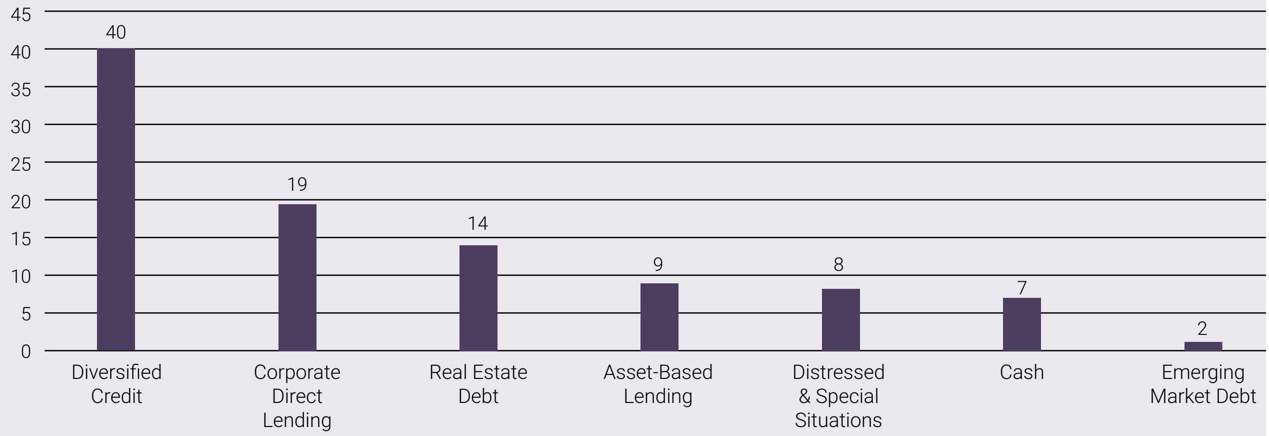
All the Fund's Credit exposure arises through investment in the LPPI Credit Investments Fund (CIF). The CIF invests in a range of credit-linked strategies globally, as noted in the chart below, this being achieved by investing with third-party external managers. Credit exposure is predominantly in illiquid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

The portfolio has a composite benchmark of 50% S&P/LSTA Leveraged Loans Index (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged). The CIF's target is to outperform the benchmark by 1.0% p.a. to 3.0% p.a. over a full market cycle of at least seven years.

Over the 12 months the portfolio returned +6.2%, outperforming its benchmark by 6.9%.

The CIF's allocation to Diversified Credit was the largest contributor to returns. The allocation to Corporate Direct Lending also contributed positively, with managers who were able to deploy capital into the markets following the COVID-19 market turbulence outperforming.

LPFA Credit:
Allocation by investment type %



Diversifying Strategies

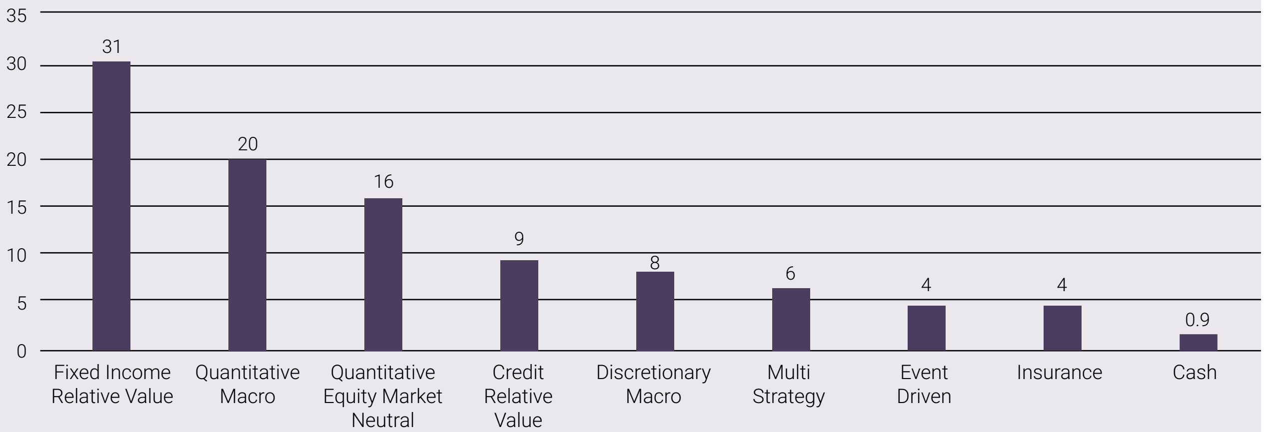
The Fund's allocation to Diversifying Strategies seeks to generate a diversifying source of return to complement the Fund's funding objective, whilst maintaining a low correlation to Public Equities (especially in times of market stress).

The majority of the Fund's Diversifying Strategies exposure is through the LPPI Diversifying Strategies Fund (DSF), with only a small legacy allocation remaining outside the DSF. The DSF follows a diverse, multi-strategy approach employing a range of relative value, risk premia and directional investment approaches in traditional markets, alongside alternative markets like insurance. The chart below shows the breakdown of the DSF into its strategy types as at 31 March 2022.

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

During the 12-month period to 31 March 2022 the Fund's Diversifying Strategies portfolio returned +10.3%, outperforming its benchmark by 6.0%. This outperformance was predominantly driven by the returns seen in the first three months of 2022, when public equity markets were particularly volatile.

LPPI Diversifying Strategies:
Allocation by strategy type %



3. Investment continued

3.9 Responsible Investment vision

Our Responsible Investment vision

"As a pension fund, we are stewards of the future. Primarily stewards of our members' financial future, ensuring robust pension provision. Furthermore, how our members' funds are invested also impacts the future of our economy, our environment, our society and therefore our members' future. We take this broader responsibility seriously, as a commitment to the future and to the shape of today's world. Consequently, we regularly look at the urgent major environmental and social issues facing the world and work to ensure we are positively influencing them. Our ongoing major focus is on the climate emergency and how we can invest member funds to mitigate the financial risk from climate change, influencing the broader economy via our engagement opportunities and clearly communicating both our approach and our progress. As a responsible investor, it is important that the LPFA plays its part in tackling these ethical, financial and moral issues."

LPFA Board vision

3.10 How we implement the Board's responsible Investment vision

The vision is supported by our commitment to sustainable investment and active ownership and is guided by our policies. The appointment of asset managers, the exercise of ownership responsibilities, shareholder voting and stewardship are delegated to LPPI. Collaboration with other organisations is essential to ensure that a fund of our size can achieve our objectives.

The Fund's Officers and Board monitor and hold LPPI to account for delivering and reporting on the implementation of our Responsible Investment policy commitments and the Board's vision.

The LPFA's responsible investment and climate change policies

The LPFA's approach to Environmental, Social and Governance (ESG) is summarised in our Investment Strategy Statement (ISS). Our responsible investment (RI) and Climate Change policies reflect the Fund's commitment to fulfilling the responsibilities we hold as an asset owner.

Our RI policy recognises that our Fund's long-term sustainability depends on informed and diligent investment selection and active asset ownership. We require all the Fund's investment managers to integrate ESG considerations within their investment decision-making. This ensures a thorough approach to assessing investment risks and opportunities.

Our Climate Change Policy sets out how we work with LPPI to address exposure to sectors and companies impacted by climate change risk. It states that we are seeking to increase exposure to green sectors and companies. We want to support the transition to a lower-carbon future and we advocate for change by using our influence with companies and asset managers. We aim to report on our progress clearly and transparently to our members, stakeholders, and wider society. Our net zero commitment evolved naturally from our Climate Change Policy and was a logical next step in managing the financial risks and opportunities posed by climate change.

ESG at every stage of LPPI's investment process

Consideration of ESG factors takes place throughout the investment cycle.

- **Asset and manager selection:**

  ESG is integrated into the identification and evaluation of prospective investments, through processes of investment due diligence and decision-making. An ESG framework guides underwriting, evaluating a prospective investment manager's ESG integration approach to assessing the industry, company and overall investment strategy's ESG risks and opportunities. There are a range of ESG factors considered as part of the identification of ESG risks and these differ by asset type. Climate change analysis is integrated at this stage even if it is not the main risk to the investment.
- **Portfolio monitoring:**

  The monitoring of appointed managers includes assessing stewardship and ESG integration in accordance with ESG frameworks and LPPI's Responsible Investment policy. A formal portfolio ESG review is being included within quarterly and yearly asset class reviews for all managers. Manager ESG ratings, engagement priorities and progress are considered. Minimum expectations of managers have been set in relation to diversity and inclusion, reporting and stewardship, and are required for new asset manager appointments. Quarterly reporting and monitoring are carried out on a bespoke asset basis for directly held private assets. LPPI integrates ESG factors into its portfolio monitoring processes.

- **Active ownership:**

  LPPI votes on all shares held in the GEF on the LPFA's behalf in accordance with the Shareholder Voting Policy and Guidelines. Direct communications with companies are carried out by LPPI and Robeco's Active Ownership Team. Robeco supports LPPI's existing in-house voting and engagement activity to deliver an engagement strategy across LPPI's internally and externally managed equity and fixed income assets. Corporate governance, diversity, and climate change are top priorities but more details on engagement topics can be found in LPPI's Stewardship Report on their website. In private markets, LPPI sits on the boards of directly held assets or Limited Partner Advisory Committees where possible. Across Infrastructure and GLIL, LPPI holds board seats at 13 assets, for example Semperian and Forth Ports, and LPAC seats at Iona Capital. Externally, LPPI takes part in collaborative engagements and industry forums, such as the Principles of Responsible Investment (PRI), CDP and Climate Action 100+.

About our net zero commitment

While responsible investment is wider than climate change, climate change is a focus for the fund, leading to the LPFA's net zero commitment in September 2021.

The LPFA and net zero

"Climate change poses a material risk to society, business and so to our investments. As a responsible investor, it's our duty to mitigate these risks. We've made significant progress decarbonising our portfolio to date following the introduction of Climate Change policy in 2017. Working closely with our delegated asset manager, Local Pensions Partnerships Investments, we will be developing our net zero action plan over the coming 12 months. More information will be published when that process is complete."

Robert Branagh, CEO, 21 September 2021

3.11 Transparency on our Responsible Investment progress

We are committed to bringing carbon emissions across the LPFA Fund to a target-based net zero goal by 2050 and to set up an interim target for 2030. We have adopted the Paris-Aligned Investment Initiative Net Zero Asset Owner Commitment in line with the Paris-Aligned Investment Initiative (PAII) Net Zero Investment Framework to guide us. The PAII provides investors with the benefit of a common framework to support the journey to net zero emissions. It encourages investors to play their part in delivering the goals of the Paris Agreement. More information about our policies and our Net Zero Action Plan can be found on our website[1] .

How we report

The LPFA's IC receives quarterly RI reporting from LPPI covering all stewardship and engagement activities carried out on the LPFA's behalf. LPPI uses two external benchmarks to guide them:

- The UK Stewardship Code

  This sets standards for effective asset owner stewardship to promote the long-term success of companies benefiting investors and the economy. LPPI successfully met the higher standard in the updated 2020 Code for stewardship disclosure and have retained signatory status. Their Responsible Investment and Stewardship Report 2020-21, which forms their Stewardship Code submission, can be found on its website.

- The Principles for Responsible Investment (PRI)

  These are a global standard for responsible investment. LPPI is a signatory, and the LPFA portfolio is managed under arrangements which comply with the six PRI principles. Transparency Reports accessible from the PRI website present detailed information from LPPI's annual reporting against the principles.

1 Please see our net zero hub: https://www.lpfa.org.uk/our-investments/net zero

3. Investment continued

3.12 Responsible Investment highlights

Engagement, stewardship and voting

Engagement is simply a dialogue between investors and companies aimed at ensuring that companies behave responsibly. It involves encouraging good corporate governance and practice to protect the value of an investment. Engagement is carried out by LPPI, delegate asset managers and through collaborations with other investors and engagement services providers. LPPI is supported by the Robeco Active Ownership Team to support and expand engagement capabilities for public market assets. Robeco's activities for LPPI can be found in their ownership report on the LPPI website.

In general, both LPPI and Robeco engage directly with companies held by the LPFA when these assets are internally managed by LPPI. Where investments are managed externally, engagement is done by those asset managers but monitored by LPPI.

In the 12 months to 31 March 2022, on our behalf, Robeco has engaged companies in the LPFA Fund on the following issues and in the following ways:

Number of Engagement Cases by Topic	YTD
Corporate Governance	38
Environmental Impact	20
Environmental Management	45
Global Controversy Engagement	11
Healthy Living	10
Human Rights	36
Human Capital	11
Social Management	12
SDG Engagement	20
Total	203

Number of Engagement Activities per Contact Type	YTD
Analysis (no actual contact with company)	41
(Open) Letter	37
E-mail	125
Active voting	2
Shareholder resolution	1
Conference call	133
Speaking at a shareholder meeting	2
Meeting at Robeco offices	2
Total	343

Activity (By Sector)	YTD
Energy	5
Materials	25
Industrials	9
Consumer Discretionary	29
Consumer Staples	28
Health Care	25
Financials	38
Information Technology	36
Utilities	8
Total	203

Below is a summary of some positive outcomes from Robeco's engagement.

Climate Action

During this three-year programme, Robeco engaged with companies in the electric utilities, oil and gas, chemical and industrial sector across seven countries. The world's largest corporate greenhouse gas emitters were targeted to improve governance on climate change, curb carbon emissions and strengthen climate-related financial disclosures. Robeco was also co-leading engagements with several companies under the Climate Action 100+ initiative umbrella.

- RESULT: Robeco closed four out of eight engagement cases successfully. It is positive that more companies want to set ambitious net zero emissions targets for 2050 but the biggest challenge is to translate these into clear and feasible transition plans. There remains concern around sectors like chemicals, where there is still no clear transition pathway, and where technological innovation still needs to take place. The Climate Action programme has now been replaced by a new programme focused on net zero emissions.

Cybersecurity

The companies targeted operate in the payments, telecommunications and household products sectors, using sensitive customer data. The engagement theme focused on five topics: governance and oversight, policy and procedure, risk management and controls, transparency and disclosure, and privacy by design.

- RESULT: Robeco closed five out of seven engagement cases successfully. Most of the companies targeted now have a clear strategy to improve their cybersecurity.

CASE STUDY: Visa committed to improve its reporting on how cyber risks are addressed throughout the company, including details on how cybersecurity is included in the executive compensation criteria. Visa's strengths include its approach to cyber governance and oversight and the significant technology experience on the board. Also, the company holds third-party assessments on the maturity of its programme, with high scores compared to its peers.

Food security

From 2018 to 2021, Robeco engaged with companies from across the food supply chain. The programme targeted companies that could help combat food insecurity and contribute to the UN's SDG 2: 'Zero Hunger' by focusing on inclusive product stewardship and the impact of companies' geographic market reach.

- RESULT: Robeco closed four out of seven engagement cases successfully. Most progress was achieved in formalising the companies' sustainability governance, measuring their corporate contribution to the SDGs, and exploring new market opportunities in food-insecure regions through public-private partnerships.

CASE STUDY: The engagement with agricultural machinery producer Deere & Company focused on 'innovation management'. Engagement was successful partly illustrated by the company's efforts to support farmer productivity and incomes in food-insecure regions (e.g., Deere & Company adapted its conventional tractors to service the needs of smallholder farmers). The company has also allocated Research and Development expenditures to develop products tailored to low and middle-income countries.

Culture and risk governance in the banking sector

Robeco has been speaking with banks in Europe and the United States on the quality of risk management and governance. Since the 2008 global financial crisis, many banks have been forced to redesign their approach to risk management, compliance and incentive structures. However, many banks continued to be faced with governance issues, such as sanctions violations, money laundering, and other financial crimes. Robeco's engagement aimed to address this by analysing the quality of governance and seeking improvements on four topics: incentives for risk-taking personnel, remuneration policies for executives, processes around non-financial crimes, and the quality of risk governance.

- RESULT: Robeco closed four out of nine cases successfully. Over the course of the project from 2017 to 2021, notable progress has been made. Most banks have re-organised their risk and compliance functions, moved away from incentivising employees on a purely financial basis and are devoting increasing resources to comply with risk-related legislation. However, for most banks Robeco report difficulty gaining conviction on the quality of their risk management and can only find external indicators for corporate culture.

Living wage in the garment industry

From 2018 to 2021, Robeco engaged with fast fashion retailers and luxury brands to push for the payment of living wages across the industry's supply chain. This was done through the Platform Living Wage Financials, a coalition of 18 financial institutions focused on the issue. Engagement centred on how companies were upholding the payment of the living wage, how this is supported by responsible purchasing practices and industry collaborations, and whether remedy is provided when incidents are identified.

- RESULT: Robeco was not able to close the three cases they were engaging on LPPI's behalf successfully. However, brands are laying out more comprehensive strategies on labour practices across their supply chains, though there is still limited evidence of living wages being paid in sourcing countries. Most of the companies under engagement have adopted references to living wages across their policies but few have a strategy on how to accelerate the payment of living wages in their supply chain.

3. Investment continued

3.12 Responsible Investment highlights continued

Shareholder voting

The right of shareholders to vote at annual general meetings allows the LPFA to communicate our views and encourage companies to make changes. As mentioned, we vote through our asset managers, LPPI, and in collaboration with other organisations, like LAPFF.

LPPI's shareholder voting

On the LPFA's behalf, LPPI votes on holdings in the GEF directly and, on their website[2], publishes information on meetings, voting, the individual resolutions tabled and whether voting supported or opposed proposals. In reaching voting decisions, LPPI considers analysis and recommendations from a proxy voting provider. This factors in ESG considerations and involves liaison with asset managers, engagement services providers, and investor collaborations to inform the approach.

Headline information on voting and engagement activity for the GEF in 2021-22 is provided below. In the 12 months to 31 March 2022, LPPI voted at over 399 company meetings and on over 4,443 separate resolutions as follows:

Against*	Management Resolution Theme	For*
208	Election of Directors (and related proposals)	2,263
113	Non-salary compensation	365
0	Anti-takeover (and related proposals)	24
21	Mergers, acquisitions and reorganisations	128
49	Capitalisation	285
36	Routine business	818
427	Total	3,883

Against*	Shareholder Proposals Theme	For*
27	Corporate Governance	58
0	Environment	8
4	Social	36
31	Total Shareholder Proposals	102

* Note. For/Against: For the resolution or Against the resolution. For all management resolutions, this means a vote For is for management and a vote Against is against management. For shareholder proposals, the reverse is true. A vote For is against management and a vote Against is for management.

On the LPFA's behalf, LPPI voted:

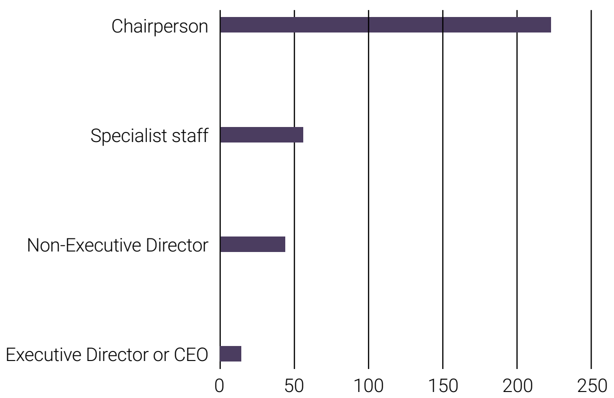
1. Against 23% of management resolutions and in support on 72% of shareholder proposals on remuneration. Votes against management are motivated by a range of factors including, but not limited to, poor transparency, mis-aligned incentives, and pay magnitude.
2. In support of 86% of shareholder proposals on human rights issues, for example, seeking greater transparency regarding human rights due diligence in the supply chain.
3. In support of 75% of shareholder proposals related to gender and/or racial diversity. Proposals were supported where they requested clear targets or greater transparency.
4. In support of 100% of shareholder proposals on the health impacts of products (e.g., greater transparency on the strategy to manage the public health risks associated with sugary products).
5. In support of 100% of shareholder proposals on climate change. Most proposals sought greater information on how companies are managing risk.
6. In support of 86% of shareholder proposals seeking greater transparency on corporate behaviour relating to political lobbying (e.g., through enhanced reporting).

2 https://www.localpensionspartnership.org.uk/Investment-management/Responsible-investment

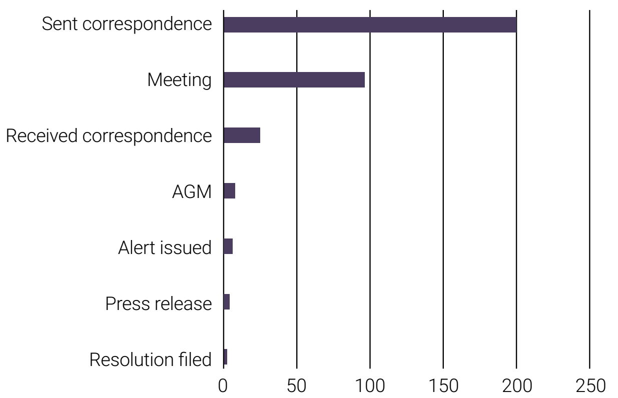
Voting in collaboration with the Local Authority Pension Fund Forum

The LPFA also collaborates with 80 other LGPS funds through our membership of the Local Authority Pension Fund Forum. On behalf of all member Funds, LAPFF engages directly with company boards and chairs to promote the highest standards of corporate governance. The intention is to protect the long-term value of Local Authority pension funds. The tables below detail the activities, types of engagements and activities made through the LAPFF. Details of the engagements undertaken by LAPFF in 2021-22 are also available on its website.

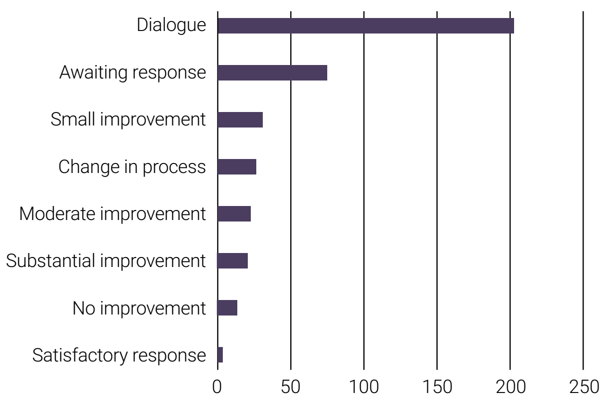
Position engaged



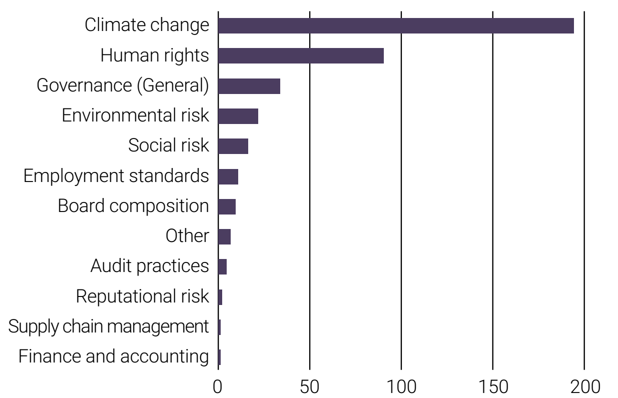
Activity



Outcomes



Topic



LAPFF Engagements

Alignment with Sustainable Development Goals

3. Investment continued

3.12 Responsible Investment highlights continued

Investing in London's future – The London Fund

In December 2020, LPPI, London LGPS CIV (London CIV) and the LPFA formed The London Fund, an investment partnership which aims to help solve some of the housing and infrastructure problems facing the capital. LPPI is the Investment Manager and London CIV is the Alternative Investment Fund Manager. The LPFA seeded the Fund with £100 million in capital and in April 2021, invested an additional £50 million into the Fund.

The London Fund is designed to help address the anticipated population growth challenges facing the city through large-scale real estate investment and infrastructure projects in the Greater London area, while also providing appropriate risk-adjusted investment returns. The London Fund will support the ongoing growth in pension scheme assets and invest in opportunities that generate a social benefit through job creation, regeneration and providing positive environmental impact.

Assets will include residential property – private rented sector and affordable housing – regeneration schemes and specialist accommodation such as senior living and co-living. This collaboration between LGPS pools and investors brings increased scale, allowing all partners to benefit from broader access to resources and a much wider investment pipeline than would be available to any individual entity acting alone.

CASE STUDY: An example of the London Fund's Investment is in Delancey and Oxford Residential's DOORSLP (DOOR) a 'build to rent' housing platform to support the development of new quality housing stock for London. DOOR is a dedicated residential investment vehicle – part owner of Get Living, the UK's leading build-to-rent operator of large-scale residential neighbourhoods. DOOR will facilitate The London Fund's investment in housing developments in areas such as East Village, Stratford and Elephant and Castle. This includes almost 3,000 homes under management, 1,870 homes under construction, a further 3,500 in the secured pipeline, with an overall target of 15,000 homes within the next five years. Get Living's institutional ownership, provision of long-term tenancies and resident-only break clauses provide residents with security of tenure.

Climate change and net zero – A transition to a low carbon economy

In February 2022, the last extractive fossil fuel company was removed from LPFA's equity portfolio. The announcement came shortly after the LPFA's September 2021 net zero commitment and LPPI's December 2021 announcement to exclude extractive fossil fuel companies from the LPPI Global Equities Fund. That decision stems in part from LPPI's own net zero commitment when, on 1 November 2021, the asset manager became a signatory to the Institutional Investor Group on Climate Change's (IIGCC) Net Zero Asset Manager Commitment.

3.13 Communicating our progress

The LPFA works hard to communicate our progress with our stakeholders. We collaborate with many different organisations including the Occupational Pension Stewardship Council (OPSC), Pensions and Lifetime Savings Association (PLSA), the LAPFF, CDP, the IIGCC, Climate Action 100+ and C40 Cities. We're also in regular contact with many well-known groups in the pensions industry including Share Action, Make My Money Matter, Climate Action, Centre for London, Pensions for Purpose, the Impact Investing Institute and the Cambridge Institute for Sustainable Leadership. This is important as the LPFA places great emphasis on transparency around the progress that we are making and what we can learn form others.

In 2021-22, in the spirit of collaboration, the LPFA:

1. Participated in a COP26 exhibition in Glasgow with Transport for London and the GLA showcasing London initiatives which advanced climate action
2. Featured as a case study in a PLSA COP26 paper showcasing what the UK pensions industry were doing to take action on climate change
3. Backed a CDP campaign asking 1,600 companies for science-based targets
4. Committed to working with the IIGCC to set a net zero goal
5. Became a founder member of the OPSC, a Department for Work and Pensions group aiming to provide a platform for sharing best practice and research. The Group supports pension schemes boost stewardship and make more thoughtful, responsible investments. Alistair Peck, the LPFA's Head of Communications and Engagement, sits on the OPSC's Member Engagement Workstream
6. Launched a new corporate website in June 2021 providing stakeholders with simpler and clearer information about the Fund
7. Presented our net zero progress to the C40 cities network.

In addition LPPI, on behalf of the LPFA and other clients, has also:

1. Become an inaugural signatory to the Asset Owner Diversity Charter which seeks to address a lack of diversity in the investment management industry. Signatories commit to including diversity as part of ongoing manager monitoring, through an annual questionnaire provided to managers
2. Made its own asset manager net zero commitment in November 2021
3. Signed the 2021 Global Investor Statement to Governments on the Climate Crisis. The UK Presidency for COP name-checked this statement as useful in supporting behind the scenes negotiations at the conference
4. Signed a letter alongside several asset owners published in the Financial Times, to stress the importance of the position asset owners can bring on sustainability and the drive to net zero. The letter reinforced the position that business commitments to pursue purpose, better manage carbon risks and engage constructively with stakeholders underpin value creation rather than endangering it
5. Become a member of the OPSC set up to promote and facilitate high standards of stewardship of pensions assets
6. Supported the WWF-led Business Case for a UN Treaty on Plastic Pollution at the UN Environment Assembly international negotiations. The talks were widely considered a success, with the UN setting the ambition of completing a draft global legally binding agreement by the end of 2024 to address the full lifecycle of plastics. Additionally, the role of business in supporting the legally binding treaty was highlighted by several representatives during the negotiations.

4. Pension fund administration

LPPA provides a full range of pensions administration services to the LPFA's 92,659 members and 123 employers. This includes the processing and payment of pensions, transfers, admissions, a member contact centre, record maintenance and a bereavement service. LPPA also delivers employer and member communications through email, its member self-service portal, employer events and training and scheme member presentations and sessions. LPPA also provides services to other public sector funds administering the pensions of over 600,000 members from over 2,000 different employers across local government, police officers' and firefighters' pension schemes.

4.1 At a glance: Members

Priorities for LPP this year have been to support the LPFA in offering members and employers a well-run Fund, delivering value for money and a good service while improving the member experience and the quality of data. As part of this, 2021 saw the launch of Project PACE and the implementation of the Universal Pension Management (UPM) administration system. This included delivery of new employer and member self-serve portals, with targeted communications, engagement and training activity aimed at Fund employers and members. The administration service consistently exceeded SLAs and member complaints continued to drop, although the launch of PACE did cause some dissatisfaction amongst a small number of members.

4.2 Ensuring a well-run fund

SLAs and deliverables are in place between the LPFA and LPPA and are reviewed regularly. While member complaints continue to drop, there were also areas that require improvement. LPPA and the LPFA work together to identify these improvements through a variety of means including:

- A clear understanding of the LPFA's requirements and expectations translated into a well-defined SLA and Key Performance Indicators (KPIs)
- Ensuring the LPFA's Board, LPB and SLT are updated on operational performance through client forums, quarterly reports and monthly client meetings to ensure visibility of complaints, breaches, risks and other issues
- Strong governance processes to ensure compliance with the Pensions Regulator Code of Practice 14 and public sector pensions legislation.

Please refer to the Governance section for more detail.

Delivering PensionPoint: The new member portal

PensionPoint was introduced by LPPA to provide members with an intuitive online system and easy access to their pension information. Many of the benefits are very similar to My Pension Online including the ability to view pension information, download documents and calculate benefits. However, additional new services are planned including 'track my case' and 'retire online'. These will give members easy access to real-time information without the need to contact the LPPA Helpdesk.

Prior to launch, LPFA members were emailed in December 2021 notifying them of the move over to PensionPoint, with a launch email in February explaining how to access the site. Some members did experience issues with their registration process, but these were remedied. As at 31 March 2022, there were 7,473 members registered to use PensionPoint and regular campaigns to increase these numbers are continuing.

4.3 Performance

The table below summarises LPPA's performance over the period. In the year to 31 March 2022, the annual SLA performance was 98.11% or 26,975 cases completed against 27,496 cases received. It is encouraging to see that complaints dropped from 115 in 2020-21 to 93 in 2021-22.

	Q1	Q2	Q3	Q4	Annual
Overall delivery against SLA	98%	99%	99%	98%	98%
Complaints received	22	29	21	21	93

4.4 Charges and ensuring value for money

LPPA charges the Fund on a per member basis. The LPFA's CEO is advised of the proposed charges for the upcoming financial year in writing. Charges are reviewed for value for money and consistency with market rates by the LPFA Board and LPFA's CEO. LPP Group, of which LPPA is a part, is required to ensure long-term value for money, evidenced by savings, efficiencies or service improvements compared to the arrangements and costs of the combined pre-pooling arrangements. Where a new service is carried out by the partnership then comparison will be to a wider market benchmark.

Cost per Fund member

This year, cost per Fund member increased due to inflationary rises in the LPFA's staff costs and resilience costs to support LPPA's transition to a new pension administration system. Over the past few years, the LPFA has brought many outsourced services in-house to improve effectiveness and governance. The increased costs are reflected in the Oversight and Governance section below. It should be pointed out that, over the longer term, the LPFA has benefited significantly from pooling pension administration activities. By comparison, cost per member in 2015-16 (pre-pooling) was £98 per member for Administration, Oversight and Governance.

Cost per Fund member in the table below are provided for Administration as well as Oversight and Governance to ensure consistency with last year's report.

Cost per Fund member	As at 31 March 2022 (£)	As at 31 March 2021 (£)	As at 31 March 2020 (£)
Administration	24	23	20
Oversight and Governance	39	37	32
Total	**63**	**60**	**52**

4.5 The impact of COVID-19

Throughout COVID-19, the adoption of flexible working practices by LPPA and the LPFA meant no breaks in service and all regulatory deadlines were achieved. Managing bereavement cases remains a priority and the following specific actions have been taken to help members who have lost loved ones:

- Bereavement calls to the helpdesk are prioritised to ensure that individuals are not waiting to speak to advisers longer than necessary. Other than in April 2021, when the average wait time was 4m 39s, the average has been consistently under the 4-minute target
- The bereavement survey has been updated with new questions to make the feedback more useful. Insights have been sought on the management of the bereavement process and potential improvements
- Surveys on operational processes in general were also expanded to ensure the member experience remained positive.

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4.6 Improving the member experience

We want LPFA members to receive excellent customer service and satisfaction. LPPA and the LPFA are both working to improve our customer care. Improvements are being driven across three main pillars: responding to member queries, improving the member complaints process, and improving member communications.

Responding to member queries

The resolution rate of calls into the LPPA Helpdesk was above the target figure of 75%. Member satisfaction scores are high and above the monthly non-contractual target figure of 85%. However, satisfaction with the Estimate process has dropped over the period mainly due to delays related to the time that it has taken to resolve Estimate requests. Times have increased from 7 days in 2020-21 to 11 days in 2021-22. Efforts have been made to improve the bereavement process, but satisfaction levels around bereavements have also dipped as the number of days taken to resolve individual bereavement queries has increased from 50 days in 2020-21 to 67 in 2021-22.

For calls made by LPFA members to the LPPA call centre, the LPPA has received the following satisfaction ratings:

- Contact centre call query resolution – Overall satisfaction = 92%
- Retirement experience survey – Overall satisfaction = 86%
- Bereavement experience survey – Overall satisfaction = 85%
- Estimate experience survey – Overall satisfaction = 74%

The table below lists the top ten LPFA member queries and the approximate – or elapsed – time it takes to resolve queries. These numbers are monitored as an addition to the SLAs outlined above. It is worth stressing that delays do occur if LPPA is waiting on information from employers or the members themselves.

	Average number of days taken to resolve individual member queries		
	2021-22 Actual	**2020-21 Actual**	**2019-20 Actual**
Admissions	**10**	9	5
Transfers in	**104**	83	98
Transfers out	**38**	20	21
Estimates – individual	**11**	7	7
Deferred benefits	**42**	53	60
Deaths	**67**	50	51
Retirements (immediate)	**35**	46	51
Retirements (deferred)	**35**	68	95
Refunds	**18**	16	18
Estimates – employer	**10**	9	7

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

	Altair DATA				UPM DATA		
	Brought forward at 01-04-2021	Completed	Received	Outstanding as of 15-02-2022	Brought forward as at 20-02-2022	Completed	Received
New starters (admissions)	180	4,126	3,946	0	0	239	250
Transfer in	399	1,238	1,300	461	461	120	137
Transfer out	243	1,612	1,695	326	326	264	342
Estimate – individual	238	757	545	26	26	173	207
Deferred benefits	256	2,358	2,485	383	383	446	430
Deaths	807	3,491	3,330	646	646	281	289
Retirements (immediate)	134	709	688	113	113	150	193
Retirements (deferred)	202	1,341	1,284	145	145	196	272
Refunds	82	2,253	2,378	207	207	161	157
Estimates – employer	195	1,053	859	1	1	12	26
Correspondence	105	1,913	1,870	62	62	516	611
Aggregation	175	992	1,084	267	267	137	156
Other*	676	4,446	4,105	335	335	1,377	1,520
Totals	**3,692**	**26,289**	**25,569**	**2,972**	**2,972**	**4,072**	**4,590**

* The category of 'Other' includes: Benefit revisions, Maternity/paternity cases, Ill Health cases, Scheme Opt-Out cases, Cases raised to cover 'My Pension Online' registration queries, P60 queries, 50/50 scheme changes, APC/AVC queries.

Note: With LPPA's previous technology (Altair), for Transfers In, Transfers Out, Retirements Immediate, Retirements Deferred & Refund a case was closed once the quote had been sent to the member and a new case opened once the member responded. With LPPA's new technology, UPM, a case remains open after the quote is sent to the members. This change results in a seemingly higher number of outstanding cases but is a more accurate reflection of progress and performance. For example, 223 of the 404 Transfer Out cases are awaiting responses from members after LPPA have issued a quote.

Improving the member complaints process

The number of complaints as a percentage of workload is 0.34% compared to 0.40% last year. However, we will continue to find ways to ensure all complaints are dealt with effectively and the causes identified.

LPPA's dedicated Complaints and Appeals team has been successful here. The complaints team provides feedback to the LPPA operational area involved in the complaint, outlining the cause and the consequence. Where improvements can be made these are discussed and actions agreed. This allows LPPA to resolve issues effectively and to provide feedback to its administration teams on service delivery improvements and implement procedure improvements.

Efforts to improve LPPA's customer services are also being measured through six satisfaction surveys, providing members with the opportunity to provide feedback. Surveys relate to overall helpdesk calls, bereavements, email responses, retirements, transfers and estimates. The LPFA will continue to work with LPPA on improving the member and employer experience utilising this feedback.

4. Pension fund administration continued

4.6 Improving the member experience continued

	*2021-22	2020-21	2019-20	2018-19	2017-18	Target / Benchmark
Number of complaints received	**93**	115	162	194	61	<25
Number of complaints categorised as Pension Ombudsman cases	**6**	3	0	0	0	0
Number of Internal Dispute Resolution Procedure cases (IDRP**)	**6**	5	25	5	11	<6
Staff fund member ratio – staff engaged on LPFA administration only	**1:3,280**	1:3,055	1:3,184	1:,172	1:3,778	–
Average cases per member of staff	**959**	1,507	1,204	1,409	1,057	–

* There has been an increase in complaints in March 2022: There were two regulatory complaints, five complaints on delays and migration with one complaint related to PensionPoint.

** During the year LPPA has improved its guidance on Internal Disputes Resolution Procedure. This provides members with a better understanding of its process, promises and further sources of information which might be helpful throughout the complaints process. The guidance is on the LPFA Fund website. There have been four ill health, one retirement and one transfer IDRP cases over the period.

Improving member communications

LPPA and the LPFA continue to develop a more professional and consistent service. Different types of corporate communications are being used by the LPFA, including a new website, active social media programmes, hybrid events and animations to ensure information about the Fund is communicated simply and clearly.

We have also seen more proactive member communications as part of LPPA's wider member engagement strategy. The aim has been to improve the amount and quality of member contact data, to encourage members to use LPPA's digital services and to encourage member understanding of the value of their LPFA pension. Notable updates are listed below:

Digital progress

- Development of the LPPA member website (www.lppapensions.co.uk) and the then existing and new member portals, My Pension Online and PensionPoint.
- Targeted emails

  An increased volume of member emails helped to increase member engagement and raise awareness of key information. This was made possible by the use of Pure 360 software allowing LPPA to personalise messages to specific audiences and track the success of different communications. For example, PensionPoint launch emails had an open rate of 65% and a subsequent click-through rate of 36%. This is well above the industry average. Campaigns to deliver the following have also been implemented:

  – Increase online registrations

  – Increase member death nominations

  – Increase number, accuracy and security of members' personal contact details including the capturing of email, telephone, and post code details.
- LPPA Member Panel

  – Comprising around 50 members across all Funds (including the LPFA), the panel is used to getting feedback on LPPA's member communications, including letters, emails and portals.

- Dedicated campaigns: Retirement campaign (Life is for living)
  - This campaign encouraged members to share their views and opinions on retirement at different life stages. With over 12,000 responses, the campaign drove users to a webpage highlighting a range of retirement support materials helping them navigate and prepare for their retirement. LPPA also collated many useful insights around retirement priorities based on the different age groups to inform future communications.
- Letter improvements
  - Improvements are being made to member letters to simplify language, reduce word count and signpost to useful information.
- LPPA corporate identity and style guide
  - Introduction of a guide to ensure consistency, accessibility and simplicity of language across all LPPA communications.
- Scheme essentials and Retirement essentials
  - These are online member engagement sessions to improve understanding. They help members understand the key benefits and milestones of their pension journey with the intention of reducing member queries in later life.

4.7 Fund membership information

Membership of the Fund continues to increase as set out below.

LPFA scheme membership over five years

	2021-22	2020-21	2019-20	2018-19	2017-18
Active contributors	19,963	20,115	20,574	19,489	18,537
Deferred beneficiaries	29,329	28,897	29,120	28,222	26,911
Pensioners and dependants	36,127	35,963	36,095	35,541	34,625
Undecided leavers and Frozen refunds	7,240	6,700	6,551	5,536	4,393
Total membership	**92,659**	**91,675**	**92,340**	**88,788**	**84,466**

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

LPFA scheme membership by recorded gender

	Recorded as female	Recorded as male	Total
Active	12,236	7,727	19,963
Deferred	18,370	10,959	29,329
Pensioner	21,931	14,196	36,127
Undecided and Frozens	4,496	2,744	7,240
Grand total	**57,033**	**35,626**	**92,659**

4. Pension fund administration continued

4.7 Fund membership information continued

This table below shows the quality of Common LPFA member data held by LPPA and highlights that targets are being met. The Pensions Regulator (TPR) sets the accuracy target of 100% for new common data received after June 2010. The target for 'legacy data' which has not had any amendments since June 2010 is 95%. The data quality TPR scores for the year to 31 March 2022 in respect of Common Data and Conditional Data scores were 96.85% and 96.12% respectively.

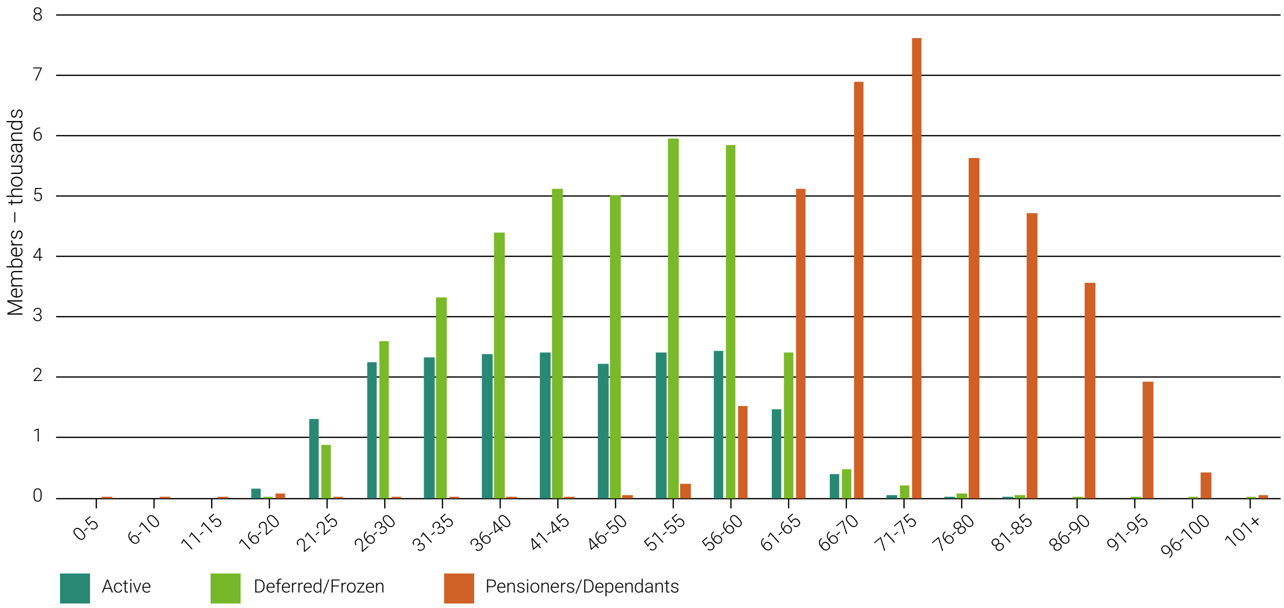
Surname	100.0%	**Membership status**	100.0%
Initials	100.0%	**Last event status**	100.0%
Gender	100.0%	**NI Number**	99.8%
Date of birth	100.0%	**Address**	97.1%
Date joined Fund	100.0%	**Post code**	97.0%

LPPA does undertake regular data cleansing activities including address tracing and a monthly review of data scores. Activities this year caused a slight increase in the total accuracy rate from 95.9% at the end of 2020-21, to 96.1% at the end of 2021-22.

Member age distribution

Membership data is broken down further in the graphs and table below.

LPFA member age distribution



Active	Deferred/Frozen	Pensioners/dependants
Average 43.7 years	46.7 years	74.5 years

4.8 Pension payments

Pensioners in receipt of enhanced retirement benefits

The table below provides an analysis of new pensioners receiving ill health, early and normal retirements.

	Ill health instances	Early retirement	Redundancy/ voluntary early retirement
2017-18	15	50	158
2018-19	13	37	204
2019-20	10	29	93
2020-21	16	22	58
2021-22	15	17	73
Total value for 2021-22	**£1,038,022.53**	**£174,865.70**	**£1,700,657.90**

Analysis of pension overpayments

Occasionally, the Fund can make a payment to a person not entitled to that payment. Over 98% of these overpayments occur when the Fund is not informed that a member has passed away. LPPA attempts to recover these overpayments where possible. The table below summarises the overpayments made by the Fund and the amount recovered.

	2021-22 (£)	2020-21 (£)	2019-20 (£)	2018-19 (£)	2017-18 (£)	2016-17 (£)
Overpayments	**394,332.29**	**241,137.26**	250,103.40	216,782.70	142,820.90	146,756.47
Collected	**-98,260.25**	**-115,649.19**	-79,569.22	-7,240.53	-11,558.83	-13,498.36
Written off	**-29,885.33**	**–**	–	–	–	–
Outstanding	**266,186.71**	**125,488.07**	**170,534.18**	**209,542.17**	**131,262.07**	**133,258.11**

Note: Where an overpayment occurs, the member or dependant is contacted, and the pension corrected on the next payment date. However, in the event of a payment being made after a member has died, a repayment is requested. Depending on the amount paid and the timing of the death, a repayment plan may be set up. It may be that LPPA is unable to recover the full amount.

4.9 At a glance: Employers

There are 123 employers in the Fund. They range from government bodies, higher education institutions, further education corporations, social housing associations, charities and private enterprises. LPFA now employs three people in the Employer Management Services (EMS) team which aims to provide a 'best in class' employer service and a professional customer service experience for our employers. The LPFA's EMS team is supported by LPPA's employer and member engagement group and LPFA's Communications team. Highlights this year have included carrying out employer covenant assessments to prepare for the triennial valuation, assisting with admission and cessations to/from the Fund and discussing participation in the Fund with a number of interested employers. For a list of the active and ceased employers in the Fund, categorised by Scheduled and Admitted body status, please see Annex ii.

The role of LPFA's EMS

As an Administering Authority of the LGPS, the LPFA ensures that all employer engagement is carried out according to LGPS Regulations. The LPFA's EMS team is the first point of contact for employers and represents the Fund in any discussion concerning an employer's participating status in the Fund.

The LPFA's Pension Administration Strategy sets out the responsibilities of the LPFA and its employers and the required levels of performance. The aim of this strategy is to educate and help employers to provide accurate and timely data to LPPA to improve the service provided to Fund members.

The LPFA website (www.lpfa.org.uk) also holds policies relating to employer discretions, admissions and outsourcing as well as annual statements of compliance. The website also lists the main LPFA pension contacts and services standards.

4. Pension fund administration continued

4.9 At a glance: Employers continued

The EMS team offers a range of services to the Fund's employers covering legal, actuarial, and risk-related matters across operations, covenant, and employer engagement. Examples of activity include:

Operations

- Admissions – executing admission agreements, arranging contribution reports, and implementing security
- Cessations – processing employer exits and negotiating funding agreements
- Bulk transfers – managing legal and actuarial issues that relate to bulk transfers
- FRS/IAS reports – ensuring data is provided to the Fund Actuary for employers' year-end accounts.

Covenant

- Covenant assessments – reviewing an employer's covenant strength and assigning an appropriate covenant grade
- Contribution reviews – reviewing employer contribution proposal(s) and/or instigating a contribution review as LPFA deems appropriate
- Security agreements – negotiating/executing security agreements on behalf of LPFA which protects the Fund from the risk of employer insolvency.

Engagement

- Transactional activity – communicating with employers on transactional activity (for example: mergers, de-mergers, acquisitions) that will have an impact on their LGPS obligations
- Triennial valuation – distributing the results of the Triennial Valuation to employers and managing any conversations concerning affordability
- Engagement with employers on covenant and other risk issues – reviewing any employer proposal that impacts the employer covenant and/or which presents a risk to the LPFA Fund.

What has EMS achieved over the period?

Significant achievements for the LPFA's EMS team over the period include:

- Carrying out employer covenant assessments in line with the Employer Risk Management Framework in preparation for the actuarial valuation at 31 March 2022
- Working closely with the Fund Actuary to develop a plan for expediting valuation calculations, which will allow more time for engaging with employers
- Executing security agreements to provide LPFA with protection in the event of employer insolvency
- Carrying out a project to review the status of historic exiting employers
- Assisting several employers to manage admissions and cessations to/from the Fund
- Engaging with a small number of employers considering joining the LPFA Fund.

The LPFA's EMS team is supported by LPPA's Employer Engagement team which provides administration and data-related services to LPFA's employers. LPPA's activities are outlined later.

LPPA's employer strategy

LPPA supports the LPFA by providing practical help to the Fund's employers on payroll and HR related matters. Activities are summarised below.

LPPA employer engagement

Over the period, over 100 LPFA employers attended eight LPPA training video-conferences sessions, covering a range of diverse topics: year-end data submission, improving data quality, managing the Leaver process and ill health retirement. The virtual approach allows LPPA to deliver more sessions to more employers. Event feedback is used to influence future training sessions. Specific UPM training sessions were held with employers in advance of the launch and 483 LPFA employer contacts attended.

Twenty-eight remote meetings were also held with LPFA employers identified as needing one-to-one support. These employers were identified by assessing specific data, for example, including elapsed times (the delay it takes for LPFA employers to provide LPPA with the required member information, completed forms and data) and the number of outstanding leavers. Both metrics might indicate that an employer might need more support. Employers with more than 100 members are offered dedicated visits as assistance.

LPPA has also been focused on working with those employers who are late in providing notifications that an active member is intending to retire. Training sessions focus on helping employers with the leaver process have proved successful.

LPPA has also continued to work to improve member data, capturing more member email addresses and driving more members towards the online member portals.

4.10 Data improvement for year-end error rates

As part of a year-end exercise, LPPA undertakes analysis on year-end error rates including missing joiners, missing leavers, missing change of hours and high or low pay queries. This is based on the information held on LPPA's pensions administration system. Employers who had a high year-end error rate (> 10%) were subject to additional charges for the extra work incurred by LPPA.

This year, to help employers clear outstanding queries in advance of the year end process and the transition to UPM, LPPA offered housekeeping sessions. Eleven LPFA employers attended. The training was supplemented by a series of email campaigns issued to support the employers with the year-end data submission process. It contained information on:

- Clearing outstanding queries and leavers before the end of the fiscal year and prior to the transition to UPM
- The format in which the information needed to be submitted including a sample template
- Invitations to training sessions
- Details of how to download and complete the annual return
- Copies of training session recordings.

Individual LPFA employers showing signs of potential issues in advance of the year-end submission exercise were also contacted with an offer of one-to-one support.

4.11 Employer contributions

Employer contributions and investment returns ensure the future financial sustainability of the Fund, so the swift and accurate collection of employer contributions remains a priority. Contributions are actively monitored by the LPFA's EMS team. Employers are required to pay the previous month's contributions by the 22nd of the following month and a 'late payers report' is produced on the following day. The table below provides a further analysis of late payments:

Instances of late payment	No. of employers	Average days delayed	Minimum days delayed	Maximum days delayed	Average value of delayed payment £'000
1	6	6	1	20	125
2	2	4	2	5	20
3	1	3	1	6	8
4	2	3	1	12	9
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0

Note: The Fund collected normal pension contributions from 124 employers in the year, totalling £131.4m. Seventeen occurrences of employers were late in paying contributions.

The table below shows the value of payment due from employers at year end.

Amounts due from employer at the year end	
Employer contributions	£9,296,346*
Employee contributions	£3,070,618
Cessation values	£0

* Includes £2,992,481 of Strain costs due from Employers

5. Pension fund accounts

5.1 Auditor's statement

Independent auditor's report to the members of the London Pensions Fund Authority on the consistency of the pension fund financial statements of London Pensions Fund Authority Pension Fund included in the Pension Fund Annual Report.

Opinion

The pension fund financial statements of the London Pensions Fund Authority Pension Fund (the 'pension fund') administered by the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2022 included in the Authority's Statement of Accounts (the 'Statement of Accounts').

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 30 September 2021.

Section 151 Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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

30 November 2022

5.2 Pension fund accounts

Pension Fund actual results compared to budget

Pension Fund	Actual 2021-22 £'000	Budget 2021-22 £'000	Variance 2021-22 £'000
Dealings with members and employers			
Contributions	**153,630**	**140,363**	**13,267**
Transfers in	**9,645**	**–**	**9,645**
Benefits payable	**(271,037)**	**(278,130)**	**7,093**
Transfers out	**(12,472)**	**–**	**(12,472)**
Net dealings with members and employers	**(120,234)**	**(137,767)**	**17,533**
Management expenses			
Investment management	**(94,277)**	**(95,340)**	**1,063**
Administration	**(2,235)**	**(2,235)**	**–**
Oversight & Governance	**(1,591)**	**(4,550)**	**2,959**
Investment services fee LPPI	**(534)**	**(700)**	**166**
Total management expenses	**(98,638)**	**(102,825)**	**4,187**
Returns on Investments			
Net investment income	**160,460**	**153,405**	**7,055**
Taxes on income	**(651)**	**–**	**(651)**
Change in market value	**812,048**	**431,900**	**380,148**
Total return on investments	**971,857**	**585,305**	**386,552**
Net inflow/(outflow) to the Fund	**752,985**	**344,713**	**408,272**

Overview of the year

The net inflow to the Fund for the year was £753.0m compared to a budgeted inflow of £344.7m. The favourable variance of £408.3m was due in most part to the higher than expected returns on investments as detailed below.

Dealings with members and employers

For 2021-22, benefits paid and transfers out of the Fund, surpassed contributions received and transfers in, by £120.2m. However, this represents a favourable variance to budget of 12.7% for net dealings with members and employers overall. Contributions received were higher than anticipated by 9.5% to budget. This variance was driven by a number of factors: the average contribution rate rose from 16.9% in 2020-21 to 17.5% in 2021-22, deficit contributions were £15.7m compared to the anticipated £13.9m, employer contributions were £90.0m compared to an anticipated £85.8m and employee contributions were £43.4m compared to an anticipated £40.6m.

The total favourable variance for net dealings with members and employers was also aided 2.6% favourable variance to budget against benefits paid despite a 0.5% increase in members receiving their pensions and the annual percentage uplift for pension payments.

5.2 Pension fund accounts continued

Investment performance

Over the year, the Fund delivered a +13.5% 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) as well as the Fund's Return Objective*. The value of the Fund's assets at 31 March 2022 was £7,612m, compared with £6,912m at 31 March 2021.

Strong asset performance has resulted in the Fund outperforming both its Return Objective and Policy Portfolio Benchmark over the 1-year, 3-year and 5-year time horizons.

Return metric	1 Year	3 Year	5 Year
Total return	13.50%	9.60%	7.80%
Return Objective*	10.60%	7.00%	6.60%
Policy Portfolio Benchmark	9.60%	9.30%	7.60%

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

Note: Returns over one year are annualised.

The Fund's strategic asset allocation (SAA) was updated during the second quarter of 2021. This involved the Fund reducing its allocation to Fixed Income (from 2.5% to 1.0%) and Diversifying Strategies (from 15% to 10%) whilst increasing the Fund's allocation to Credit (from 9.0% to 12.5%), Infrastructure (from 10.0% to 12.5%) and Cash (from 1.0% to 1.5%). The rationale for these changes was to look to preserve the Fund's funding level whilst managing risks and generating additional income as the Fund's liability outflows grow. The Fund also adopted a strategic currency allocation in September 2021, with the aim of increasing the Fund's exposure to defensive currencies. Prior planned changes to the Fund's Private Equity allocation (from 7.5% to 5.0%) and Real Estate allocation (from 10% to 12.5%) were implemented alongside the portfolio changes.

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

The following table presents LPFA's current asset allocation versus strategic target at the end of March 2022.

Asset Class	31 March 2022		31 March 2021		Strategic Asset Allocation (%)	Range %
	Exposure (GBP Mil)	Exposure (%)	Exposure (GBP Mil)	Exposure (%)		
Public Equity	3,610	47.48%	3,183	46.37%	45.00%	35% – 55%
Fixed Income	209	2.75%	278	4.05%	1.00%	0% – 10%
Private Equity	696	9.15%	648	9.44%	5.00%	0% –10%
Infrastructure	809	10.64%	579	8.44%	12.50%	7.5% – 17.5%
Credit	615	8.09%	558	8.13%	12.50%	7.5% – 17.5%
Real Estate	678	8.92%	598	8.71%	12.50%	7.5% – 17.5%
Diversifying Strategies	807	10.61%	737	10.74%	10.00%	0% – 20%
Cash	180	2.36%	283	4.12%	1.50%	0% – 7.5%
Total	**7,604**	**100%**	**6,864**	**100%**	**100%**	

Fund account

Year ended 31 March 2022	Notes	2021-22 £'000	2020-21 £'000
Dealing with members, employers and others directly involved in the Fund			
Contributions	7	**153,630**	166,474
Transfer in from other pension funds	8	**9,645**	21,296
		163,275	187,770
Benefits	9	**(271,037)**	(271,871)
Payments to and on account of leavers	10	**(12,472)**	(14,817)
		(283,509)	(286,688)
Net withdrawals from dealings with members		**(120,234)**	(98,918)
Management expenses	11	**(98,638)**	(99,818)
Net withdrawals including fund management expenses		**(218,872)**	(198,736)
Returns on investments			
Investment income	12	**160,460**	145,903
Taxes on income		**(651)**	178
Profit and loss on disposal and change in value of investments	14a	**812,048**	1,081,379
Net returns on investments		**971,857**	1,227,460
Net increase in net assets available for benefits during the year		**752,985**	1,028,724
Opening net assets of the scheme		**6,911,767**	5,883,043
Closing net assets of the scheme		**7,664,752**	6,911,767

5. Pension fund accounts continued

5.2 Pension fund accounts continued

Net Assets Statement as at 31 March 2022

	Notes	31 March 2022 £'000	31 March 2021 £'000
Investment assets	14	**7,461,880**	6,787,334
Investment liabilities*			
Derivatives	15	**(19,290)**	(6,267)
Total net investments		**7,442,590**	6,781,067
Cash balances	19	**199,036**	100,219
Current assets	21	**33,719**	37,803
Current liabilities	22	**(10,593)**	(7,322)
Net assets of the Fund available to fund benefits at the year end		**7,664,752**	6,911,767

* The assets and liabilities of forward exchange contracts have been grossed up in the comparative accounts. The asset side of the contracts is shown in investment assets and the liability side of the contracts is the derivatives balance under investment liabilities.

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 25. Please note the total of £7,604m disclosed in the investment report is arrived at by deducting the current assets and liabilities figures as above, the LPFA Lloyds Bank balance of £24.4m and LPFA's equity holding in LLP of £12.5m.

5.3 Notes to the pension fund accounts

1. Description of Fund

The LPFA is part of the LGPS.

a) General

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

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

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

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

b) Membership

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

Organisations participating in the LPFA include the following:

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

Details of the participating employers and their individual contribution rates are set out in section 5.5. The number of participating employers as at 31 March 2022 was 123 (2021: 124). A list of active and ceased employers in the Fund by scheduled and active bodies, along with their individual contribution figures for the year ended 31 March 2022, is set out in Annex ii.

The Fund membership was as follows:

Fund membership	2021-22 Numbers	2020-21 Numbers
Active members	**19,963**	20,115
Deferred beneficiaries	**29,329**	28,897
Pensioner/Dependents	**36,127**	35,963
Undecided leavers and Frozen refunds	**7,240**	6,700
Total number of members in pension scheme	**92,659**	91,675

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 2022. Employer's contributions are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently employer contributions range from 0% to 32.7%.

d) Benefits payable

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet on to the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension Fund because it does not hold any assets as a lessee.

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.

The Board has therefore concluded that it is still appropriate to prepare the accounts on a going concern basis.

2a. Accounting standards issued, but not yet adopted

There are no relevant standards that have been issued but not adopted during the year.

3. Summary of significant accounting policies

Fund account – revenue recognition

Contributions

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

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

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

Additional employers' 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

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

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

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

Investment income

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 financial asset.

Rental income 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 (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

Taxation

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

Benefits

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

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

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

Administration expenses consist of the following:

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

5.3 Notes to the pension fund accounts continued

Oversight and governance expenses consist of the following:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension Fund;
- Operation and support of the Board (i.e. those charged with governance of the pension Fund), Local Pension Board, or any other oversight body;
- Governance; and
- 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 costs for all categories of investment, other than directly held property, are included within investment management expenses.

LPPI 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.

Financial assets

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

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

- Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market;
- Fixed interest securities are recorded at net market value based on their current yields;
- Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) using guidelines of the British Venture Capital Association.

This includes the use of discounted cash flow models which are independently audited; and

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

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

Cash and cash equivalents

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

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

The majority of the cash is invested in the GLA Group Investment Scheme (GIS) that has been authorised by the Mayor. The GIS Treasury Management Strategy Statement (TMSS) sets the annual investment strategy. The TMSS restricts at least 90% of the portfolio to institutions with investment grade credit ratings.

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value.

Derivatives

Derivative contracts are measured at fair value.

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

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

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

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

Each forward exchange contract consists of an asset side for the currency receivable and a liability side for the currency payable. As currency values move, the net of the asset side and liability side may no longer be zero. Net contracts that are assets are included in investment assets and net contracts that are liabilities are included in investment liabilities.

Fund managers invest on behalf of the LPFA in accordance with the Investment Strategy Statement, subject to the LGPS Guidelines (England and Wales).

Additional voluntary contributions (AVCs)

AVCs are not included in the accounts in accordance with 4(2)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 19). Contributions to AVCs are paid to the AVC providers by employers or contributors and are specifically for the provision of additional benefits for individual contributors.

Financial liabilities

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

Actuarial present value of promised retirement benefits

The scheme undergoes triennial actuarial valuations in accordance with Local Government Pension Scheme Regulation 62. The last valuation was conducted as at 31 March 2019 (Actuary's statement section 5.4).

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 26).

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

4. Critical accounting estimates and judgements

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

Unquoted Private Equity and Infrastructure investments funds

Private equities and infrastructure investments are valued at fair value in accordance with International Private Equity and Venture Capital Guidelines (December 2018).

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. Real estate assets were valued at £677.6m at 31 March 2022 (31 March 2021: £598.0m). See Note 14.

Pension fund liability

The pension fund liability is calculated every three years by the appointed Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuary's statement in section 5.4 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 net asset statement, 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 about the 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 £185.1m. The rate has increased to 2.6% for 2022 but had previously been on a downward trend over the previous 3 years, being 2.0% for 2021, 2.3% for 2020 and 2.4% for 2019. b) a 0.1% increase in long-term salary increase would increase the obligation by £12.5m. c) a 0.1% increase in pension rates that would increase the present value of the obligation by £175.0m. 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.	Real Estate is valued at £677.6m. There are inherent risk within the valuation technique which means the asset value could vary between plus and minus 4.2%.
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 (2018). 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.	Private equity and Infrastructure investments are valued at £1,505.7m. There is a risk that these investments may be under or overstated in the accounts by £84.3m, being 5.6%. 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 Assets Statement date that provide additional information relating to conditions that existed at the date of the Net Assets Statement (adjusting event) and there are events after the Net Assets Statement date relating to conditions that did not exist at the date of the Net Assets Statement (non-adjusting event).

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

7. Contributions

By category

	2021-22 £'000	2020-21 £'000
Employers – normal	**89,988**	88,887
Employers – deficit	**15,740**	27,816
Members – normal	**43,367**	42,513
Augmentation	**4,535**	1,250
Cessation valuations	**–**	6,008
	153,630	166,474

By type of employer

	2021-22 £'000	2020-21 £'000
Scheduled bodies	**69,400**	65,774
Admitted bodies	**83,151**	98,959
Community admitted body	**607**	633
Transferee admission body	**1,108**	472
	153,630	166,474

Deficit contribution

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

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

8. Transfers in from other pension funds

	2021-22 £'000	2020-21 £'000
Group transfers	–	4,161
Individual transfers	9,645	17,135
	9,645	21,296

There were no group transfers in the year.

9. Benefits

By category

	2021-22 £'000	2020-21 £'000
Pensions	240,402	238,955
Commutation and lump sum retirement benefits	26,523	24,969
Lump sum death benefits	2,838	6,297
AVC payments	672	777
Tax on exceeding lifetime or annual allowance	602	873
	271,037	271,871

By type of employer

	2021-22 £'000	2020-21 £'000
Scheduled bodies	165,583	168,473
Admitted bodies	103,440	101,169
Community admission body	551	506
Transferee admission body	1,410	1,679
Resolution body	52	44
	271,037	271,871

10. Payments to and on account of leavers

	2021-22 £'000	2020-21 £'000
Refunds to members leaving service	662	738
Individual transfers	11,810	14,079
	12,472	14,817

11. Management expenses

	2021-22 £'000	2020-21 £'000
Investment management	**94,811**	94,387
Administration	**2,235**	2,082
Risk	**179**	859
Oversight and governance	**1,413**	2,490
	98,638	99,818

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

12. Investment income

	2021-22 £'000	2020-21 £'000
Pooled Investments – Private Equity and Infrastructure	**107,025**	70,429
Pooled Investments – Unit trusts and other managed funds	**32,952**	50,337
Rents from property	**20,390**	24,133
Interest on cash deposits	**590**	(24)
Other	**(497)**	1,028
	160,460	145,903

13. External audit fee

The audit fee for the 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 2021-22 was £78k and £nil for other audit costs (2020-21: £77k and £44k other audit costs).

5.3 Notes to the pension fund accounts continued

14. Investments

	Market value at 31 March 2022 £'000	Market value at 31 March 2021 £'000
Pooled investments:		
– Fixed Income	**209,114**	278,239
– Equities	**3,609,689**	2,843,729
– Credit	**615,278**	557,997
– Private Equity	**696,481**	648,916
– Infrastructure	**808,492**	576,536
– Real Estate	**677,597**	597,989
– Diversified strategy	**803,448**	724,597
	7,420,099	6,228,003
Non-pooled investments:		
– Equities	**518**	55,563
– Private Equity	**12,500**	12,500
– Infrastructure	**726**	2,532
– Managed funds	**22,040**	415,516
– Diversified strategy	**3,406**	11,972
– Derivatives – Forward exchange contracts	**2,618**	25,995
– Cash at investment managers	**(28)**	35,094
– Amounts receivable on sales	**–**	132
– Investment income due	**1**	27
Total investment assets	**7,461,880**	6,787,334
Investment liabilities		
Derivatives – Forward exchange contracts	**(19,290)**	(6,267)
Net investment assets	**7,442,590**	6,781,067

14a. Reconciliation of movements in investments and derivatives

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

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.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

14a. Reconciliation of movements in investments and derivatives (continued)

Net Investment Assets	Market value at 31 March 2021 £'000	Change in market value during in the year £'000	Sales during the year and derivative receipts £'000	Purchases during the year and derivative payments £'000	Market value at 31 March 2020 £'000
Pooled investments:					
– Fixed income	278,239	20,665	(313,507)	274,070	297,011
– Equities	2,843,729	592,325	(100,000)	13,008	2,338,396
– Credit	557,997	58,207	–	56,071	443,719
– Private Equity	648,916	121,338	(34,709)	11,011	551,276
– Infrastructure	576,536	4,620	(8,124)	147,041	432,999
– Real Estate	597,989	(22,190)	(5,594)	39,231	586,543
– Diversified strategy	724,597	64,670	–	(21,928)	681,855
	6,228,003	839,635	(461,934)	518,504	5,331,799
Non-pooled investments:					
– Equities	55,563	104,362	(124,000)	(649)	75,851
– Private Equity	12,500	–	–	–	12,500
– Infrastructure	2,532	(4,186)	(1,034)	397	7,405
– Managed funds	415,516	32,740	(42,931)	123,329	302,378
– Diversified strategy	11,972	(200)	(54,569)	21,203	45,539
	6,726,086	972,350	(684,519)	662,783	5,775,472
Derivative contracts					
– Forward exchange contracts	19,728	109,029			(43,461)
	6,745,814	1,081,379			5,732,011
Cash at investment managers	35,094	–			523
Amount receivable for sale of investments	132	–			–
Investment income due	27	–			31
Net investment assets	6,781,067	1,081,379			5,732,565

14b. Investments analysed by fund manager

	Market value at 31 March 2022 £'000	% of market value at 31 March 2022	Market value at 31 March 2021 £'000	% of market value at 31 March 2021
Investment managed within LPPI asset pools				
LPPI Global Equities	**3,609,689**	**48.40%**	2,843,729	42.28%
LPPI Diversified Strategy	**803,448**	**10.77%**	724,597	10.77%
LPPI Real Estate	**658,708**	**8.83%**	579,663	8.62%
LPPI Private Equity	**696,481**	**9.34%**	648,916	9.65%
LPPI Credit	**615,278**	**8.25%**	557,997	8.30%
LPPI Infrastructure	**808,492**	**10.84%**	576,536	8.57%
LPPI Fixed Income	**209,114**	**2.80%**	278,239	4.14%
LPPI London Fund	**18,889**	**0.25%**	18,326	0.27%
	7,420,099	**99.48%**	6,228,003	92.59%
Investments managed outside asset pools				
Insight Investment Management (Global)	**22,040**	**0.29%**	470,626	7.00%
Aeolus Property	**3,406**	**0.05%**	11,973	0.18%
LPP Group	**12,500**	**0.17%**	12,500	0.19%
InfraRed Capital Partners	**479**	**0.01%**	445	0.01%
Foresight Group	**57**	**0.00%**	513	0.01%
Impax Asset Management	**190**	**0.00%**	1,574	0.02%
BlackRock Management	**518**	**0.01%**	453	0.01%
	39,190	**0.52%**	498,084	7.41%
	7,459,289	**100.00%**	6,726,087	100%
Forward exchange contracts	**(16,672)**		19,728	
Cash with investment managers	**(28)**		35,094	
Amounts receivable for sales	**–**		131	
Investment income due	**1**		27	
	7,442,590		6,781,067	

5.3 Notes to the pension fund accounts continued

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 2022 £'000	% of total Fund	Market value at 31 March 2021 £'000	% of total Fund
LPPI Global Equity Fund	**3,609,689**	**47.09%**	2,843,729	41.14%
LPPI Diversified Strategy	**803,448**	**10.48%**	724,597	10.48%
LPPI Real Estate	**658,708**	**8.59%**	579,663	8.39%
LPPI PE Investments (No.1) LP	**696,481**	**9.09%**	648,916	9.39%
LPPI Credit	**615,278**	**8.03%**	557,997	8.07%
LPPI Infrastructure	**808,492**	**10.55%**	576,536	8.34%
Total	**7,192,096**	**93.83%**	5,931,437	85.81%

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 2022 (31 March 2021: £nil).

15. Analysis of derivatives (continued)

Open forward foreign currency contracts

The net position on open forward currency contracts at 31 March 2022 amounts to a gain of £16.7m (2021: loss of £19.7m). This amount is reflected within the cash balance held by managers.

Analysis of open forward foreign currency contracts

To maintain appropriate diversification a significant proportion of the Fund's investments is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the Fund hedges a proportion 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	1,692	EUR	2,000	2	
	GBP	66,323	USD	90,290		(2,263)
	EUR	7,506	GBP	6,283	66	
	GBP	17,689	CHF	22,154		(433)
	JPY	15,437,400	GBP	100,115		(3,456)
	JPY	1,795,600	GBP	11,630		(387)
	GBP	3,139	CHF	3,910		(91)
	GBP	9,103	USD	12,203		(167)
	EUR	19,325	GBP	16,110	236	
	GBP	18,060	CHF	22,154		(271)
1 to 6 months						
	GBP	67,774	USD	90,290		(821)
	GBP	18,084	CHF	22,154		(276)
	GBP	67,330	USD	90,290		(1,264)
	GBP	17,934	CHF	22,154		(458)
	GBP	67,311	USD	90,290		(1,276)
	GBP	3,144	CHF	3,910		(92)
	GBP	9,110	USD	12,203		(161)
	GBP	3,148	CHF	3,910		(92)
	GBP	9,112	USD	12,203		(159)
	GBP	3,152	CHF	3,910		(94)
	GBP	9,112	USD	12,203		(157)
	EUR	26,831	GBP	22,415	310	
	JPY	17,233,000	GBP	111,893		(3,885)
	GBP	21,215	CHF	26,064		(466)
	GBP	76,116	USD	102,493		(1,729)
	AUD	7,469	GBP	4,284		(16)
	NZD	21,794	GBP	11,462	37	
	EUR	26,831	GBP	106,666	1,464	
	NOK	383,942	GBP	33,963		(620)

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

15. Analysis of derivatives (continued)

Settlement	Currency code purchased	Currency purchased amount £'000	Currency code sold £'000	Currency sold amount £'000	Asset value £'000	Liability value £'000
1 to 6 months	CAD	106,466	GBP	65,152		(411)
	JPY	17,233,000	GBP	106,666	1,464	
	GBP	34,806	SEK	426,027		(3)
	GBP	21,478	CHF	26,064		(243)
	GBP	78,308	USD	102,493	472	
				Open forward contracts at 31 March 2022	**2,618**	**(19,290)**
				Net forward contracts at 31 March 2022		**(16,672)**
				Open forward contracts at 31 March 2021	**25,995**	**(6,267)**
				Net forward contracts at 31 March 2021		**19,728**

16. Fair values – basis of valuation

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

The fair values of loans and receivables at 31 March 2022 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Assets are carried at fair value. When an asset or liability is translated at balance sheet date the gain/loss is taken as unrealised but when the asset or liability is settled (i.e. received/paid) the gain/loss becomes realised.

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

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

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

Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

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

Basis of valuation	Valuation hierarchy level	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Pooled global equities	2	Unadjusted quoted bid market prices.	Not required.	Not required.
Fixed Income funds	2	Unadjusted market values based on current yields.	Not required.	Not required.
Forward foreign exchange derivatives	2	Market forward exchange rates at year-end.	Exchange rate.	Not required.
Long-term credit	2	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2015 or equivalent.	Discount rates, cash flow projections.	Not required.
Pooled diversified strategy	2	The investments in the collective investment scheme are valued at fair value, which is represented by the net assets of the underlying investments as reported by the management of these entities. This is estimated to be the value the asset could be sold for at the balance sheet date.	NAV-based pricing.	Not required.
Pooled Real Estate investments	3	The Real Estate ASC is valued in accordance with RICS Red Book Global valuation methodology. The valuations are used to calculate the unit price.	NAV-based pricing set on a forward pricing basis.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Private Equity and infrastructure investments	3	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2015 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension funds own reporting date; changes to expected cash flows; differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments at 31 March 2022.

5.3 Notes to the pension fund accounts continued

16. Fair values – basis of valuation (continued)

Sensitivity of assets valued at Level 3

Assets	Assessed valuation range (+/-)	Value at 31 March 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
Diversified Strategy	5.6%	3,406	3,596	3,215
Real Estate	4.2%	677,597	706,056	649,138
		2,186,702	2,299,672	2,073,734

Assets	Assessed valuation range (+/-)	Value at 31 March 2021 £'000	Value increase £'000	Value decrease £'000
Private Equity*	5.1%	648,916	682,011	615,822
Infrastructure	5.1%	576,536	605,939	547,132
Credit	5.1%	557,997	586,455	529,539
		1,783,449	1,874,405	1,692,493

* Excludes LPP Group

16a. Fair value hierarchy

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**£'000**
Financial assets at fair value through profit or loss	–	5,262,678	2,199,202	7,461,880
Financial liabilities at fair value through profit or loss	–	(19,290)	–	(19,290)
Net investment assets	**–**	**5,243,388**	**2,199,202**	**7,442,590**

Reconciliation of Level 3 assets

	Market value at 31 March 2022 £'000	Realised gains/ (losses) £'000	Unrealised gains/ (losses) £'000	Transfers In/out £'000	Sales during the year £'000	Purchases during the year £'000	Market value 1 April 2021 £'000
Private Equity	708,981	–	103,197	–	(78,077)	22,445	661,416
Infrastructure	809,218	–	95,953	–	(28,729)	162,927	579,067
Credit	–	–	–	(557,997)	–	–	557,997
Diversified strategy	3,406	870	689	–	(16,108)	5,982	11,973
Real Estate	677,597	(504)	84,172	597,898	(5,100)	1,040	–
Total	**2,199,202**	**366**	**284,011**	**39,992**	**(128,014)**	**192,394**	1,810,453

16a. Fair value hierarchy (continued)

Market value at 31 March 2021	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	3,177,532	1,764,096	1,810,453	6,752,081
Financial liabilities at fair value through profit or loss	–	(6,267)	–	(6,267)
Net investment assets	3,177,532	1,757,829	1,810,453	6,745,814

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.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

17. Classification of financial instruments

Category

Financial assets – fair value through profit and loss	Market value at 31 March 2022 £'000	Market value at 31 March 2021 £'000
Pooled investments:		
– Equities	**3,609,689**	2,843,729
– Fixed interest	**209,114**	278,239
– Credit	**615,278**	557,997
– Private Equity	**696,481**	648,916
– Infrastructure	**808,492**	576,536
– Real Estate	**677,597**	597,989
– Diversified strategy	**803,448**	724,597
	7,420,099	6,228,003
Equities	**518**	55,563
Private Equity	**12,500**	12,500
Infrastructure	**726**	2,532
Diversified strategy	**3,406**	11,972
Managed	**22,040**	415,516
Forward exchange contracts	**2,618**	25,995
Total financial assets at fair value through profit and loss	**7,461,907**	6,752,081
Assets at amortised cost		
Cash at investment managers	**(28)**	35,094
Amounts receivable for sales	**–**	132
Investment income due	**1**	27
Cash balances	**199,036**	100,219
Current assets – Note 21	**33,719**	37,803
Total – Financial assets at amortised cost	**232,728**	173,275
Finance liabilities – fair value through profit and loss		
Forward exchange contracts	**(19,290)**	(6,267)
Finance liabilities – at amortised cost		
Current liabilities – Note 22	**(10,593)**	(7,322)
Total – Liabilities	**29,883**	(13,589)
Grand Total	**7,664,752**	6,911,766

18. Nature and extent of risks arising from financial instruments

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

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

Overall, LPFA manages risk in the following ways:

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

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

Market risk

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

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

Market risk – sensitivity analysis

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

The expected volatility over a one-year time horizon is used as one risk measure for the Fund and is measured as 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 two-thirds 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 to model future returns. Ortec Finance's (Ortec) ALM software (GLASS) is used to generate 2,000 future economic scenarios and analyse future investment returns stochastically. Assumptions around future economic conditions and asset class risk and return are primarily Ortec's, however LPPI specifies the weights of Ortec's sub-asset class building blocks for each asset class to best reflect the asset classes which LPPI manages.

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

18. Nature and extent of risks arising from financial instruments

Asset class	2022 1 year expected volatility (%)	2022 % of Fund	2021 1 year expected volatility (%)	2021 % of Fund
Global Equities	**20.9%**	**47.1%**	22.0%	46.9%
Private Equity	**27.5%**	**9.2%**	31.3%	8.6%
Property	**16.6%**	**8.8%**	17.0%	8.8%
Fixed Income	**5.4%**	**2.7%**	5.1%	4.1%
Infrastructure	**16.5%**	**10.6%**	21.1%	8.5%
Credit	**7.5%**	**8.0%**	11.7%	8.0%
Diversifying Strategies	**4.7%**	**10.5%**	4.9%	10.9%
Cash & LDI	**0.0%**	**3.1%**	0.0%	4.2%
Total Fund	**13.8%**	**100.0%**	14.9%	100.0%

The value of the Fund as at 31 March 2022 was £7,665m (2021: £6,912m) and the expected volatility was 13.8% (2021: 14.9%). Given these figures, we would expect that in roughly two-thirds of outcomes the value of the Fund would lie between £8,723m (2021: £7,941m) and £6,607m (2021: £5,882m) in 12 months' time, expressed in today's equivalent present value.

Interest rate risk

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

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

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

Currency risk

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

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

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

Currency risk sensitivity analysis

The increase in currency exposure over the year reflects the inclusion of currency risk from investments in Private Equity, Credit and Infrastructure in the table below.

The expected standard deviation of the Fund's significant currency exposure is based on 12-month market implied volatilities as at 31 March 2022. The following table summarises the Fund's currency exposure and expected 12-month volatility by currency as at 31 March 2022 and as at the previous period end:

Value at 31 March 2022 (£m)	Implied volatility %	Currency	Value at 31 March 2021 (£m)	Implied volatility %
2,719	8.3	USD	1,934	8.1
378	10.3	JPY	39	8.9
755	6.8	EUR	605	6.8
57	7.5	CHF	84	7.5

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 institutions. During 2013-14 the LPFA joined a Group Investment Syndicate (GIS), operated by the Greater London Authority (GLA), under the supervision of the participants; the GLA, the London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC) and the Mayor's Office for Policing and Crime (MOPAC). The GIS has an approved counterparty list using a creditworthiness methodology. The methodology uses an average of the ranked ratings from the ratings agencies: Fitch, Moody's and Standard & Poor's.

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 2022 was £199.0m (2021: £89.4m).

Liquidity risk

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

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

The LPFA defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022, the value of illiquid assets (Private Equity, infrastructure, and Real Estate) was £2,811m, which represented 37.8% of the total LPFA assets (31 March 2021: £2,199m which represented 28.7% of the total LPFA assets).

All financial liabilities at 31 March 2022 are due within one year.

19. Cash balances

	31 March 2022 £'000	31 March 2021 £'000
Short-term deposits	**199,036**	100,219
Cash at investment managers	**(28)**	35,094
	199,008	135,313

20. AVC investments

	31 March 2022 £'000	31 March 2021 £'000
Prudential	**15,489**	15,489

AVC contributions of £1.5m (2021: £0.8m) were paid directly to Prudential in the year.

21. Current assets

	31 March 2022 £'000	31 March 2021 £'000
Contributions due – employees	**3,071**	1,723
Contributions due – employers	**9,296**	3,703
VAT	**2,396**	1,998
Sundry debtors and prepayments	**18,956**	30,379
	33,719	37,803

22. Current liabilities

	31 March 2022 £'000	31 March 2021 £'000
Other current liabilities	**6,088**	632
Other taxes	**2,966**	2,966
Benefits payable	**1,540**	3,724
	10,593	7,322

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

23. Related party transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. The LPFA has prepared this note in accordance with its interpretation and understanding of IAS 24 and its applicability to the public sector using current advice and guidance.

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

Ruth Dombey is one of the three Vice Chairs of London Councils. London Councils paid employer contributions of £0.8m (2021: £0.9m) and it is noted that she has no pecuniary interest in financial matters. Christina Thompson is the Director of Finance and Property at the London Borough of Lambeth. The London Borough of Lambeth paid employer contributions of £0.08m (2021: £0.15m). The London Councils are Admitted bodies in the Fund, whereas Lambeth is a Scheduled body in the Fund.

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

The Mayor of London is issued with a draft of the LPFA Medium Term Financial Plan by 30 December and has the opportunity to provide feedback. As 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 £6.9m (2021: £6.8m) during the year.

The LPFA Operational Account 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 £3.7m (2021: £5.5m) to the LPFA Pension Fund. Also in the year there was a surplus from Operational reserves of £2.0m that had historically not previously been transferred to the 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 £12.5m direct investment in LPP, being GBP 12.5m non-voting £1 ordinary shares. This is included as private equity within investment assets. LPPI invoiced the scheme £5.3m (2021: £0.7m) for investment fees and the administration service costing £2.2m (2021: £2.1m) was provided by LPPA).

LPFA relies on LPPI's AAF accreditation that was in place for 2021-22, to gain assurance 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 2022 totalled £334.1m (2021: £457.9m) based on:

Currency	Commitment	Exchange rate	£
US$	181,287,689	1.317	137,688,595
CHF	7,029,000	1.212	5,801,193
EUR	73,970,811	1.183	62,509,870
GBP	128,131,853	1.000	128,131,853
Total			**334,131,511**

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

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

LPFA relies on LPPI's AAF accreditation that was in place for 2021-22, to gain assurance regarding the information provided by LPPI investment management. Also BNYM is involved as Custodian in reviewing the net asset valuess 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.

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 addition to the triennial valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities in accordance with IAS 26.

This is done every year using: the results of the Triennial Actuarial Valuation as at 31 March 2019, 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 (and which are not anticipated in the normal employer service cost).

The present value of the Funded Obligation at 31 March 2022 for the Fund was £9,991m (2021: £10,143m). The net liability for the Fund at 31 March 2022 was £2,439m (2021: £3,360m).

Life expectancy from age 65 (years)	31 March 2022	31 March 2021
Retiring today		
Males	**21.80**	21.70
Females	**24.20**	24.10
Retiring in 20 years		
Males	**23.00**	23.00
Females	**25.90**	25.80

- 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 2022 % p.a.	31 March 2021 % p.a.
CPI increases	**3.20**	2.80
Salary increases	**4.20**	3.80
Pension increases	**3.20**	2.80
Discount rate	**2.60**	2.00

These assumptions are set with reference to market conditions at 31 March 2022.

5.4 Actuary's statement

Introduction

The last full triennial valuation of the London Pensions Fund Authority Pension Fund was carried out as at 31 March 2019 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 2020.

Asset Value and Funding Level

The results for the Fund at 31 March 2019 were as follows

- The Fund as a whole had a funding level of 109% on the "Fund-level" basis. This means the assets were 109% of the value that they would have needed to be to pay for the benefits accrued to that date based on the assumptions used. This corresponds to a surplus of £481m which is an improvement in the position from 2016.
- This basis uses a single discount rate assumption based on a weighted average of estimates of the Fund's future long-term asset returns, with an allowance for prudence.
- 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. As a result they are required to pay higher contributions than if they were valued on the "Fund-level" basis.
- The funding level taking into account the individual employer funding targets is 106%. The surplus on this basis is £326m.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2022 have been strong. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation. However, future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to reductions and suspensions of dividends as a result of the pandemic.

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 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.55% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level; however, the impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the 2022 valuation. There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost management process.

5. Pension fund accounts continued

5.4 Actuary's statement continued

Overall position

On balance, we estimate that the funding position has improved on the "Fund-level" basis when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

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

Graeme Muir FFA
Partner, Barnett Waddingham LLP

5.5 Employers participating in the Fund
Based on any employer with whom the LPFA has had an economic transfer in 2021-22

Employer body	Contribution rate %*
Alleyns School	23.80
Apleona HSG LTD	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
Broadacres Housing Association Limited	23.40
Brunel University	17.00
BUVFC	20.90
Capital City College Group	15.50
Caterlink	32.70
CfBT Education Trust	Zero
Charlotte Sharman Foundation Primary School	15.20
City Literary Institute	12.90
City University	13.60
Compass Brunel Catering	26.90
Computacenter Ltd	18.10
Coram's Fields	25.30
Corpus Christi School	15.10
Dulwich College	19.20
Dunraven School	13.20
Ealing, Hammersmith & 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
Goldsmiths, University of London	17.30
Greater London Authority	12.00
Greenwich Leisure Limited	23.80
Guinness Partnership Ltd	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 Girls' School	14.90
La Sainte Union Convent School	20.10
Learning and Work Institute	22.80
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 Commissioner	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 Ltd	12.00
Mary Ward Centre	16.60
Morley College	15.10
New City College	14.40
Newable Ltd	13.50
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
Parkwood Hall Co-operative Academy	24.50
Poplar Harca	19.50
R.B. of Kensington & Chelsea	27.50
Roehampton University	15.40

* Note that some employers also pay lump sum contributions on top of these percentages of pay.

5.5 Employers participating in the Fund
Based on any employer with whom the LPFA has had an economic transfer in 2021-22 continued

Employer body	Contribution rate %*
Royal Central School of Speech & Drama	14.80
S.S.A.F.A. Forces Help	19.70
Sacred Heart School	16.20
SITA	20.10
South Bank Colleges	16.30
South Thames College Group	18.50
Sport and Recreation Alliance Limited	12.40
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	20.10
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
The Pioneer Group	16.00
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
Western Riverside Waste Authority	13.80

* Note that some employers also pay lump sum contributions on top of these percentages of pay.

6. Annexes

i) Reporting and controls

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

External review

The Public Sector Audit Appointments Ltd (PSAA) commission auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice. PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 to set the scale fees by the start of the financial year. The LPFA Board ratified the PSAA proposal to reappoint Grant Thornton (UK) LLP to audit the accounts of LPFA for a further five years from 2018-19 with effect from 1 April 2018. An Annual Governance Report provides their opinion on the financial statements and a value for money conclusion for 2021-22.

Internal review and control

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

Annual report and accounts

Regulation 57 of The LGPS Regulations 2013 (England and Wales) requires the Fund to prepare and publish an annual report. This annual report has been prepared in accordance with the CIPFA guidance – *Preparing the annual report: Guidance for LGPS Funds (2019 Edition)*. The timelines for the preparation of the 2021-22 annual report and accounts have been amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which extends the timelines for the preparation of the accounts including publication date for final accounts to 30 November 2022. The LPFA Board has extended the constitutional document annual report and accounts publication date to follow the amended regulations.

Fraud control

To combat potential instances of fraud and to reduce the risk of pension overpayments, LPFA participates in a range of data initiatives. These are outlined in more detail in the Fraud Control Framework which is reviewed bi-annually and published at https://www.lpfa.org.uk/library/our-policies-and-procedures.

National Fraud Initiative (NFI)

LPFA continues to participate in the National Fraud Initiative. During 2021- 22 there were no activities undertaken. The last Annual Report contained details of the initiative undertaken in January 2021. As noted, the exercise proved successful and identified overpayments totalling £48,670.82, which were reported to the ARC and to the Board.

Mortality screening and overseas pensioners verification

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

Overseas pensioners verification

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

6. Annexes continued

i) Reporting and controls continued

Code of Corporate Governance

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

Quality of data

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

Information security

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

Freedom of Information (FOI) Scheme

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

This document is available on the LPFA website at https://www.lpfa.org.uk/library/our-policies-and-procedures.

Equalities objectives

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

Health and safety

LPFA acts in accordance with the requirements of the Health and Safety at Work etc Act 1974 and other related health and safety legislation. Officers monitor performance regarding health and safety. There were no matters that needed to be reported to the Board in 2021-22. The Health and Safety Policy was updated and approved in December 2020 by the Board.

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2022)

Number of employers in the Fund

Status	Admitted	Scheduled	Grand Total
Ceased	12	1	**13**
Current	57	66	**123**
Grand total	**69**	**67**	**136**

Employer name	Admitted £	Scheduled £
Bouygues ES FM UK Ltd	27,469	
Briggs Marine Contractors	(13,516)	
Chartered Institute of Environmental Health	230,193	
Chartered Institute of Housing	380,000	
Haberdashers AHCT	54,293	
KUSCO	318,000	
L.B. Enfield		78,213
Lee Valley Leisure Trust Ltd	(12,456)	
Milton Keynes Council/Woughton Leisure Trust	25,300	
Prospects Services Ltd	1,101,191	
Sense Scotland	42,324	
SLCF & Southwark Diocesan Board of Finance	26,836	
Sutton Community Leisure Ltd	30,584	
Ceased employers total	**2,210,218**	**78,213**

6. Annexes continued

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2022) continued

Employer name	Admitted £	Scheduled £
Alleyns School	330,559	
Apleona HSG LTD	178,654	
Archbishop Tenison's Church of England GMS		84,803
Association of Colleges	976,295	
Babcock Critical Services Ltd	106,582	
Babcock Training Limited	124,398	
Bishop Thomas Grant School		206,941
British Film Institute	3,061,755	
Broadacres Housing Association Limited	65,428	
Brunel University	5,388,068	
BUVFC	137,102	
Capital City College Group		4,256,707
Caterlink	18,827	
CfBT Education Trust	12,446	
Charlotte Sharman Foundation Primary School		58,919
City Literary Institute	724,538	
City University	3,317,303	
Compass Brunel Catering	6,356	
Computacenter Ltd	9,464	
Coram's Fields	94,935	
Corpus Christi School		105,002
Dulwich College	746,182	
Dunraven School		459,989
Ealing, Hammersmith & West London College		1,066,798
East London Waste Authority		145,237
English Sports Council	560,396	
Food Standards Agency	3,713,597	
Food Standards Scotland	527,345	
Freedom Leisure	79,242	
Friars School		51,079
Geffrye Museum Trust Ltd.	173,547	
Goldsmiths, University of London	3,368,048	
Greater London Authority		11,928,029
Greenwich Leisure Limited	256,833	
Guinness Partnership Ltd	202,065	
Horniman Museum & Gardens	611,369	
Ibstock Place School	530,354	
Immanuel & St Andrew C of E Primary School		154,857
Julian's Primary School		192,889
L.B. of Camden		153,726
L.B. of Greenwich		174,318
L.B. of Hackney		181,858
L.B. of Hammersmith & Fulham		80,181
L.B. of Islington		85,844
L.B. of Lambeth		108,637
L.B. of Lewisham		95,199

Employer name	Admitted £	Scheduled £
L.B. of Southwark		174,783
L.B. of Tower Hamlets		153,603
L.B. of Wandsworth		215,009
La Retraite RC Girls' School		347,799
La Sainte Union Convent School		307,250
Learning and Work Institute	486,727	
Lee Valley Regional Park Authority		1,695,035
Lionheart (RICS Benevolent Fund)	32,446	
Local Government and Social Care Ombudsman		1,906,807
Local Pensions Partnership	53,379	
Local Pensions Partnership Administration	311,364	
Local Pensions Partnership Investments	1,116,092	
London Councils	1,299,361	
London Fire Commissioner		13,915,590
London Legacy Development Corporation		2,153,977
London Metropolitan University		4,285,530
London Nautical School		165,239
London Pensions Fund Authority		547,436
London South Bank University	7,387,262	
London South East Colleges		2,002,673
London Treasury Ltd	62,264	
Mary Ward Centre	126,926	
Morley College		660,546
New City College		3,566,821
Newable Ltd	70,156	
Newcastle College Group		1,243,092
Notre Dame School		197,799
Notting Hill Genesis	38,123	
NSL Limited	12,333	
Old Oak and Park Royal Development Corporation (OPDC)		492,244
Open College Network London Region	103,900	
Orchard Hill College & Academies		469,873
Parkwood Hall Co-operative Academy		31,214
Poplar Harca	90,996	
R.B. of Kensington & Chelsea		6,999
Roehampton University	4,410,912	
Royal Central School of Speech & Drama	867,929	
S.S.A.F.A. Forces Help	230,472	
Sacred Heart School		156,060
SITA	242,475	
South Bank Colleges	1,058,466	
South Thames College Group		2,983,066
Sport and Recreation Alliance Limited	100,583	
St Andrew's RC Primary School		136,180
St Anne's RC Primary School		171,197
St Anthony's School		143,074
St Bede's GM Infant & Nursery School		58,218

6. Annexes continued

ii) Employers active and ceased in the Fund by scheduled and active bodies (as at 31 March 2022) continued

Employer name	Admitted £	Scheduled £
St Bernadette's School		89,967
St Francesca Cabrini Primary School		74,194
St Francis Xavier 6th Form College		301,820
St Joseph RC Infant School		101,803
St Joseph RC Junior School		97,931
St Martin-in-the-Fields High School		170,342
St Mary's RC Primary School		78,064
St Michael's RC School		219,478
St Thomas the Apostle College		193,150
Surrey Square Primary School		227,337
The English Institute of Sport	2,909,679	
The Froebel Trust	46,302	
The Pioneer Group	12,481	
Transport for London		2,836,658
Trinity Laban	35,099	
Turney School		163,292
Turnham Primary GMS School		124,919
UAL Short Courses Ltd	452,267	
UK Anti Doping	607,021	
United Colleges Group		2,072,395
United Kingdom Sports Council	1,627,048	
University of Arts London		15,619,556
University of Greenwich	9,912,169	
University of St. Mark & St. John	1,240,489	
University of Westminster	8,898,344	
Valuation Office Agency		773,902
Valuation Tribunal Service		535,723
Van Gogh Primary School		305,359
West London Waste Authority		326,447
Western Riverside Waste Authority		86,313
West London Waste Authority		
West Riverside Waste Authority		
Active employers total	**69,164,752**	**82,176,775**
Grand total	**71,374,970**	**82,254,988**

iii) Supplier and contacts list

Operational

Supplier	Service	Telephone
EVERSHEDS SUTHERLAND	Legal Advisors	0121 232 1786
pwc	Internal Auditor	0118 959 7111
LFB LONDON FIRE BRIGADE	Office Space	020 8555 1200
Grant Thornton	External Auditor	020 7383 5100
Barnett Waddingham	Fund Actuary	0333 111 1222
PRUDENTIAL	AVC Provider	0800 000 000
LLOYDS BANK	Bank	0207 616 3235
nfi National Fraud Initiative	Fraud Advisor	0845 345 8019

Investment related

Supplier	Service	Telephone
BNY MELLON	Custodian	0161 725 3000
LPPI Local Pensions Partnership Investments	Investment Manager	020 7369 6000
Insight INVESTMENT	Investment Manager	020 7163 4000
AEOLUS CAPITAL MANAGEMENT	Investment Manager	+1 441 405 4800
RECORD	Investment Manager	01753 852 222
CLUB VITA	Mortality Data	020 7082 6060
THE LONDON FUND	(LPPI & LCIV) Investment Managers	LCIV: 0208 036 9000 LPPI: See above
GREATER LONDON AUTHORITY	Cash Management	

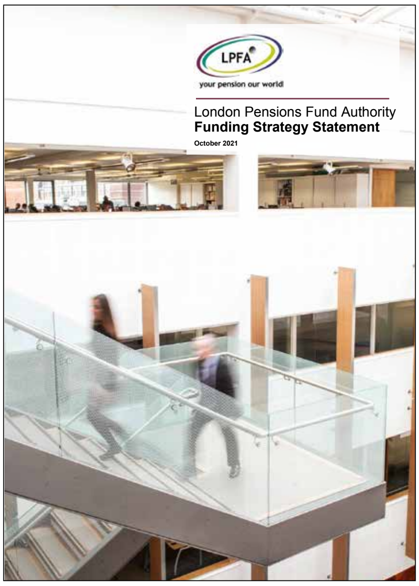
Pensions sdministration

Supplier	Service	Telephone
CEM Benchmarking	Market Analysis	+1 416-369-0568
LPPA Local Pensions Partnership Administration	Pensions Administration	0300 323 0260

Public policy statements

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

iii) Funding Strategy Statement (FSS)



Introduction

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

Regulatory framework

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

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

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

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

Purpose of the Funding Strategy Statement in policy terms

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

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

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

Aims and purpose of the Fund

The aims of the Fund are to:

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

* As set out in 2016 CIPFA Pensions Panel Guidance and defined in regulation 62 of the LGPS Regulations 2013.

The purpose of the Fund is to:

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

Responsibilities of the key parties

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

The Administering Authority should:

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

The individual employer should:

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

The Fund Actuary should:

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

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

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

Securing solvency and long-term cost efficiency are regulatory requirements with a constant as possible employer contribution rate a desirable outcome.

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

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

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

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

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

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

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

Other assumptions

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

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

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

Allowance for promotional salary increases has been included within the general salary increase assumption.

Ill-health retirements reflect the Fund's specific experience.

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

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

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

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

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

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

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

McCloud/Sargeant judgement allowance

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

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

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

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

Other strategy considerations

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

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

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

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

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

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

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

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

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

Exiting the Fund

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

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

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

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

Links to investment policy

Funding and investment strategy are inextricably linked.

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

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

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

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

Key risks and controls

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

Consultation and publication

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

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

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

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

Monitoring and review

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

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

As a policy statement, the FSS is reviewed in detail at least every three years ahead of completion of the triennial valuation, with the next full review due to be completed by 31 March 2023 in order to inform the 31 March 2022 triennial valuation.

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

The FSS will be reviewed in the event of any significant or material change arising prior to the next valuation and a revised statement issued accordingly.

ANNEX 1 – Employer funding categories and termination requirements

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

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

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

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

Notes

1. In any case an appropriately shorter funding period will be substituted by LPFA, e.g. where the body is known to be of short or fixed-term life (e.g. the duration of the relevant service contract held by the "Admitted Body").
2. The LPFA may choose to apply a longer or shorter funding term or different funding basis for a given employer as a result of specific advice received from the Fund's Actuary.
3. Category A and B employers have the option to request a shorter funding period over which any prevailing deficiency is recovered.
4. It is the known/evidenced position for a given employer at the time in question that will inform funding decisions taken under the above and the position will be kept under review.
5. External advice may be needed to provide the "satisfaction" required under category B (a).
6. Where employers under any category close (or are already closed) to new members, specific guidance will be sought from the Fund's Actuary as to the appropriate revised contributions required, to ensure liabilities are fully funded. The period over which recovery is made can be adjusted to take account of evidence of financial security or appropriate guarantees subject to external advice being obtained where necessary. The general aim will be to ensure that the relevant cessation deficit is met in full in accordance with regulation 64(2), i.e. that the value of the assets in respect of current and former employees of a particular employing authority is neither materially more nor materially less than the anticipated liabilities of the Fund in respect of those employees at the date of cessation.

ANNEX 2 – Summary of key risks & controls

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

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

1. Introduction

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

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

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

2. Investment objectives

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

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

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

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

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

3. Strategic Asset Allocation

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

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

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

Long-term Strategic Asset Allocation

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

Short-term Strategic Asset Allocation

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

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

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

* Subject to a minimum of zero.

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

Tolerance ranges

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

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

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

4. Strategic Currency Allocation

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

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

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

The Strategic Currency Allocation specifies a target exposure to each currency, and ranges within which the exposure must be held. These target exposures can be higher or lower than the exposure provided directly by the underlying Fund assets.

Forward contracts, managed by a specialist currency manager, are used to deliver the required exposure to each currency.

6. Annexes continued

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

The Strategic Currency Allocation is set out below.

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

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

5. Investment governance

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

6. Investment implementation

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

Asset class	% Pooled*	Legal structure
Credit	100.00	Limited partnership
Fixed Income	100.00	Authorised contractual scheme
Infrastructure	99.99	Limited partnership
Private Equity	100.00	Limited partnership
Public Equities	100.00	Authorised contractual scheme
Real Estate	97.20	Authorised contractual scheme

* Data as at 31 March 2022.

Pooled vehicles are used wherever appropriate. Where assets are not physically pooled the management is typically pooled.

LPPI has created six asset class categories to allow access to the asset classes listed in the Strategic Asset Allocation section. The asset class categories are a combination of internally managed and externally managed strategies that offer an effective and efficient way of achieving asset class exposures.

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

Both exchange traded and over the counter derivatives may be used.

7. Pooling of assets

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

8. Risk management

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

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

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

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

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

9. Performance measurement

Fund performance is measured at a number of different levels.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Exercising the rights of ownership

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

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

12. Voting

In most cases the Fund holds no direct ownership of shares of companies. However, through the investments managed by LPPI, the Fund has indirect ownership interests in listed companies across the globe. To ensure effective and consistent use of the voting rights attached to these assets LPPI works with an external provider of governance and proxy voting services.

Voting is undertaken centrally rather than being delegated to individual managers and is in line with LPPI's Shareholder Voting Policy which promotes risk mitigation and long-term shareholder value creation by supporting responsible global corporate governance practices. The policy is reviewed and updated on an annual basis to reflect emerging issues and trends. A quarterly report on voting activity is available from the LPP website which is signposted via a link from the LPFA website.

13. Engagement

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

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

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

14. Monitoring and review

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

Appendix 1 – Asset class characteristics

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

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

Public policy statements: v) LGPS Governance Compliance Statement

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

LPFA is an Administering Authority (AA) of the local government pension scheme (LGPS) and is responsible for maintaining, administering, and investing its own fund within the LGPS. However, while the majority of AAs are local authorities and operate in accordance with local government law, LPFA is distinct in that it is not associated with a particular local authority and instead operates in accordance with its own legal constitution. This Governance Compliance Statement is made pursuant to Regulation 55 of The LGPS Regulations 2013.

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

From April 2016, the majority of LPFA's functions were outsourced to the Local Pensions Partnership Ltd (LPP Group) under a Service Level Agreement (SLA). The LPP Group is a business jointly owned by LPFA with Lancashire County Council. As a joint shareholder and client, LPFA has an important role in ensuring that the LPP Group remains accountable for the services it delivers. Whilst many of LPFA's functions have been outsourced to the LPP Group, the LPFA Board (Board) remains answerable for the statutory and regulatory responsibilities of the Authority.

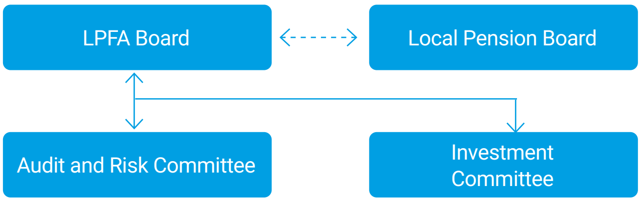
Appointments to the Board are the responsibility of the Mayor of London (the Mayor) in accordance with the provisions of SI No. 1815, which require there to be between seven and eleven members. The Mayor appoints a Chair and may appoint a deputy Chair of LPFA.

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

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

The Constitutional Document details matters reserved for decision by the Board and contains the terms of reference (ToR) of the Audit and Risk Committee (ARC), Investment Committee (IC) and Local Pension Board (LPB). The Board meets at least four times a year, as do the ARC, IC and LPB.

LPFA Board and Committee structure



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

The Public Service Pensions Act 2013 established the role of the LPB, which is separate from, and independent to, LPFA as the AA. The Local Government Pension Scheme Regulations 2013, as amended by The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, required the establishment of a local pension board. The LPB assists LPFA in securing compliance with the LGPS regulations, but is not a decision-making body. Appointed by LPFA, the LPB is comprised of four member representatives, four employer representatives and an independent chair. The representatives have voting rights; are selected from within the Fund membership and from participating employers.

The LPB provides an additional layer of compliance and governance to the administration of the LPFA. Its first core function is to assist LPFA with compliance relating to governance of the Fund.

LPFA's Chief Executive and Principal Officers have certain statutory functions and formal responsibilities. Executive powers are delegated to the Principal Officers under the 'Scheme of Delegations to Officers' within the Constitutional Document. This sets out the parameters within which the officers can exercise the powers delegated under the scheme and operate the day-to-day business of LPFA.

Member representation also continues to be facilitated through the use of the annual Fund Member Forum. All members of the public are invited to observe the Public Session of LPFA Board meetings.

This policy statement will be regularly reviewed. After Board approval of any material changes, a revised statement will be published.

6. Annexes continued

Public policy statements: v) LGPS Governance Compliance Statement continued

Governance Compliance Statement

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

Guiding principles	Compliance	LPFA position and Notes
1. Structure a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	Whilst the statutory guidance refers to a 'main committee', this is not applicable to LPFA, which instead has a Board comprising of members appointed by the Mayor of London. The Board is responsible for the overall running of LPFA and makes key decisions on matters reserved for the Board, for example, agreeing the corporate strategic plan and the investment policy and strategy of the Fund. As such, the management of benefits and strategic management of Fund assets clearly rests with the Board, which receives regular updates on the performance of outsourced pension administration and investment services against agreed service level standards.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Employer and member representatives of the LGPS serve on the LPFA's Local Pension Board (LPB), rather than the LPFA Board. The LPB plays an important role in assisting the LPFA Board with the oversight and efficient management of the Fund. There are good linkages between the two bodies, with LPB's activities reported to the Board at each quarterly meeting, and the independent chair of the LPB invited to attend the Board annually to present the LPB's annual report.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect LPFA's governance arrangements. Instead, the LPFA Board is supported by two Standing Committees (the Audit and Risk Committee (ARC) and the Investment Committee (IC)), with the LPB providing an additional level of support through its role in assisting the Board with the oversight and efficient management of the Fund. In order to facilitate good channels of communication between the Board, ARC, IC and LPB, the following structures have been put in place: • All minutes from the ARC, IC, and the LPB are presented to the Board on a quarterly basis during its Public Session. • The minutes of the Board meeting (Corporate and Strategic Session) are shared with the LPB. • The independent chair of the LPB is invited to attend the Corporate and Strategic Session of the Board annually to present their annual report.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect LPFA's governance arrangements. The LPFA ARC and IC are comprised of Board members. The LPFA LPB meets the regulatory requirements. In addition, LPB members are invited to joint training sessions with the Board where topics are relevant to both groups.
2. Representation a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers; and iv) expert advisors (on an ad-hoc basis).	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect LPFA's governance arrangements. Instead, new members of the LPFA Board are provided with a comprehensive induction to ensure that they fully understand their role. This includes a suite of relevant reading material, and new Board members are encouraged to observe a meeting of each standing committee and the LPB in order to familiarise themselves with LPFA's governance framework. Similarly, new LPB members are required to undertake a tailored induction programme setting out the role of the LPB within LPFA's governance arrangements. The LPFA Constitutional Document (specifically the LPFA Standing Orders, Matters reserved for decision by the Board, Terms of Reference of the Standing Committees and the LPB) sets out the role of the Board, Standing Committees and the LPB.

Governance Compliance Statement continued

Guiding principles	Compliance	LPFA position and Notes
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Compliant	LPFA Board members, members of standing committee and members of the LPB are required to complete a register of interests form on joining LPFA. In addition, at the start of each Board, Committee and LPB meeting members are asked to declare any new interests. In addition, the Board and LPB review members' declarations annually. A review of third-party transactions is also presented to the Board at the start of each financial year. Members of Board, Standing Committees, and LPB comply with the Code of Conduct for Members; and Conflicts Policy.
3. Selection and role of lay members a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect LPFA's governance arrangements. Instead, new members of the LPFA Board are provided with a comprehensive induction to ensure that they fully understand their role. This includes a suite of relevant reading material, and new Board members are encouraged to observe a meeting of each standing committee and the LPB in order to familiarise themselves with LPFA's governance framework. Similarly, new LPB members are required to undertake a tailored induction programme setting out the role of the LPB within LPFA's governance arrangements. The LPFA Constitutional Document (specifically the LPFA Standing Orders, Matters reserved for decision by the Board, Terms of Reference of the Standing Committees and the LPB) sets out the role of the Board, Standing Committees and the LPB.
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	LPFA Board members, members of Standing Committees and members of the LPB are required to complete a register of interests form on joining LPFA. In addition, at the start of each Board, Committee and LPB meeting members are asked to declare any new interests. In addition, the Board and LPB review members' declarations annually. A review of third-party transactions is also presented to the Board at the start of each financial year. Members of Board, Standing Committees, and LPB comply with the Code of Conduct for Members and Conflicts Policy.
4. Voting a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	LPFA's policy on voting is laid out in Standing Orders, which form part of the LPFA's Constitutional Document. The Constitutional Document is published on LPFA's website.
5. Training / Facility / Expenses a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members in-volved in the decision-making process.	Compliant	Both the LPFA Board and LPB have agreed training plans, which are reviewed on at least an annual basis. Time is allocated on the day of each quarterly Board meeting for training on relevant topics, and the Board agrees training programme at the start of each year. A Framework on the reimbursement of expenses is available on LPFA's website, including the Gifts, Hospitality and Expenses Register which is approved for publication each quarter by the ARC.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels, or any other form of secondary forum.	Compliant	Both the LPFA Board and LPB have agreed training plans, which apply to all members of these respective bodies. Standing Committees of the Board are constituted by LPFA Board members and therefore committee specific training is incorporated into the main LPFA Board training plan.

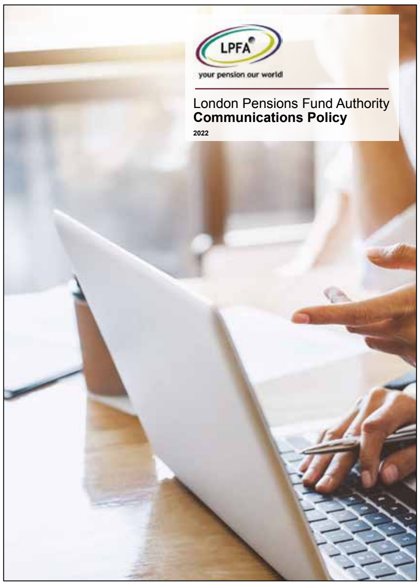
Public policy statements: v) LGPS Governance Compliance Statement continued

Governance Compliance Statement continued

Guiding principles	Compliance	LPFA position and Notes
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to 'committee members' should be read as covering the LPFA Board given that its two Standing Committees are comprised of LPFA Board members. The Board training plan is reviewed by the Board annually following the Board member performance review process conducted by the LPFA Chair each year to ensure that members contribute effectively and demonstrate commitment to their role. The LPB also approves an annual training plan to ensure that its members are provided with relevant training to enable them to discharge their responsibilities in this role.
Meetings a) That an administering authority's main committee or committees meet at least quarterly	Compliant	The LPFA Board, ARC, IC and LPB all meet on at least a quarterly basis, Board dates and the times of the public session of the Board are published on the LPFA website.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	ARC, IC and LPB meetings are scheduled to take place prior to the LPFA Board meeting to ensure that, where relevant, the decisions and views of each body can be put to the Board as part of its decision-making process.
c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	Engagement with employer and member representatives is achieved via the LPFA LPB, the annual Fund Member Forum and the annual Employer Forum.
6. Access a) That subject to any rules in the constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of ARC, IC and the LPB have access to papers for the public sessions of LPFA Board meetings.
7. Scope a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	N/A	This requirement relates to administering authorities that are local authorities, and which therefore have wider responsibilities and associated governance arrangements. Given LPFA's status as an administering authority that is not connected to a local authority, and which exists solely for the purpose of acting as an administering authority of the LGPS, this requirement is not relevant to LPFA.
8. Publicity a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	Governance arrangements are published via the Constitutional Document and Local Code of Corporate Governance on the LPFA website. The website also provides details on how a member of the public can request to attend a public session of the LPFA Board, along with the reports and minutes for all Board meeting public sessions. Agendas and minutes of past LPB meetings are also published on the website.

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

Public policy statements: vi) Communications Policy Statement



Our Communication Principles

All communications undertaken by the LPFA, or carried out on our behalf by LPP, will be:

Straightforward, clear, accessible

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

Accurate and timely

We deliver accurate communications on time. We are transparent and not misleading. All communications issued on our behalf are consistent with the LPFA or (if appropriate) LPPA Brand Guidelines.

Measurable and open to feedback

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

Targeted

We ensure that all communications are relevant for the audiences. We conduct regular reviews of our members' contacts to ensure that their details are kept up to date.

Digital by default

We follow the government's 'digital by default' aims but, for statutory and regulatory communications, we will accommodate those who decide to opt out of electronic communications.

Regulatory compliance

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

Communications with our stakeholders

We communicate with members of the Fund, employers, pPension organisations, (e.g., The Pensions Regulator and the Pensions and Life Savings Association), Greater London Authority (The Mayor of London), the media and numerous public sector bodies.
We set out how we communicate with these stakeholders below.

Member communications objectives

- To improve the understanding of how the Fund operates and the difference between LPFA, LPPA and LPPI.
- To encourage use of our online services (PensionPoint).
- To inform scheme members of their pension rights, the full benefits of scheme. membership, and the contributions that employers make.
- To reduce queries and complaints through continuous improvement.
- To improve take up of the scheme.
- To comply with our statutory obligations.
- To highlight our approach to responsible investment.

We do this in the following ways:

1. Online

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

2. By post

We aim to reply to letters in a timely manner. Members who have opted out of electronic communications can request printed copies of the following communications posted to a home address:

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

Site	www.lpfa.org.uk	https://members.lppapensions.co.uk/
Purpose	This is the corporate website of the LPFA	This is PensionPoint, our member self-service portal delivered by LPPA.
Content available	Corporate news and updates LPFA's annual report Statutory and regulatory documents Responsible Investment information	Here Members can find their Annual Benefit Statements (ABS), scheme newsletters, monthly pay advice and their P60s

Public policy statements: vi) Communications Policy Statement continued

3. Through our helpdesk

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

4. Events

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

- **Annual Fund Members' Forum** – The Fund Members' Forum is an opportunity for Fund members to review the year as well as ask questions of Board members and senior management of both LPFA, LPPI and LPPA.
- **The LPFA Board Meeting** (Public Sessions). These are listed here: https://www.lpfa.org.uk/who-we-are/board-board-reports

5. Newsletters and publications

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

Employer risk communications

Objectives

- To assist employers in understanding costs/funding issues.
- To assist employers with providing accurate member data.
- To ensure their members are provided with all the necessary information.
- To ensure they are fully aware of developments within the Fund.
- To ensure they are aware of the policies in relation to any decisions that need to be taken concerning the Fund.
- To highlight the value of LPFA membership in the attraction and retention of employees.

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

We do this in the following ways:

- **Online** – The UPM Employer Portal is the site for employer secure access. Employers can submit online forms, data or carry out data matching facilities. Please see Member section above.
- **Through our Employer Risk team** – We aim to collaborate to achieve the best possible outcomes for employers and the Fund. We respond to employer queries in a timely manner and act as the main point of contact between employers and the Fund. We communicate flexibly depending on each employer's needs. We engage formally with Employers in relation to the Actuarial Valuation every three years to discuss the results and options available to employers.

Events

We use events to support our employers, provide training and to gain feedback from our stakeholders. We will regularly review the format of our events to ensure that they provide value for money and support the sustainability of the Fund. The current events are:

- **Practitioners conference** – This is an opportunity for employer staff with HR and payroll responsibilities to undertake training and improve their understanding of working with the LPFA.
- **Employer workshops** – Providing employer workshop sessions set up as and when required to debate current issues and regulations changes as required and requested.
- **Training** – Providing training on provision of end of year member data, including the completion of the appropriate data capture spreadsheet. Providing training for small groups to improve understanding of pension administration, legislation, the principles of the scheme, changes and costs e.g. as a result of restructuring.
- **The Employer Forum** – To discuss the pension fund's Annual Report, Investment Strategy and any other relevant issues.
- **Newsletters, publications and social media**

Please see table (left). In addition to the newsletter, we produce numerous guides and factsheets. These can be found here: https://www.lpfa.org.uk/employers/employer-guides-factsheets. We also provide timely bulletins when appropriate.

Communication with media and other stakeholders

As a high-profile organisation, we are frequently approached by the media for information. Our dealings with the press will conform to the principles outlined above.

Objectives

- To communicate the accurate reporting of the Fund's valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme.
- To ensure accurate reporting on issues relating to the Fund such as our progress against or Responsible Investment Policy or our Climate Change Policy.
- To meet our obligations under various legislative requirements such as the Freedom of Information Act and the requirements of The Pensions Regulator (TPR).
- To ensure the proper administration of the Fund.
- To deal with the resolution of pension disputes raised by a member with the press.
- To articulate the Fund's views on wider pensions issues where appropriate.

We will do this by:

- Responding to consultations about regulatory changes and the future of the Fund.
- Publishing press releases, articles and blogs on our website and our social media channels.
- Publishing press releases providing statements setting out the Authority's opinion on LGPS matters concerned, e.g. Fund valuation results.
- Responding to Freedom of Information and other requests. Details of our FOI policy can be found on our website.

Social media

Social media has encouraged new ways of communicating, interacting and sharing information. LPFA uses social media to share our own content, and others, to inform members, engage with stakeholders and support industry peers and this is controlled centrally. Content for social media postings by LPFA are signed off in advance by the Chief Executive Officer.

- Currently this use is limited but is expected to grow over time. LPFA does not prevent employees from using social media for private use. However, if employees are acting in a personal capacity in professional networks like LinkedIn, they should present themselves aligned to LPFA's values, and keep in mind what is posted online will be available for many years to come.
- The views or opinions expressed by an LPFA employee on their personal social media account are theirs alone. They may not reflect our views.
- A follow-back is not an endorsement. The same applies to re-tweeting or sharing messages posted on accounts that we do not own, or marking them as 'favourites', or otherwise sharing information on a different platform.
- All information and postings, and responses to postings, should be regarded and written as the official 'voice of London Pensions Fund Authority'; they will be positive and professional and should not give individuals' personal opinions.
- LPFA's social media accounts, primarily via Twitter @LPFA1, are managed appropriately to ensure that information is correct and up to date and that postings are regularly monitored, effective and appropriate.

Oversight of our communications

Local Pension Board (LPB)

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

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

Contact Us

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

DL: 020 7369 6112

Email: communications@lpfa.org.uk

Appendix

Notes:

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

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

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

Additional contacts

The LPFA (General)

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

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

E: communications@lpfa.org.uk

Regional Pool (Administration and Investments)

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

LPPA
PO Box 1381
Preston
PR2 0WP

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

The LPFA's Investment Managers

LPPI
First Floor
1 Finsbury Avenue
London EC2M 2PF
T: 020 7369 6000
E: info@lppi.co.uk

Going digital

Members
Our preferred method of communication is electronic. We communicate with members via email or via our member portal, PensionPoint, which members can register for at: www.lppapensions.co.uk

To opt out of electronic communications, please write to LPPA at the address above.

Employers
Employers can submit online forms, data or carry out data matching facilities via UPM, a secure online portal for employers: https://www.lppapensions.co.uk/employers/employer-login/

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Making a complaint

Internal Dispute Resolution Procedure (IDRP)

If an employer or member has a complaint, they are advised to first contact LPPA by post or email to try to resolve the problem. During the year LPPA has furthered its guidance available regarding the IDRP to provide members with a better understanding of the IDRP process, our promises and further sources of information which might be helpful during or after the complaints process.

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

General Pensions guidance

The following organisations can provide free help and support on pension issues.

Money and pensions Service (MAPS)

MAPS, launched by the Department for Work and Pensions, is committed to ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. Their dedicated consumer service, MoneyHelper, provides free and impartial money and pensions guidance for people across the UK.

MoneyHelper can be contacted via website, via email, webchat or the phone.
https://www.moneyhelper.org.uk/en

MAPS can be contacted online
https://moneyandpensionsservice.org.uk
E: contact@maps.org.uk
T: 01159 659570

The Pensions Ombudsman

The Ombudsman is an independent organisation set up by law to deal with pension complaints. It looks at the facts without taking sides and its service is free.

You can contact them via:
E: enquiries@pensions-ombudsman.org.uk
T: Local: 0800 917 4487 Overseas: +44 (0) 207 630 2200
Website and Live Chat: www.pensions-ombudsman.org.uk

Glossary

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

Front cover: Getty Images

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www.lpfa.org.uk
www.yourpension.org.uk