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London Pensions Fund Authority  
**Statement of Pension Fund Accounts**

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For the period ended 31 March 2024



# Information

## Board members

John Preston (Chair)  
Irshaad Ahmad (appointed 1 January 2024)  
Rita Bajaj  
Ruth Dombey  
Conrad Hall (appointed 2 April 2024)  
Belinda Howell  
Terence Jagger (resigned 31 December 2023)  
Mandy Kaur-Sadler (appointed 1 January 2024)  
Sophia Morrell  
Tamlyn Nall (resigned 31 December 2023)  
Richard Olszewski  
Deborah Rees  
Clare Scott  
Christina Thompson (resigned 31 March 2024)

## Chief Executive Officer

Robert Branagh (resigned 9 September 2024)

## S151 Officer

Christina Thompson (appointed 8 April 2024)

## S151 Officer

Michelle King (resigned 29 February 2024)

## Deputy S151 Officer

Audrey Allen-Chitwa (appointed 20 September 2023)

## Acting S151 Officer

Audrey Allen-Chitwa (1 March 2024 to 7 April 2024)

## Business address

2nd Floor  
169 Union Street  
London  
SE1 0LL

## Auditor

Ernst & Young LLP  
Chartered Accountants  
1 More London Place  
London,  
SE1 2AF

## Bankers

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

## Lawyers

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

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# 1. Narrative Report

## Format of the Statement of Accounts

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

The LPFA's Pension Fund Statement of Accounts for the financial year 2023-24 consists of:

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

The **Net Assets Statement** which shows the net assets of the Fund at 31 March 2024; and,

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

# 1. Narrative Report continued

London Pensions Fund Authority (LPFA), is the largest Local Government Pension Scheme (LGPS) in London. The pension Fund had net assets of £8,031 million as at 31 March 2024 (31 March 2023: £7,658 million) and is responsible for the provision of pension benefits for 99,585 (2022-23: 96,796) members. Of these, 23,730 are employees working for not-for-profit, charity, private sector and local government employers, 30,138 are deferred members, 36,563 are pensioners and dependants, and 9,154 are undecided leavers and frozen refunds.

## Pension Fund actual result compared to budget

Pension Fund	Actual 2023-24 £'000	Budget 2023-24 £'000	Variance 2023-24 £'000	Variance 2023-24 %
<b>Dealings with members and employers</b>				
Contributions	156,760	147,400	9,360	6.4%
Transfers in from other funds	27,016	6,800	20,216	297.3%
Benefits payable	(305,774)	(306,100)	326	0.1%
Payments on account of leavers	(97,089)	( 8,600)	(88,489)	(1028.9%)
<b>Net additions/ (withdrawals) from dealings with members</b>	<b>(219,087)</b>	<b>(160,500)</b>	<b>(58,857)</b>	<b>(36.5%)</b>
<b>Management expenses</b>				
Investment management	98,256	(96,300)	(1,956)	(2.0%)
Administration	(2,623)	(2,600)	(23)	(0.9%)
Oversight and governance	(3,921)	(5,300)	1,379	26.0%
Investment Services Fee LPPI	(149)	(735)	586	79.8%
<b>Total management expenses</b>	<b>104,949</b>	<b>(104,935)</b>	<b>(14)</b>	<b>(0.0%)</b>
<b>Returns on Investments</b>				
Net investment income	142,436	136,500	5,936	4.3%
Taxes on income	498	–	498	0.0%
Profit and loss on disposal and change in market value	553,839	300,300	253,539	84.4%
<b>Total return on investments</b>	<b>696,773</b>	<b>436,800</b>	<b>259,973</b>	<b>59.5%</b>
<b>Net inflow to the Fund</b>	<b>372,737</b>	<b>171,365</b>	<b>201,372</b>	<b>117.5%</b>

# 1. Narrative Report continued

## Overview of the year

The net inflow from the Fund for the year was £372.7 million compared to a budgeted inflow of £171.4 million. The actual net inflow is above the budgeted net inflow by £201.4 million predominantly due to the higher than expected returns on investments.

## Dealings with members and employers:

The total Fund membership to 31 March 2024 grew by 2,789, being 2.9% (2022-23: 4,137, being 4.5%). Active members increased by 991, being a 4.4% increase and pensioners increased by 354, being a 1% increase.

The increase in active members is reflected in the higher than budgeted employee contributions income. The employer normal contributions have reduced and many deficit contributions have ceased as most employers were in surplus at the last triennial valuation, hence their contribution rates have reduced. There was also a new category of contribution income during the year amounting to £13.3 million, being contributions to historic underfunded liabilities when the Greater London Council and Inner London councils ceased to exist. The authorities are paying additional contributions to clear these liabilities.

This year the gross movement in employers participating in the Fund (both joining and leaving) is a reduction of one employer.

Transfers in from other funds were above budget due to bulk transfers in from other schemes. Payments on account of leavers were £88.5 million above budget due to employers leaving the scheme when their assets exceeded their defined benefit obligation.

## Non-investment asset and liabilities

The cash held directly by LPFA has fallen by £163.7 million from £175.7 million to £12.0 million. This is because the management of the majority of this cash was transferred to the fund manager and included within investment assets. The cash within investment assets increased by £107.8 million. The total cash is lower than the previous year due to the reduction in the cash distributed from Private Equity and Infrastructure investments.

Current liabilities have increased by £81.9 million mainly due to cessation amounts payable of £79.3 million payable at the year end due to employers leaving the scheme when their assets exceeded their defined benefit obligations.

# 1. Narrative Report continued

## Investment performance

Over the year, the Fund delivered a +7.4% investment return, which exceeded the Fund's Return Objective\* but underperformed the Policy Portfolio Benchmark (a single return measure which combines each asset class benchmark in proportion to the Fund's strategic asset allocation).

The value of the Fund's net assets at 31 March 2024 were £8,031 million. The investment assets managed by the Fund manager LPPI were valued at £8,038 million when the performance reporting was completed. The equivalent asset value as at 31 March 2024 has been increased to £8,076 million based on the final valuation results. The Fund net assets at 31 March 2023 were £7,658 million, £7,673 million being investment assets.

The comparative investment assets quoted below of £7,673 million are higher than the investment assets quoted in the net asset statement as £162 million of the cash included within £176 million cash balance on the net asset statement was shown within the cash balance in the 2022-23 accounts and the LPP group is excluded from the assets under management. In addition, the asset value below was not adjusted for a net reduction of £69m due to the late sale of assets within LPPI Diversifying Strategies fund.

Fund performance remained strong on an absolute basis over the year, as well as over the longer-term where the 3- and 5- year returns to 31 March 2024 were both +7.8% p.a. Performance relative to the Policy Portfolio Benchmark and Return Objective has been mixed over all time periods.

Key headwinds to the relative performance have been Global Equities and Infrastructure. Within Global Equities, despite generating a healthy absolute return, the return of the Fund's holdings did not match the strong market rally which was dominated by a smaller subset of companies, such as the "Magnificent 7", as the Fund had an underweight holding in these companies relative to its benchmark. The Infrastructure asset class has a UK CPI-linked benchmark and has therefore been impacted by the recent period of elevated inflation. Whilst we have seen a decline in inflation levels of late, it will take some time to feed through into the longer-term Return Objective and Policy Portfolio Benchmark return figures and therefore the Fund's longer-term relative performance.

Return metric	One year (%)	Three Year (% p.a.)	Five Year (% p.a.)
Total Return	7.4	7.8	7.8
Return Objective*	6.8	10.4	8.3
Policy Portfolio Benchmark	13.1	7.4	8.1

\* 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 31 March 2019.

# 1. Narrative Report continued

There were no changes to the Fund's Strategic Asset Allocation (SAA) during the year. During the second half of the year the Investment Committee and Board undertook a detailed review of the Fund's Investment Strategy and agreed a revised SAA which came into effect on 1 April 2024.

The following table presents LPFA's asset allocation at the end of March 2024 versus its SAA.

Asset Class	31 March 2024		31 March 2023		Strategic Asset Allocation %	Range %
	Exposure £m	Exposure %	Exposure £m	Exposure %		
Global Equities	4,301	53.5	3,782	49.3	50	40 – 60
Fixed Income	194	2.4	78	1	1	0 – 11
Private Equity	566	7	585	7.6	5	0 – 10
Infrastructure	923	11.5	940	12.2	12.5	7.5 – 17.5
Credit	957	11.9	736	9.6	12.5	7.5 – 17.5
Real Estate	735	9.1	729	9.5	12.5	7.5 – 17.5
Diversifying Strategies	236	2.9	653	8.5	5	0 – 10
Cash	126	1.6	170	2.2	1.5	0 – 6.5
<b>Total</b>	<b>8,038</b>	<b>100%</b>	<b>7,673</b>	<b>100%</b>	<b>100%</b>	

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

## Date the Statement of Accounts were authorised for issue

The statement of accounts were authorised for issue by the Audit and Risk Committee on 29 November 2024. Post balance sheet events have been considered up to the date the accounts were authorised for issue.

## Further information

Further information about these accounts is available from the London Pensions Fund Authority, 2nd Floor, 169 Union Street, London SE1 0LL. All our Annual Reports can be found on the [LPFA website](#).

## 2. Statement of Responsibilities for the Statement of Accounts

### LPFA's responsibilities

LPFA is required to:

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

### The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

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

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

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

### Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA as detailed in the net asset statement and its results for the year as detailed in fund account for the year ended 31 March 2024.



Christina Thompson, Section 151 Officer  
29 November 2024

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

#### Report on the Audit of the Pension Fund Financial Statements



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#### **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF LONDON PENSION FUND AUTHORITY ON THE PENSION FUND'S FINANCIAL STATEMENTS**

##### **Opinion**

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 under the Local Audit and Accountability Act 2014 (as amended). The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 March 2026.

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### 3. Independent auditor's report to the members of the London Pensions Fund Authority **continued**

#### Report on the Audit of the Pension Fund Financial Statements **continued**

##### **Other information**

The other information comprises the information included in the '*Statement of Pension Fund Accounts for the period ended 31 March 2024*', other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information contained within the '*Statement of Pension Fund Accounts 2023/24 for the period ended 31 March 2024*'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

##### **Matters on which we report by exception**

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

##### **Responsibility of the Section 151 Officer**

As explained more fully in the "*Statement Responsibilities for the Statement of Accounts*" set out on page 6, the Section 151 Officer is responsible for the preparation of the Authority's Statement of Pension Fund Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Section 151 Officer is also responsible for such internal control as the Section 151 Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

### 3. Independent auditor's report to the members of the London Pensions Fund Authority **continued**

#### Report on the Audit of the Pension Fund Financial Statements **continued**

##### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

##### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Section 151 Officer.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Board, Investment and Audit & Risk Committee minutes, Pension Fund policies and procedures and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment income from the independent sources of the custodian and the fund managers to the financial statements.

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

#### Report on the Audit of the Pension Fund Financial Statements continued

- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

#### Use of our report

This report is made solely to the members of London Pension Fund Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Pension Fund Authority and its members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

Date: 29<sup>th</sup> November 2024

**Mark Hodgson (Key Audit Partner)**  
Ernst & Young LLP (Local Auditor)  
Cambridge

## 4. Fund Account

### Fund account

	Notes	2023-24 £'000	2022-23 £'000
<b>Dealing with members, employers and others directly involved in the Fund</b>			
Contributions	7	156,760	157,955
Transfer in from other pension funds	8	27,016	12,278
		<b>183,776</b>	170,233
<b>Benefits</b>			
Benefits	9	(305,774)	(278,918)
Payments to and on account of leavers	10	(97,089)	(26,498)
		<b>(402,863)</b>	(305,416)
<b>Net additions/(withdrawals) from dealings with members</b>		<b>(219,087)</b>	(135,183)
<b>Management expenses</b>		<b>(104,949)</b>	(129,962)
<b>Net additions/(withdrawals) less fund management expenses</b>		<b>(324,036)</b>	(265,145)
<b>Returns on investments</b>			
Investment income	12	142,436	173,404
Taxes on income		498	(1,975)
Profit and loss on disposal and change in market value	14a	553,839	86,878
<b>Net returns on investments</b>		<b>696,773</b>	258,307
<b>Net increase/(decrease) in net assets available for benefits during the year</b>		<b>372,737</b>	(6,838)
<b>Opening net assets of the scheme</b>		<b>7,657,914</b>	7,664,752
<b>Closing net assets of the scheme</b>		<b>8,030,651</b>	7,657,914

## 5. Net Assets Statement

### Net assets statement as at 31 March 2024

	Notes	31 March 2024 £'000	31 March 2023 £'000
Investment assets	14	8,081,012	7,460,620
Investment liabilities	14	(5,444)	(5,580)
<b>Total net investments assets</b>		<b>8,075,568</b>	7,455,040
Cash balances	19	12,029	175,662
Current assets	21	31,280	33,555
Current liabilities	22	(88,226)	(6,343)
		(44,917)	202,874
<b>Net assets of the Fund available to fund benefits at the end of the reporting period*</b>		<b>8,030,651</b>	7,657,914

\* Please note the total asset value of £8,038 million disclosed in the investment performance report only relates to the investment assets excluding the directly held investment of £12.5 million investment in LPP group but includes the cash balance held directly by LPFA of £12.0 million detailed above. The asset value in the net asset statement is an additional £36.6 million above the value in the investment reports as the net asset statement includes the final increased asset valuation included in the final signed investment fund accounts issued in September 2024.

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.



Christina Thompson, Section 151 Officer  
29 November 2024

## 6. Notes to the Fund Account

### 1. Description of Fund

The LPFA is part of the LGPS.

#### a) General

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

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

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

#### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the LPFA include the following:

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

Details of the participating employer bodies and their individual contribution rates for the year ended 31 March 2024 are set out on pages 46-47.

The Fund membership was as follows:

<b>Fund membership</b>	<b>31 March 2024</b>	31 March 2023
Number of employers	<b>115</b>	122
Number of active members:		
LPFA	<b>27</b>	23
Other employers	<b>23,703</b>	22,716
<b>Total</b>	<b>23,730</b>	22,739
Number of deferred beneficiaries:		
LPFA	<b>107</b>	110
Other employers	<b>30,031</b>	29,683
<b>Total</b>	<b>30,138</b>	29,793
Number of pensioners & dependents:		
LPFA	<b>84</b>	79
Other employers	<b>36,479</b>	36,130
<b>Total</b>	<b>36,563</b>	36,209
Number of undecided leavers and frozen refunds:		
LPFA	<b>12</b>	12
Other employers	<b>9,142</b>	8,043
<b>Total</b>	<b>9,154</b>	8,055
<b>Total number of members in pension scheme</b>	<b>99,585</b>	96,796

## 6. Notes to the Fund Account continued

### 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 2024. Employers' contributions are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently employer contributions range from 0% to 33.1%.

### d) Benefits

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

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

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023-24 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (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.

In carrying out its assessment that this basis is appropriate, made prior to the accounts being made available for public inspection on 31 May 2024, management have considered additional qualitative and quantitative requirements.

The basis for preparation is supported by legislation for local authorities and the Code requirements on the basis of continuing services.

The net dealings with members is a net withdrawal for from the Fund hence the investment strategy is designed to subsidise the shortfall in income from participating employers by generating sufficient investment income.

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary assesses the financial position of the Fund each year and as at 31 March 2024 it has remained in a net surplus position since the last triennial valuation and was 117% funded as at 31 March 2024, with assets of £8.0 billion and liabilities of £6.8 billion. The strategic asset allocation of the Fund to cash is 1.5% and 50% to public equities that can be readily converted to cash.

On this basis the Fund management has a reasonable expectation that it will have adequate resources to continue its operational existence throughout the going concern period. For this reason alongside the statutory guidance, the Pension Fund accounts continues to adopt the going concern basis in preparing the financial statements.

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

## 3. Summary of significant accounting policies

### Fund account – revenue recognition

#### Contributions

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

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

## 6. Notes to the Fund Account continued

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

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

### Transfers to and from other schemes

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

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).

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

### Investment income

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

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

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

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

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

### Fund account – expense items

#### Benefits payable

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

#### Management expenses

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

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

Administration expenses consist of the following:

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

## 6. Notes to the Fund Account continued

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

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

Investment management fees consist of the following:

- Investment management expenses incurred in relation to the management of Pension Fund assets and financial instruments;
- In accordance with the CIPFA guide, Local Government Pension Management Expenses 2016, this includes expenses directly invoiced by investment managers and any fees payable to fund managers which are deducted from Fund assets; and
- Transaction fees for all categories of investment are included within investment management expenses.

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

### Taxation

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

### Financial assets

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

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

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

### Foreign currencies

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

### Derivatives

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

## 6. Notes to the Fund Account continued

### Cash and cash equivalents

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

### Financial liabilities

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

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

### Actuarial present value of promised retirement benefits

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

### Real Estate fund

The properties within the LPPI Real Estate Fund are included at the open market value as at the year-end. The properties were valued at open market value at 31 March 2024 by an independent valuer, Avison Young.

The Properties have been valued individually based on Fair Value, in accordance with the RICS Global Valuation Standards 2017. VPGA 1 - Valuations for inclusion in financial statements which adopts the definition of Fair Value adopted by the International Accounting Standards Board (IASB) in IFRS 13.

This is an internationally recognised basis and is defined as: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

Avison Young regards Fair Value as Identical to Market Value, defined within the Global Valuation Standards as:

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

### Additional voluntary contributions (AVCs)

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

### Contingent assets and contingent liabilities

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

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

## 6. Notes to the Fund Account continued

### Accounting standards issued, but not yet adopted

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued by January 2024 but not yet adopted, setting out the impact of non adoption of the standard.

- IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023-24 year).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued January 2020: The amendments: specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its rights to defer settlement.
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in October 2022. The amendments to IFRS 16 add subsequent measurement requirements for the sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendment to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued May 2023. Pillar Two applies to multinational groups with minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023  
The amendments require an entity to provide additional disclosure about its supplier finance arrangements. The IASB developed the new requirements to provide users of the financial statements with information to enable them to:
  - Assess how the supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

These standards will either have no impact or no material impact on the Fund accounts.

### 4. Critical accounting judgements

There are no critical judgements that have a material impact on the accounts.

### 5. Assumptions made about the future and other major sources of estimation uncertainty Unquoted private equity, infrastructure investments and credit funds

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

#### Real Estate Fund

The real estate property values within the real estate fund are generally a matter of a valuer's opinion rather than fact and may go down as well as up. There is also a risk that the price at which a property is valued may not be realisable in the event of a sale. This could be due to a misestimation of the asset's value or due to a lack of liquidity in the relevant market. Note 5 contains further details on the estimations required as part of the valuation method. Real Estate assets were valued at £724.9 million at 31 March 2024 (31 March 2023: £729.3 million), note 14.

## 6. Notes to the Fund Account continued

### 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 Actuarial Statement on page 55 of this report.

This estimate is subject to significant variances based on changes to the underlying assumptions.

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

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex estimates relating to the discount rate used, salary increases, changes in retirement ages, mortality rate, and returns on Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice based on their judgement about the appropriate assumptions to be applied.	For Instance: a) a 0.1% increase in the discount rate would reduce the present value of the total obligation by £100 million. The rate has been on an upward trend since 2021, and has increased by over 2% to 4.85%. b) a 0.1% increase in long term salary would increase the present value of the obligations by £5.2 million. c) a 0.1% increase in pension rates that would increase the present value of the obligation by £100 million. More details on the assumptions are shown in note 25.
<b>Long-term credit</b>	Long-term credit investments are valued by calculating the Fund's share of the ret assets in the audited fund accounts. As these values are not based on observable market data, they have been categorised as fair value level 3 investments.	Credit is valued at £978.8 million. There are inherent risks within the valuation technique which means the value could vary between plus and minus 4.6%.
<b>Real Estate</b>	Long-term credit investments are valued by calculating the Fund's share of the ret assets in the audited fund accounts. As these values are not be based on observable market data, they have been categorised aa fair value level 3 investments.	Real Estate is valued at £724.9 million. There are inherent risk within the valuation technique which means the asset value could vary between plus and minus 6.9%.
<b>Private Equity and Infrastructure</b>	Private Equity and Infrastructure investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines (2022).  Investments are not publicly listed and as such there is a degree of estimation involved in the valuation of these assets. Uncertainties including changes in market activity, credit risk, expected cash flows, discount rates used can impact valuations. Over the next 12 months, these inputs may change with respect to the changing economic conditions. Refer to note 16, sensitivity of assets for further explanation.	Private Equity and Infrastructure investments are valued at £1,529.4 million.  There are inherent risk within the valuation technique which means the asset value could vary between plus and minus 4.6%.

### Diversifying Strategies

During the year 2022-23 the LPFA Board agreed to wind down the asset allocation to Diversifying Strategies.

A large proportion of the assets were disposed of during the year 2023-24 and the Independently audited LPPI Diversifying Strategies fund accounts have not been prepared on a going concern basis for the year ended 31 March 2024 due to the intention to liquidate the partnership after the year-end.

The assets have been measured at net realisable value and have been classified as fair value Level 1 or Level 2 assets in the Diversifying strategies accounts, hence the net realisable value is accepted as fair value. The total asset class has been classified as fair value Level 2 in the LPFA accounts.

## 6. Notes to the Fund Account continued

### 6. Post balance sheet events

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

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

### 7. Contributions

#### By category

	2023-24 £'000	2022-23 £'000
Employers – normal	88,009	96,020
Employers – deficit	1,591	14,966
Other contributions	13,346	–
Members – normal	50,015	46,393
Augmentation	3,379	576
Cessation valuations	420	–
	156,760	157,955

#### By type of employer

	2023-24 £'000	2022-23 £'000
Scheduled bodies	91,931	85,603
Admitted community	61,760	69,524
Transfer admitted bodies	3,069	2,828
	156,760	157,955

### 8. Transfers in from other pension funds

	2023-24 £'000	2022-23 £'000
Group transfers	12,671	–
Individual transfers	14,345	12,278
	27,016	12,278

There were four group transfers in during the year, three relating to Orchard Hill College Academy with a total value of £10.28 million and £2.39 million relating to Local Pensions Partnership Investments.

## 6. Notes to the Fund Account continued

### 9. Benefits

#### By category

	2023-24 £'000	2022-23 £'000
Pensions	268,837	246,004
Commutation and lump sum retirement benefits	32,518	27,799
Lump sum death benefits	3,983	4,216
AVC payments	–	672
Tax on exceeding lifetime or annual allowance	436	227
	<b>305,774</b>	<b>278,918</b>

#### By type of employer

	2023-24 £'000	2022-23 £'000
Scheduled bodies	191,864	178,195
Admitted bodies	13,246	12,658
Community admitted body	98,010	85,668
Transferee admitted body	2,602	2,349
Resolution body	52	48
	<b>305,774</b>	<b>278,918</b>

### 10. Payments to and on account of leavers

	2023-24 £'000	2022-23 £'000
Refunds to members leaving service	621	432
Group transfers and surpluses on exit payments	81,209	11,268
Individual transfers	15,259	14,798
	<b>97,089</b>	<b>26,498</b>

The group transfers out relate to employers who exited the scheme when their assets in the Fund exceeded their defined benefit liabilities. The largest amount is payable to S.S.A.F.A.

### 11. Management expenses

	2023-24 £'000	2022-23 £'000
Investment management expenses	98,405	123,528
Administration	2,623	2,347
Oversight and governance	3,921	4,087
	<b>104,949</b>	<b>129,962</b>

## 6. Notes to the Fund Account continued

### 11a. Investment management expenses

	2023-24 £'000	2022-23 £'000
Management fees	74,079	67,794
LPP management fees directly invoiced	149	67
Performance fees	12,101	32,954
Custody fees	92	42
Transaction fees	8,117	17,003
Other fees	3,867	5,668
	<b>98,405</b>	123,528

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

### 11b. Analysis of investment management expenses

2023-24	Total £'000	Management £'000	Transaction £'000	Performance £'000	Other £'000
Pooled investments – private equity and infrastructure	21,982	18,949	1,165	(1,999)	3,867
Pooled investments – unit trusts and other managed funds	55,427	35,190	5,621	14,524	92
Pooled property income	20,690	19,783	1,331	(424)	–
Hedge	306	306	–	–	–
	<b>98,405</b>	<b>74,228</b>	<b>8,117</b>	<b>12,101</b>	<b>3,959</b>

### 11b. Analysis of investment management expenses

2022-23	Total £'000	Management £'000	Transaction £'000	Performance £'000	Other £'000
Pooled investments – private equity and infrastructure	47,326	16,714	564	24,380	5,668
Pooled investments – unit trusts and other managed funds	62,596	38,288	16,765	7,501	42
Pooled property income	13,192	12,446	(326)	1,072	–
Hedge	414	414	–	–	–
	123,528	67,862	17,003	32,953	5,710

## 6. Notes to the Fund Account continued

### 12. Investment income

	2023-24 £'000	2022-23 £'000
Pooled investments – private equity and Infrastructure	66,652	99,214
Pooled investments – unit trusts and other managed funds	41,428	43,283
Pooled property income	27,507	26,000
Interest on cash deposits	6,763	4,476
Other	86	431
	<b>142,436</b>	173,404

### 13. External audit fee

The audit fee for the Pension Fund is included within the oversight and governance costs charged by LPFA Operations. The amount payable to the external auditors for the audit of the Fund for 2023-24 was £170,000 and £33,000 for the underprovision of audit costs in previous years (2022-23: £91,000) and £nil for other costs).

Fees are also payable to the previous external auditors in relation to the certification of the data used to calculate the IAS 19 disclosures for participating employers. The fee is expected to be £60,000 (2023 – £50,000). These fees are recharged to the employer so the net cost to LPFA is £nil.

## 6. Notes to the Fund Account continued

### 14. Investments

	Market value at 31 March 2024 £'000	Market value at 31 March 2023 £'000
Pooled investments:		
– Fixed Income	191,942	77,549
– Equities	4,290,920	3,782,095
– Credit	978,791	736,462
– Private Equity	586,357	585,478
– Infrastructure	930,437	939,596
– Real Estate	724,873	729,327
– Diversifying Strategies	222,351	566,935
	<b>7,925,671</b>	<b>7,417,442</b>
Non-pooled investments:		
– Equities	11	88
– Private Equity	12,500	12,500
– Infrastructure	112	146
– Managed Funds	–	43
– Diversifying Strategies	3,875	718
	<b>16,498</b>	<b>13,495</b>
– Cash managed by LPPI	111,081	–
– Cash at investment managers	2,378	5,657
– Derivatives – forward exchange contracts	7,479	7,775
– Amounts receivable for sales	11,213	16,250
– Investment income due	6,692	1
	<b>138,843</b>	<b>29,683</b>
	<b>8,081,012</b>	<b>7,460,620</b>
– Derivatives – forward exchange contracts	(5,444)	(5,580)
<b>Net investment assets</b>	<b>8,075,568</b>	<b>7,455,040</b>

## 6. Notes to the Fund Account continued

### 14a. Reconciliation of movements in investments and derivatives

	Market value at 31 March 2024 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in market value during the year £'000	Market value at 31 March 2023 £'000
Pooled investments:					
– Fixed Income	191,942	114,742		(349)	77,549
– Equities	4,290,920	8,168	(10,000)	510,657	3,782,095
– Credit	978,791	133,769	–	108,560	736,462
– Private Equity	586,357	31,468	(40,593)	10,004	585,478
– Infrastructure	930,437	17,182	(23,141)	(3,200)	939,596
– Real Estate	724,873	87,784	(15,694)	(76,544)	729,327
– Diversifying Strategies	222,351	(11,189)	(376,180)	42,785	566,935
	<b>7,925,671</b>	<b>381,924</b>	<b>(465,608)</b>	<b>591,913</b>	<b>7,417,442</b>
Non-pooled investments:					
– Equities	11	–	(89)	12	88
– Private Equity	12,500	–	–	–	12,500
– Infrastructure	112		(38)	4	146
– Managed Funds	–	–	(35)	(8)	43
– Diversifying Strategies	3,875	1,653	(2,724)	4,228	718
	<b>7,942,169</b>	<b>383,577</b>	<b>(468,494)</b>	<b>596,149</b>	<b>7,430,937</b>
Derivative contracts:					
– Forward exchange contracts	2,035	73,648	(31,536)	(42,272)	2,195
Cash managed by LPPI	111,081	477,017	(365,781)	(155)	–
	<b>8,055,285</b>	<b>934,243</b>	<b>(865,811)</b>	<b>553,721</b>	<b>7,433,132</b>
Cash at investment managers	2,378			118	5,657
Amounts receivable for sale of investments	11,213			–	16,250
Investment income due	6,692			–	1
<b>Net investment assets</b>	<b>8,075,568</b>			<b>553,839</b>	<b>7,455,040</b>

## 6. Notes to the Fund Account continued

### 14a. Reconciliation of movements in investments continued

<b>Net Investment Assets (Prior year comparative)</b>	<b>Market value at 31 March 2023 £'000</b>	<b>Purchases during the year and derivative payments £'000</b>	<b>Sales during the year and derivative receipts £'000</b>	<b>Change in market value during the year £'000</b>	<b>Market value at 31 March 2022 £'000</b>
Pooled investments:					
– Fixed Income	77,549	(968)	(119,950)	(10,647)	209,114
– Equities	3,782,095	79,801	–	92,605	3,609,689
– Credit	736,462	125,369	–	(4,185)	615,278
– Private Equity	585,478	(573)	(77,192)	(33,238)	696,481
– Infrastructure	939,596	134,993	(30,873)	26,984	808,492
– Real Estate	729,327	68,473	–	(16,742)	677,597
– Diversifying Strategies	566,935	(39,690)	(280,000)	83,177	803,448
	7,417,442	367,405	(508,015)	137,954	7,420,099
Non-pooled investments:					
– Equities	88	–	–	(430)	518
– Private Equity	12,500	–	–	–	12,500
– Infrastructure	146	100	(697)	17	726
– Managed Funds	43	–	(22,001)	4	22,040
– Diversifying Strategies	718	3,209	(7,694)	1,797	3,406
	7,430,937	370,714	(538,408)	139,342	7,459,289
Derivative contracts					
– Forward exchange contracts	2,195	122,655	(50,768)	(53,020)	(16,672)
	7,433,132	493,369	(589,176)	86,322	7,442,617
Cash at investment managers	5,657			556	( 28)
Amount receivable for sale of investments	16,250			–	–
Investment income due	1			–	1
<b>Net investment assets</b>	<b>7,455,040</b>			<b>86,878</b>	<b>7,442,590</b>

## 6. Notes to the Fund Account continued

### 14b. Investments analysed by fund manager

	Market value at 31 March 2024 £'000	% of market value at 31 March 2024 %	Market value at 31 March 2023 £'000	% of market value at 31 March 2023 %
<b>Investment managed within LPPI asset pools</b>				
LPPI Global Equities	4,290,920	53.13%	3,782,095	50.73%
LPPI Diversifying Strategies	222,351	2.75%	566,935	7.60%
LPPI Real Estate	665,930	8.25%	668,696	8.97%
LPPI Private Equity	586,357	7.26%	585,478	7.85%
LPPI Credit	978,791	12.12%	736,462	9.88%
LPPI Infrastructure	930,437	11.52%	939,596	12.60%
LPPI Fixed Income	191,942	2.38%	77,549	1.04%
London Fund	58,943	0.73%	60,632	0.81%
	<b>7,925,671</b>	<b>98.14%</b>	7,417,442	99.50%
Select Market Access	5,846	0.07%	–	0.00%
Aeolus Property	407	0.01%	718	0.01%
LPP Group	12,500	0.15%	12,500	0.17%
Infrared Capital Partners	–	0.00%	40	0.00%
Foresight Group	–	0.00%	43	0.00%
Impax Asset Management	112	0.00%	121	0.00%
BlackRock Management	11	0.00%	(40)	0.00%
RCM	2,035	0.03%	7,966	0.11%
LPPI	128,985	1.60%	16,250	0.22%
	<b>149,897</b>	<b>1.86%</b>	37,598	0.50%
	<b>8,075,568</b>	<b>100%</b>	7,455,040	100%

The 2022-23 cash and current asset investment assets have been allocated to the appropriate fund manager in the comparatives.

## 6. Notes to the Fund Account continued

### 14b. Investments analysed by fund manager continued

The following investments represent more than 5.0% of the investment assets. The 2022-23 percentages have been restated so that rather than being based on the net assets of the scheme they are based on the investment assets:

<b>Security</b>	<b>Market value at 31 March 2024 £'000</b>	<b>Restated % of total Fund</b>	Market value at 31 March 2023 £'000	% of total Fund
LPPI Global Equity Fund	<b>4,290,920</b>	<b>53.13%</b>	3,782,095	50.73%
LPPI Diversifying Strategies	–	–	566,935	7.60%
LPPI Real Estate	<b>665,930</b>	<b>8.25%</b>	668,696	8.97%
LPPI PE Investments (No.1) LP	<b>586,357</b>	<b>7.17%</b>	585,478	7.85%
LPPI Credit	<b>978,791</b>	<b>11.97%</b>	736,462	9.88%
LPPI Infrastructure	<b>930,437</b>	<b>11.38%</b>	939,596	12.60%
<b>Total</b>	<b>7,452,436</b>	<b>91.91%</b>	7,279,261	97.63%

Insight is included for comparative purposes only.

## 6. Notes to the Fund Account continued

### 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 2024 (31 March 2023: £nil).

#### Open forward foreign currency contracts

The net position on open forward currency contracts at 31 March 2024 amounts to an asset of £2.0 million (31 March 2023: asset of £2.2 million). This amount is reflected within the cash balance held by managers.

#### Analysis of open forward foreign currency contracts

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

Settlement	Currency code purchased	Currency purchased amount £'000	Currency code sold	Currency sold amount £'000	Asset value £'000	Liability value £'000	
1 month	CHF	2,931	GBP	2,726	–	(143)	
	GBP	3,684	USD	4,482	137	–	
	GBP	19,354	CHF	20,738	1,074	–	
	GBP	69,765	USD	84,663	2,755	–	
	CHF	921	GBP	844	–	(32)	
	GBP	12,022	USD	15,307	–	(94)	
	GBP	2,434	EUR	2,848	–	(3)	
	JPY	15,103,600	GBP	81,536	–	(2,211)	
	CHF	5,011	GBP	4,417	–	–	
	EUR	53,145	GBP	45,482	–	(3)	
	USD	95,722	GBP	75,764	–	(2)	
	GBP	63,903	JPY	12,169,700	–	(12)	
	1 to 6 months	GBP	16,314	CHF	17,807	568	–
		GBP	70,508	USD	89,145	–	(38)
CHF		921	GBP	846	–	(32)	
GBP		12,025	USD	15,307	–	(88)	
GBP		2,445	EUR	2,848	5	–	
JPY		15,103,600	GBP	80,339	–	(641)	
CHF		5,011	GBP	4,431	–	–	
EUR		53,145	GBP	45,532	–	(4)	
USD		95,722	GBP	75,752	1	(2)	
GBP		64,194	JPY	12,169,700	–	(22)	
NZD		25,940	GBP	12,345	–	(68)	
GBP		18,845	NZD	39,817	–	(1)	
GBP		16,689	CHF	17,807	895	–	
GBP		70,050	USD	89,145	–	(485)	
CHF		921	GBP	850	–	(33)	
GBP		12,031	USD	15,307	–	(81)	
NOK		443,648	GBP	32,874	–	(450)	
GBP		2,451	EUR	2,848	8	–	
GBP		21,103	AUD	40,682	51	–	
CAD		74,694	GBP	43,524	205	–	
JPY	15,103,600	GBP	79,936	78	–		

## 6. Notes to the Fund Account continued

### 15. Analysis of derivatives continued

Settlement	Currency code purchased	Currency purchased amount £'000	Currency code sold	Currency sold amount £'000	Asset value £'000	Liability value £'000
1 to 6 months	GBP	55,008	SEK	731,768	663	–
	GBP	2,311	CAD	3,948	–	–
	CHF	5,011	GBP	4,444	1	–
	GBP	2,592	SEK	34,904	–	–
	AUD	71,717	GBP	37,112	–	(1)
	EUR	53,145	GBP	45,579	–	(3)
	USD	95,722	GBP	75,742	–	(3)
	GBP	37,025	NOK	506,633	–	(2)
	GBP	64,454	JPY	12,169,700	–	(17)
	GBP	15,705	CHF	16,886	676	–
	GBP	82,190	USD	104,452	–	(439)
	CHF	5,011	GBP	4,460	–	–
	JPY	2,933,900	GBP	15,613	–	–
	USD	95,722	GBP	75,729	–	(6)
	GBP	15,436	CHF	16,886	360	–
	GBP	82,273	USD	104,452	–	(340)
	CHF	5,011	GBP	4,474	–	–
	JPY	2,933,900	GBP	15,678	1	–
	USD	95,722	GBP	75,711	–	(3)
	GBP	15,104	CHF	16,886	–	(21)
	GBP	82,438	USD	104,452	–	(159)
	CHF	5,011	GBP	4,488	1	–
	JPY	2,933,900	GBP	15,744	2	–
	USD	95,722	GBP	75,699	–	(6)

Settlement		Asset value £'000	Liability value £'000
	Open forward contracts at 31 March 2024	7,479	(5,444)
	Net forward contracts at 31 March 2024		2,035
	Open forward contracts at 31 March 2023	7,775	(5,580)
	Net forward contracts at 31 March 2023		2,195

### 16. Fair values – basis of valuation

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

The fair values of current financial assets and current financial liabilities at 31 March 2024 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Current financial assets and liabilities are accounted for as financial instruments and held at amortised cost.

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

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases is set out in a table below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used this year.

## 6. Notes to the Fund Account continued

### 16. Fair values – basis of valuation continued

#### 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.

Basis of valuation	Valuation hierarchy level	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Pooled Global Equities	1	Unadjusted quoted bid market prices.	Not required.	Not required.
Cash and cash equivalents	1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments.	Not required.	Not required.
Amount receivable for sale of investments	1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments.	Not required.	Not required.
Fixed Income funds	2	Unadjusted market values based on current yields.	Not required.	Not required.
Forward foreign exchange derivatives	2	Market forward exchange rates at year-end.	Exchange rate.	Not required.
Pooled Diversifying Strategies	2	Independently audited net asset value	Discount rates, cash flow projections.	Not required.
Long term credit	3	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2018 or equivalent.	Discount rates, cash flow projections.	Valuations can be affected to changes to cashflows and discount rates.
Pooled Real Estate Investments	3	The Real Estate ASC is valued in accordance with RICS Red Book valuation methodology. The valuations are used to calculate the unit price.	NAV-based pricing set on a forward pricing basis.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Private Equity, Infrastructure investments and non-pooled diversifying strategies	3	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2022 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cash flows; differences between audited and unaudited accounts.

## 6. Notes to the Fund Account continued

### 16. Fair values – basis of valuation continued

#### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments at 31 March 2024. This table excludes the investment in LPP group.

	Assessed valuation range	Value at 31 March 2024	Value increase	Value decrease
	(+/-)	£'000	£'000	£'000
Private Equity	4.6%	598,857	626,266	571,447
Infrastructure	4.6%	930,549	973,140	887,958
Diversifying Strategies	4.6%	3,875	4,053	3,698
Credit	4.6%	978,791	1,023,591	933,992
Real Estate	6.9%	724,873	774,816	674,929
		3,236,946	3,401,866	3,072,025

Restated	Assessed valuation range	Value at 31 March 2023	Value increase	Value decrease
	(+/-)	£'000	£'000	£'000
Private Equity	4.8%	585,478	613,703	557,253
Infrastructure	4.8%	939,741	985,044	894,438
Diversifying Strategies	4.8%	718	752	683
Credit	4.8%	736,462	771,965	700,959
Real Estate	6.6%	729,327	777,212	681,443
		2,991,726	3,148,677	2,834,776

## 6. Notes to the Fund Account continued

### 16a. Fair value hierarchy

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit or loss	4,422,295	421,771	3,236,946	8,081,012
Financial liabilities at fair value through profit or loss	–	(5,444)	–	(5,444)
<b>Net financial assets</b>	<b>4,422,295</b>	<b>416,327</b>	<b>3,236,946</b>	<b>8,075,568</b>

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value 31 March 2023 (restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit or loss	3,804,091	652,304	3,004,225	7,460,620
Financial liabilities at fair value through profit or loss	–	(5,580)	–	(5,580)
<b>Net assets</b>	<b>3,804,091</b>	<b>646,724</b>	<b>3,004,225</b>	<b>7,455,040</b>

#### Reconciliation of Level 3 assets

	Market value at 31 March 2024	Purchases during the year	Sales during the year	Realised gains/(losses)	Unrealised gains/(losses)	Restated market value at 31 March 2023
Private Equity	598,857	31,389	(47,315)	–	16,805	597,978
Infrastructure	930,548	17,261	(16,457)	(5,908)	(4,088)	939,740
Credit	978,793	133,769	2	–	108,559	736,464
Diversifying Strategies	3,876	1,653	(2,723)	(49)	4,277	718
Real Estate	724,872	87,784	(15,694)	–	(76,544)	729,327
<b>Total</b>	<b>3,236,946</b>	<b>271,856</b>	<b>(82,187)</b>	<b>(5,958)</b>	<b>49,008</b>	<b>3,004,226</b>

The credit asset, being LPPI credit, has been reclassified from Fair value Level 2 to Fair value Level 3 as at 31 March 2023 due to these assets being incorrectly classified in the previous years accounts in accordance with IFRS 13. The change is as a result of the unavailability of observable market data to input into the valuation of this asset class.

Credit has been included in the opening balance of the reconciliation of Level 3 assets. In the prior year disclosure of the analysis of assets in accordance with the fair value hierarchy, the credit asset, being £736.5 million, has been transferred from Level 2 to Level 3. The detail of the changes are shown in the prior period error note 27.

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

## 6. Notes to the Fund Account continued

### 17. Classification of financial instruments

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

#### Category

	Market value at 31 March 2024 £'000	Market value at 31 March 2023 £'000
<b>Financial assets – fair value through profit and loss</b>		
Pooled investments:		
– Fixed Income	191,942	77,549
– Equities	4,290,920	3,782,095
– Credit	978,791	736,462
– Private Equity	586,357	585,478
– Infrastructure	930,437	939,596
– Real Estate	724,873	729,327
– Diversifying Strategies	222,351	566,935
	<b>7,925,671</b>	<b>7,417,442</b>
Non-pooled investments		
Equities	11	88
Private Equity	12,500	12,500
Infrastructure	112	146
Diversifying Strategies	3,875	718
Managed Funds	–	43
Forward exchange contracts	7,479	7,775
<b>Total financial assets at fair value through profit and loss</b>	<b>7,949,649</b>	<b>7,438,712</b>
<b>Assets at amortised cost</b>		
Cash managed by LPPI	111,081	–
Cash at investment managers	2,378	5,657
Investment income due	6,692	1
Amounts receivable for sales	11,213	16,250
Cash balances	12,029	175,662
Current assets – Note 21	8,181	17,951
<b>Total – Financial assets at amortised cost</b>	<b>151,574</b>	<b>215,521</b>
<b>Finance liabilities – fair value through profit and loss</b>		
Forward exchange contracts	(5,444)	(5,580)
<b>Finance liabilities – at amortised cost</b>		
Current liabilities – Note 22	(414)	(499)
<b>Total – Liabilities</b>	<b>(5,858)</b>	<b>(6,079)</b>
<b>Grand total</b>	<b>8,095,364</b>	<b>7,648,154</b>

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

## 6. Notes to the Fund Account continued

### Note 17a. Net gains and losses on financial instruments

	2023-24 £'000	2022-23 £'000
<b>Financial assets</b>		
Fair value through profit and loss	676,368	205,139
<b>Financial liabilities</b>		
Fair value through profit and loss	(122,529)	(118,261)
<b>Total financial assets at fair value through profit and loss</b>	<b>553,839</b>	<b>86,878</b>

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

#### Risk and risk management

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

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

#### Market risk

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

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

#### Market risk – sensitivity analysis

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

The expected volatility over a 1-year time horizon is used as one risk measure for the Fund and is measured as a one standard deviation movement in the returns for each of the major asset classes in which the Fund is invested. The expected volatility provides a measure of the potential largest change in the value of the Fund in around 2/3rds of the time. The total Fund volatility considers the expected interactions between the different asset classes, based on underlying volatilities and correlations of the assets. LPPI uses economic scenario generation (ESG) to model future returns. Ortec Finance's (Ortec) ALM software (GLASS) is used to generate 2,000 future economic scenarios and analyse future investment returns stochastically. Assumptions around future economic conditions and asset class risk and return are primarily Ortec's, however LPPI specifies the weights of Ortec's sub-asset class building blocks for each asset class to best reflect the asset classes which LPPI manages.

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

## 6. Notes to the Fund Account continued

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

Asset class	2024 1 year expected volatility (%)	2024 % of Fund	2023 1 year expected volatility (%)	2023 % of Fund
Global Equities	16.4	53.5	19.0	49.8
Private Equity	25.2	7.0	25.0	7.7
Real Estate	13.2	9.1	13.6	9.6
Fixed Income	3.6	2.4	3.6	1.0
Infrastructure	15.6	11.5	15.1	12.4
Credit	8.1	11.9	9.7	9.7
Diversifying Strategies	5.4	2.9	6.2	7.5
Cash	0.0	1.6	0.0	2.2
<b>Total Fund</b>	<b>11.9</b>	<b>100</b>	<b>12.9</b>	<b>100</b>

The value of the Fund as at 31 March 2024 was £8,031 million (2023: £7,658 million) and the expected volatility was 11.9% (2023: 12.9%). Given these figures, we would expect that in roughly 2/3rds of outcomes the value of the Fund would lie between £8,986 million (2023: £8,646 million) and £7,075 million (2023: £6,676 million) in 12 months' time, expressed in today's equivalent present value.

#### Interest rate risk

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

The Fund is also exposed to interest risks within its pension liabilities.

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

#### Currency risk

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

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

#### Currency risk sensitivity analysis

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

## 6. Notes to the Fund Account continued

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

The expected standard deviation of the Fund's significant currency exposure is based on 12-month market implied volatilities taken from Bloomberg as at 31 March 2024. The following tables summarise the Fund's approximate currency exposure and expected 12-month volatility by currency as at 31 March 2024 and as at the previous period end:

Value at 31 March 2023 £m	Implied volatility %	Currency	Value at 31 March 2024 £m	Implied volatility %
2,732	9.7	USD	3416	7.2
379	12.2	JPY	241	9.4
759	7.0	EUR	924	5.1
133	8.6	CAD	141	6.1
57	8.2	CHF	60	6.4

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 predominantly from investments in fixed income securities within the pooled funds, where the issuer may default or is unable to pay its obligation when due. The Fund seeks to minimise its credit risk by the selection of high quality counterparties, brokers and financial institutions.

Credit risk also arises with LPFA deposits held with banks and financial institution. The majority of the cash balance is held by the fund manager in the LPFA LPPI cash account. This cash is placed money market funds in accordance with the recommendation of the fund manager.

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

The LPFA believes it has managed its exposure to credit risk, and has had no experience of default and uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2024 was £111.0 million (2023:£160.9.million).

#### Liquidity risk

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

LPFA manages its liquidity risk by forecasting future cash requirements and having immediate access to enough funds, either through cash holdings or holding highly liquid assets that can be readily liquidated if required. The LPFA has immediate access to its cash holdings with the LPFA LPPI cash account held by the custodian Bank of New York Mellon (BNYM) and Lloyds Bank Plc.

The LPFA defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2024, the value of illiquid assets (Private Equity, Infrastructure, Real Estate, non-pooled Diversifying Strategies) was £3,236 million, which represented 40.31% of total LPFA assets (31 March 2023 restated: £3,004 million which represented 39.23% of the total LPFA assets).

All financial liabilities at 31 March 2024 are due within one year.

## 6. Notes to the Fund Account continued

### 19. Cash balances

	31 March 2024 £'000	31 March 2023 £'000
Short-term deposits	12,029	175,662
Cash at investment managers	113,460	5,657
	<b>125,489</b>	181,319

### 20. Additional Voluntary Contributions Investments

	31 March 2024 £'000	31 March 2023 £'000
Prudential	14,186	13,461

### 21. Current assets

	31 March 2024 £'000	31 March 2023 £'000
Contributions due – employees	3,058	4,355
Contributions due – employers	4,562	8,861
Bulk transfers receivable	13,091	–
VAT	2,388	2,388
Sundry debtors	8,181	17,951
	<b>31,281</b>	33,555

### 22. Current liabilities

	31 March 2024 £'000	31 March 2023 £'000
Sundry creditors	415	499
Other taxes	4,050	3,257
Cessation amounts payable	79,335	–
Benefits payable	4,427	2,587
	<b>88,226</b>	6,343

## 6. Notes to the Fund Account continued

### 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 Chair of London Councils. London Councils paid employer contributions of £0.7 million (2023: £1 million) and it is noted that she has no pecuniary interest in financial matters. Christina Thompson was the Director of Finance and Property and the Section 151 Officer at the London Borough of Lambeth. The London Borough of Lambeth paid employer contributions of £0.03 million (2023: £0.07 million). The London Councils are an Admitted body in the Fund, whereas Lambeth is a Scheduled body in the Fund.

Board members, via their employment with the LPFA, are not enrolled in the Pension Fund.

The Office of the Mayor of London is issued with a draft of the LPFA Medium Term Financial Plan by the end of December and has the opportunity to provide feedback. As the Office of the Mayor of London is part of the Greater London Authority and it is a participating employer, the employer contributions are deemed to be related party transactions. The Greater London Authority paid employer contributions of £7.2 million (2023: £7.7 million) during the year.

LPFA Operational, being the administering authority, is deemed to be a related party and the transactions with the Fund are reflected in its accounts. The LPFA Operational Accounts include costs recharged to the Pension Fund totaling £6.5 million (2023: £6.2 million).

LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries Local Pensions Partnership Investments Ltd (LPPI) and Local Pensions Partnership Administration Ltd (LPPA) on 8 April 2016. LPP is a related party of LPFA. In addition, in 2020 the LPFA acquired a £12.5 million direct investment in LPP, being GBP 12.5 million non-voting £1 ordinary shares. This is included as private equity within investment assets. LPPI invoiced the scheme £9 million (2023: £8 million) for investment fees and the administration service costing £2.6 million (2023: £2.3 million) was provided by LPPA.

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

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

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

## 6. Notes to the Fund Account continued

### 24. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2024 totalled £245.2 million (2023: £278.4 million) based on:

Currency	Commitment	Exchange rate	£
US\$	151,237,346	1.263	119,721
CHF	7,029,000	1.138	6,178
EUR	67,509,389	1.170	57,716
GBP	61,613,789	1.000	61,614
<b>Total</b>			<b>245,229</b>

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

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

### 25. Actuarial present value of promised retirement benefits

In addition to the triennial valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities in accordance with IAS 26, every year using the results of the latest Triennial Actuarial Valuation, which for this report was at 31 March 2022, estimated income and expenditure for the year, fund returns for the year and details of any new retirements for the year that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

The present value of the defined benefit obligation at 31 March 2024 of the Fund was £6,838.7 million (2023: £6,748.1 million). The net asset for the Fund at 31 March 2024 was £1,199.7 million (2023: asset £840 million).

#### Key assumptions used

Life expectancy from age 65 (years)	31 March 2024	31 March 2023
<b>Retiring today</b>		
Males	<b>20.90</b>	21.10
Females	<b>23.70</b>	23.90
<b>Retiring in 20 years</b>		
Males	<b>21.90</b>	22.20
Females	<b>25.10</b>	25.40

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

## 6. Notes to the Fund Account continued

### 25. Actuarial present value of promised retirement benefits continued

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

	31 March 2024 % p.a.	31 March 2023 % p.a.
RPI increases	<b>3.30</b>	3.35
Salary increases	<b>3.90</b>	3.90
Pension increases (CPI)	<b>2.90</b>	2.90
Discount rate	<b>4.85</b>	4.80

These assumptions are set with reference to market conditions at 31 March 2024.

	31 March 2024	31 March 2023
Base table	<b>Club Vita tables</b>	Club Vita tables
Multiplier (M/F)	<b>1</b>	1
Future improvements model	<b>CMI_2022</b>	CMI_2021
Long-term rate of improvement	<b>1.25% p.a.</b>	1.25% p.a.
Smoothing parameter	<b>7</b>	7
Initial addition parameter	<b>0.0% p.a.</b>	0.0% p.a.
2020 weighted parameter	<b>0%</b>	5%
2021 weighted parameter	<b>0%</b>	<b>5%</b>
2022 weighted parameter	<b>25%</b>	n/a

Sensitivity analysis	£000	£000	£000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,737,808	6,838,742	6,942,231
<b>Adjustment to long-term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,843,973	6,838,742	6,833,549
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,938,882	6,838,742	6,741,013
<b>Adjustment to mortality age life expectancy assumption rating</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	7,130,483	6,838,742	6,560,668

These assumptions are set with reference to market conditions at 31st March 2024.

## 6. Notes to the Fund Account continued

### 26. Key management personnel

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

	2023-24 £'000	2022-23 £'000
Short term benefits	926	740
Pension	97	49
	<b>1,023</b>	789

### 27. Prior period error – fair value Level 3 reclassification

The 2022-23 accounts included an error as the credit asset, being £736.5 million, was categorised as a Level 2 when it should have been treated as Level 3 as observable inputs were not available to value this asset class.

The correction has led to the comparative Level 2 assets in note 16 being reduced by £736.5 million and the Level 3 assets increasing by the same value.

Market value at 31 March 2023 (restated)	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit or loss	3,804,091	652,304	3,004,225	7,460,620
Financial liabilities at fair value through profit or loss	–	(5,580)	–	(5,580)
<b>Net assets</b>	3,804,091	646,724	3,004,225	7,455,040

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

## 6. Notes to the Fund Account continued

### 27. Prior period error – fair value Level 3 reclassification continued

The comparative sensitivity note within note 16 has been updated to include the credit asset that has been recategorised as Level 3.

<b>Restated</b>	<b>Assessed valuation range</b>	<b>Value at 31 March 2023</b>	<b>Value increase</b>	<b>Value decrease</b>
	<b>(+/-)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Private Equity	4.8%	585,478	613,703	557,253
Infrastructure	4.8%	939,741	985,044	894,438
Diversifying Strategies	4.8%	718	752	683
Credit	4.8%	736,462	771,965	700,959
Real Estate	6.6%	729,327	777,212	681,443
		2,991,726	3,148,677	2,834,776

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

The reclassification of LPPI credit has also impacted liquidity risk within note 18 because it has been included within the comparative value of illiquid assets increasing the value from to £2,267.8 million to £3,004.2 million.

## 7. Actuary's Statement as at 31 March 2024

### Introduction

The last full triennial valuation of the London Pensions Fund Authority Pension Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 22 March 2023.

### Asset value and funding level

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

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

### Contribution rates

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

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

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

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

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

## 7. Actuary's Statement as at 31 March 2024 continued

### Assumptions

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

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

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

### Updated position since the 2022 valuation:

#### Assets

In the 12 months to 31 March 2024 the investment return on the Fund's assets is estimated to have been 8.0% per annum. This has helped to offset the lower-than-expected return in the year to 31 March 2023. As at 31 March 2024, in market value terms, the Fund's assets were slightly less than where they were projected to be based on the previous valuation.

#### Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2024, the real discount rate calculated using the same methodology as at 31 March 2022 but updated for changes in market conditions is broadly unchanged compared with the 2022 valuation.

The value of liabilities will have increased since the 2022 triennial valuation, due to interest accrued over the period as well as actual inflation being higher than previously anticipated. On top of the 10.1% 2023 pension increase order, accrued benefits increased by 6.7% in line with the 2024 pension increase order, which is higher than the pension increase assumption at the previous valuation, increasing the value of liabilities further.

#### Overall position

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

Were we to carry out a valuation at 31 March 2024 based on the same data and methodology for deriving the assumptions used for the 31 March 2022 valuation, we estimate that the average primary contribution rate across all employers would be broadly unchanged due to the broadly unchanged real discount rate compared to 31 March 2022. The impact of the weakened funding position on secondary contributions would vary by employer.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. This will take into account changes in market conditions, assumptions and membership data, all of which could mean the outcomes are different to those we are currently estimating.

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

#### Liam Drysdale FFA

Partner, Barnett Waddingham LLP

## 8. Employers participating in the Fund

Employer body	Contribution rate %	Employer body	Contribution rate %
Apleona HSG LTD	26.40	L.B. of Hackney	10.50
Association of Colleges	18.50	L.B. of Hammersmith & Fulham	11.60
Babcock Critical Services Ltd	14.20	L.B. of Islington	12.20
Babcock Training Limited	14.00	L.B. of Lambeth	12.30
Bishop Thomas Grant School	11.10	L.B. of Lewisham	14.20
British Film Institute	15.50	L.B. of Southwark	12.70
Brunel University	16.00	L.B. of Tower Hamlets	10.50
BUVFC	20.60	L.B. of Wandsworth	11.00
Capital City College Group	9.50	La Retraite RC Girl's School	14.30
Caterlink	19.70	La Sainte Union Convent School	8.10
CfBT Education Trust*	–	Lee Valley Regional Park Authority	13.80
Charlotte Sharman Foundation Primary School	5.60	Lionheart (RICS Benevolent Fund)	15.00
City Literary Institute	13.60	Local Government and Social Care Ombudsman	5.00
City University	13.30	Local Pensions Partnership Administration	13.40
Compass Brunel Catering	6.00	Local Pensions Partnership Investments	11.00
Computacenter Ltd	14.50	London Councils	7.70
Coram's Fields	14.90	London Fire Commissioner	14.20
Corpus Christi School	14.90	London Legacy Development Corporation	12.00
Dulwich College	23.50	London Metropolitan University	10.30
Dunraven School	12.60	London Nautical School	7.40
Ealing, Hammersmith & West London College	5.80	London Pensions Fund Authority	13.10
East London Waste Authority	13.70	London South Bank University	15.50
English Sports Council	6.40	London South East Colleges	6.80
Food Standards Agency	19.10	London Treasury Ltd	9.50
Food Standards Scotland	9.30	Mary Ward Centre	8.90
Freedom Leisure	27.80	Morley College	16.00
Friars School	19.40	New City College	7.00
Geffrye Museum Trust Ltd.	6.90	Newcastle College Group	14.00
GLL (Lee Valley Regional Authority)	14.90	Notre Dame School	10.30
Goldsmiths, University of London	14.80	Notting Hill Genesis	33.10
Greater London Authority	9.50	Nourish Contract Catering Limited	14.00
Greenwich Leisure Limited	25.80	NSL Limited	15.50
Horniman Museum & Gardens	16.90	Old Oak And Park Royal Development Corporation (OPDC)	10.40
Ibstock Place School	13.10	Open College Network London Region	6.80
Immanuel & St Andrew C of E Primary School	13.50	Orchard Hill College & Academies	7.10
Joskos Solutions	7.10	Poplar Harca	28.70
Julian's Primary School	13.10	R.B. of Kensington & Chelsea	14.80
L.B. of Camden	12.30	Roehampton University	19.80
L.B. of Greenwich	11.50	Royal Central School of Speech & Drama	14.80

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

## 8. Employers participating in the Fund continued

Employer body	Contribution rate %
Sacred Heart School	17.20
SITA UK Ltd	20.10
South Bank Colleges	14.30
South Thames College Group	11.90
Sport and Recreation Alliance Limited	2.00
St Andrews RC Primary School	16.30
St Anne's RC Primary School	9.90
St Anthony's School	13.20
St Bede's GM Infant & Nursery School	11.70
St Bernadette's School	19.40
St Francis Xavier 6th Form College	10.20
St Joseph RC Infant School	18.50
St Joseph RC Junior School	18.10
St Martin in the Field High School	10.20
St Mary's RC Primary School	11.60
St Michael's RC School	13.70
St Thomas the Apostle College	12.00
Surrey Square Primary School	10.10
The English Institute of Sport	5.80
The Froebel Trust	21.70
Transport for London	15.30
Trinity Laban	8.60
Turney School	5.40
Turnham Primary GMS School	2.90
UAL Short Courses Ltd	22.00
UK Anti-Doping	4.20
United Colleges Group	15.60
United Kingdom Sports Council	9.10
University of Arts London	14.90
University of Greenwich	15.00
University of St. Mark & St. John	10.10
University of Westminster	14.80
Valuation Office Agency	10.50
Valuation Tribunal Service	16.30
Van Gogh Primary School	16.00
West London Waste Authority	14.60
Western Riverside Waste Authority	4.10