

LONDON PENSIONS FUND AUTHORITY
STATEMENT OF PENSION FUND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2020

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

Information

Directors	John Preston (Chairman) (appointed 1 January 2020) Sir Merrick Cockell (Chairman) (retired 31 December 2019) Terence Jagger Dermot McMullan Tamlyn Nall Nigel Topping (resigned 31 January 2020) Dr Barbara Weber Tony Newman Ruth Dombey Christina Thompson
Chief Executive Officer	Robert Branagh
Commercial and Finance Director	Morenike Ajayi (appointed 9 September 2019)
S151 Officer	Abigail Leech
Business Address	2nd Floor 169 Union Street London SE1 0LL
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Bishopgate London EC2N 4AY
Bankers	Lloyds Bank 4th Floor 25 Gresham Street London EC2V 7HN
Lawyers	Eversheds Sutherland Eversheds House 70 Great Bridgewater Street Manchester M1 5ES

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London Pensions Fund Authority Pension Fund Statement of Accounts

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1 Narrative Report 31 March 2020

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 2019/20 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 2020.
- Notes and accounting policies to support the Pension Fund accounts.

The Pension Fund Annual Report

The LPFA is required to prepare an Annual Report of its activities for distribution to its members. This report does not form part of the annual accounts and is completed after the accounts have been finalised. The Pension Fund Statement of Accounts is included within the Annual Report, together with other information in line with best practice guidance.

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For the year ending 31 March 2020

1 Narrative Report (continued)

Review of Financial Performance

Pension Fund actual results compared to budget

Pension Fund	Actual 2019/20 £000	Budget 2019/20 £000	Variance 2019/20 £000
Dealings with members and employers			
Contributions	156,966	147,300	9,666
Transfers in	66,018	11,100	54,918
Benefits payable	(274,215)	(260,200)	(14,015)
Transfers out	(17,440)	(11,100)	(6,340)
Net dealings with members and employers	(68,671)	(112,900)	44,229
Management expenses			
Investment management	(67,104)	(46,900)	(20,204)
Administration	(1,860)	(1,860)	-
Oversight & governance	(2,986)	(2,905)	(81)
Investment services Fee LPPI	(1,075)	(2,300)	1,225
Total management expenses	(73,025)	(53,965)	(19,060)
Returns on investments			
Net investment income	155,316	58,400	96,916
Taxes on income	(793)	-	(793)
Change in market value	(183,038)	417,600	(600,638)
Total return on investments	(28,515)	476,000	(504,515)
Net inflow/(outflow) to the Fund	(170,211)	309,135	(479,346)

Overview of the year

The net outflow from the fund for the year was £170.2m compared to a budgeted inflow of £309.1m. The unfavourable variance of £479.3m was due to the change in market value of investments being a fall of £183.0m rather than the budgeted increase of £417.6m. These losses occurred in the last quarter of the year primarily as a result of the market response to the COVID-19 pandemic.

Dealings with members and employers

The net loss from dealings with members and employers is a favourable variance of 39.2% mainly due to a 494.8% increase in bulk transfers above budget. In addition, contribution income increased by 6.6% above budget arising from a 4.9% increase in active members and increases, ranging from 2% to 4%, in the amount of deficit contributions paid by employers. The rate of normal contribution remained unchanged but the salaries that these rates were applied to have increased due to the annual increase in the salaries paid.

This increase in income was partially offset by an increase in benefit payments of 5.4% above budget, partly due to a 1.6% increase in pensioner numbers and the annual percentage increase in pensions paid to pensioners.

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1 Narrative Report (continued)

Management expenses

Management expenses have increased by 35.3% mainly due to an increase in Investment Fees. Investment fees, including those deducted from the investment funds, have increased by 43.1% above budget, partly due to a significant increase in the net asset value for the first three quarters of the year leading to a significant increase in performance fees.

Returns on investments

Investment income is £155m, being £97m and 166.0% above the budgeted income for the year. This is predominantly due to the significant incomes from LPP Private Equity investments.

The reduction in market value compared to the budget is predominantly due to a 4% loss on the LPPI Global Equity fund, significant losses on forward exchange contracts and a 46% fall in non-pooled equities. The budget was based on achieving growth of 5% per annum. The results are significantly below budget as a result of a sharp fall in investments from February to March 2020 as a result of the market reaction to the COVID pandemic.

Investment assets

The value of investments fell by £87m from £5.820bn to £5.733bn. This was due to the fact that the change in market value was a loss of £183.0m but this loss was partially offset by purchases in the year.

The new LPPI Real estate pool was launched during the year. The real estate funds and the properties previously held directly by LPFA have now been moved within the LPPI Real Estate pool and the scheme now owns units in this investment vehicle.

Movement in non-investment assets

Cash balances held directly by LPFA reduced from £170.4m to £100.3m due to the purchase of investments in the year of £90.5m and an outflow from dealing with members of £68.7m, although the net reduction was mitigated by the receipt of investment income.

Current assets have reduced by £13.6m mainly due to a £9m reduction in sundry debtors. The 2018/19 balance included a £9.7m payment in advance relating to a property acquisition that was completed in 2019/20. In addition, bulk transfers receivable are £5m lower than the amount due at the end of 2018/19.

Current liabilities have reduced by £1.0m due to the cessation of output VAT on investments properties now that they have been transferred to the real estate pool. The 2018/19 property VAT balance included a voluntary declaration that was paid during 2019/20.

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1 Narrative Report (continued)

Retirement benefits

The Fund financial statements disclose the liability to pay retirement benefits under IAS 26. The Fund's pension liabilities relate to the obligation to pay retirement benefits to its pensioners, active and deferred members.

Date the Statement of Accounts were authorised for issue

The Statement of Accounts were authorised for issue by the Audit and Risk Committee on 16 November 2020. Post balance sheet events have been considered up to the date the accounts were signed off by the auditor.

Further information

Further information about these accounts is available from London Pensions Fund Authority, 2nd Floor, 169 Union Street, London SE1 0LL. In addition further information on the LPFA performance in service and corporate areas can be seen alongside a summarised version of the accounts in the LPFA Annual Report, which can be requested at the address above.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

2 Statement of Responsibilities

LPFA's responsibilities

LPFA is required to:

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

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

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

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

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

Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

A. M. Leech

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Abigail Leech, Section 151 Officer

Dated: 30 November 2020

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

3 Annual Governance Statement 2019/20

The majority of LPFA's functions are outsourced, since April 2016, to the Local Pensions Partnership Ltd (LPP Group) under a Service Level Agreement (SLA). LPP Group is a business which is owned jointly by the LPFA with Lancashire County Council (LCC). As a shareholder and a client, the LPFA has an important role (along with LCC) in ensuring that the LPP Group remains accountable and provides the necessary assurance to the LPFA in its capacity as an Administering Authority (Authority) that services are being delivered in accordance with the SLA.

As a Local Government Pension Scheme (LGPS) Authority and a statutory corporation, the statutory and regulatory responsibilities of the LPFA Board (Board) remain. LPFA is responsible for the strategic aspect of pension fund management; however, the implementation of the Board's strategy and policies are carried out by LPP Group.

LPFA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Board is informed of regulatory changes prior to decisions being made, often with the input of LPP Group as a key service provider.

In discharging this overall responsibility, LPFA is responsible for ensuring that its functions are exercised within an effective risk management framework and that strong governance controls are in place. The operational aspects of this have been outsourced to LPP Group but the Board remains responsible for monitoring the robustness of these arrangements.

LPFA is committed to continuous improvement, value-for-money and social responsibility and, as an active shareholder, we support similar efforts within the LPP Group. LPFA will maintain its proactive engagement to ensure that the Fund continues to deliver economies of scale and that it is serviced as per the terms set out in the Shareholder Agreement which defines LPP Group matters reserved for shareholder approval. As such, significant time and resource will continue to be given to shareholder oversight of the outsourced functions to LPP Group through the administration subsidiary (Local Pensions Partnership Administration Ltd (LPPA)) and the investment subsidiary (Local Pensions Partnership Investments Ltd (LPPI)).

LPFA's Governance Framework

LPFA's governance framework comprises the systems, processes, culture and values, by which it is directed and controlled, and the activities for which it is accountable. It enables the Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. At its core, the LPFA governance framework seeks to ensure high-level performance and stewardship through the efficient administration of pensions payments and that there are sufficient funds available to continue to meet such payment obligations over the long term.

LPFA's Constitutional Document clearly defines the roles of Principal Officers, which provides greater clarity in effective working relationships across the Authority. The Board, at its first meeting of the financial year, reviews the Committee membership, confirms the Chair of its Standing Committee and assesses whether the Constitutional Document is still 'fit and proper' in delivering its governance arrangements. The Authority is kept informed of the LPP Group governance framework and continues to enhance Shareholder engagement to ensure LPP Group are operating effectively in meeting their obligations under the Shareholder Agreement.

The Board outlined its vision in 2019 the importance of a broader stewardship role to consider how member funds are invested in a way which 'also impacts the future of our economy, our environment, our society and therefore our Members future'. It continues to receive progress on the recommendations from the latest external Board evaluation. The Board operates as per its matters reserved and holds an annual Away Day where priorities are agreed.

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3 Annual Governance Statement 2019/20

In December 2019, the LPFA saw the retirement of the long serving LPFA Chair, Sir Merrick Cockell, who was instrumental in the formation of LPP Group and played an exemplary role in developing 'pooling' in the LGPS through the LPP Group. Following an open and transparent appointment process by the Greater London Authority (GLA) and attendance at the London Assembly's Confirmation Hearing, John Preston was appointed as the new LPFA Chair and commenced his initial four year term in January 2020. A tailored and comprehensive three month induction programme was arranged including relevant detailed sessions with LPP Group subject matter specialists and an online information pack was provided to enable the new Chair to perform his role effectively.

Given the increasing volume of work for the Authority and the Fund, particularly from a regulatory perspective, LPFA have made several new appointments within its management team. These colleagues provide specialist oversight and allow the LPFA to hold the LPP Group more fully and effectively to account for the services and activities which are outsourced to LPP Group. These roles, covering Finance, Communications, Funding & Risk and Compliance & Governance, support the LPFA's Principal Officers (the Chief Executive Officer, Section 151 Officer and Monitoring Officer). In recognition of extremely strong performance during the course of the 2019/20, the LPFA Board supported the appointment of the LPFA Managing Director (MD) to the role of CEO and extended the remit of the role to include development of future business strategy, as well as expanding the LPFA's relationship with external stakeholders. Given the resetting of LPP Group's 5-year strategy from 2020, there will also be more time required of the CEO in supporting and overseeing LPP Group's continuing success and development alongside the Shareholder relationship.

LPFA's Governance Framework - Local Code of Corporate Governance

A key component of LPFA's governance framework is the Local Code of Corporate Governance (Code). This Code is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 edition)*.

This Code sets out the governance systems, processes and controls used by LPFA in the delivery of its functions and encompasses the following:

- LPFA's vision, aims, behaviours and decision-making process, including training and induction program.
- Approach to Environmental, Social, Governance arrangements, including responsible investment and climate change.
- LPFA's decision making, reporting and oversight of the LPP Group through compliance with agreed SLA's.
- Committee structures, performance monitoring and how the use of resources are monitored.
- How fraud, risk management and conflicts of interest policies are managed, including the division of responsibilities between LPFA and LPP Group.
- Officer-specific functions, including the roles of both the Section 151 Officer and the Monitoring Officer. The enforcement of Code of Practice for members and Code of Conduct for Staff.
- The role of the Audit & Risk Committee (ARC) and whistleblowing procedures.
- Arrangements to ensure the effective financial monitoring from the LPP Group and use of future resources.
- The Local Pension Board and its remit.
- How LPFA meets the requirements of the relevant accounting standards in relation to the publication of a statement on internal control.

LPFA will continue to control its governance affairs, with the operational aspects outsourced to LPP Group under an SLA. The Code was reviewed and updated in early 2020/21 to reflect the strategic priorities for the year. The changes to the Code were considered by the necessary committees and approved by the Board for publication on the LPFA's website as part of the governance framework.

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3 Annual Governance Statement 2019/20

Impact of Coronavirus (Covid-19)

In light of recent developments around Covid-19 at the end of 2019/20, the LPFA have been actively monitoring the impact to the Fund, as well on its employers, members, investments and employees. With the assistance of LPP Group, measures have been implemented to allow more flexible and remote working practices to be put in place which have ensured the continual provision of services.

The LPFA management team have taken additional steps to engage and inform stakeholders, as well as revalidate the LPFA business continuity plan. The Fund's priorities and risks have been regularly reviewed to focus attention on key areas of concern. This has resulted in increased informal meetings of LPFA Board, as well as additional reviews of procedures, statutory obligations and reporting to meet the Fund's needs.

Annual Internal Audit Report and Opinion

The LPFA internal auditor is required to provide an independent opinion on the Fund's governance, risk management and control framework. The Annual Internal Audit Report and Opinion (Year to 31 March 2020) has been considered in the development of the Annual Governance Statement.

The internal audit work has progressed well, completing 75% of the work by the year end and provided favourable assurance rating that governance arrangements are largely established and embedded. The overall assessment is that the classification of assurance for corporate governance and internal controls is substantial. Due to ongoing work on Risk management with items due for completion in Autumn 2020 and no specific audit on risk management in the past year, rating of limited was provided.

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For the year ending 31 March 2020

3 Annual Governance Statement 2019/20

LPFA's Risk Management Framework

Governance is an essential risk management tool. The LPFA Board promotes a culture of risk management and ensures that this permeates throughout the organisation. The LPFA is supported in its risk oversight by the ARC. ARC is responsible for oversight and advice to the Board on current risk exposures and future risk strategy. This includes the strategy for managing liabilities and the oversight of the embedding and maintenance of a supportive culture in r the management of risk in the organisation.

Highlights of the Risk Management Process – designed to

- (1) Identify, categorise and prioritise the risks to the achievement of LPFA's policies, aims and objectives: LPFA identifies and mitigates a range of risks arising from the external environment (immediate and longer term).
- (2) Evaluate the likelihood of those risks being realised and the impact should they be realised: the CEO is responsible for recommending scores for individual risks to the ARC which are then agreed by the LPFA Board.
- (3) Manage them efficiently, effectively and economically: the risk register is maintained by the LPFA Funding and Risk Director. A regular monitoring and reporting regime is in place with monthly reviews by LPFA Officers and escalation to ARC and the Board of new/high risks, changes to risk scores and any overdue actions. . The key controls in place are also stress tested on a regular basis to ensure that they are sufficiently resilient to enable the Fund to meet its strategic objectives.

The above process is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable (not absolute) assurance of effectiveness. The Fund's assets are audited annually by both external and internal auditors. As part of the audit process, the robustness of LPFA's internal controls system and procedures are also assessed.

During 2019, the LPFA commenced a review of its Risk Framework to ensure that it remained adequate in light of the expansion of the Fund, its outsourcing activities and the macro environment within which it was operating. The Risk Management Principles, and the risk register were refreshed during 2019/20 with additional risks and stronger mitigating controls. This process was facilitated by the then LPFA MD, with oversight by the ARC.

The ARC, as the only standing committee of the Authority, advised the Board on the Authority's overall risk appetite, tolerance and strategy taking into account all relevant factors. A summary of LPFA's risk appetite statement is published on LPFA's website.

The activities of the ARC in 2019/20 will be disclosed in the Pension Fund Annual Report and on LPFA's website. Any enhancements made to the governance framework during the year have been reflected in the Code and actions taken and planned are identified below.

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3 Annual Governance Statement 2019/20

Annual Governance Statement Action Plan

LPFA's progress, is provided below, with updated completion dates against the 2019/20 action plan items which were not finalised and a new action plan is advised for 2020/21

Actions planned for 2019/20:

The following actions in relation to governance and monitoring actions were achieved in 2019/20 (as shown by being greyed out) or have been carried over into 2020/21:

Issue	Action	Lead Officer	Expected timeframe
The Board Chairman's appointment term comes to an end in December 2019	Investment in succession planning, knowledge share/handover of LPFA's history, including building blocks in the decision making of LPP. Ensuring effective induction programmes are in place.	CEO/GLA/Chairman	New Chair appointed October 2019 and commenced the role in January 2020.
LPFA's Staff Governance Handbook has not been updated since the incorporation of LPP	LPP to support the governance review following the appointment of LPFA's additional resources.	CEO	Carried over to 2020/21 To be incorporated into the LPFA policy review plan which regularly reviews policies on an ongoing rolling basis.
Extra resources are required on the LPFA Executive team and thereafter transition the appropriate responsibilities to the relevant appointed personnel.	Scope job descriptions and advertise as appropriate. Provide an effective induction programme and training. Clarity of roles and responsibility to ensure there is no unnecessary duplication with LPP.	LPFA Board, CEO	All Executive roles were appointed by March 2020. Unfortunately, the Compliance and Governance Director was unable to take up the role and the recruitment process was recommenced.
Update of the LPFA's Compliance Policies.	Review and update the compliance policies and assess whether they remain appropriate.	CEO	A review was carried out in 2019. To be considered by the Compliance and Governance Director in conjunction with outsourced LPPI Company Secretarial Services in 2020/21.
Effectiveness review of the Audit & Risk Committee (ARC).	To carry out an internal evaluation facilitated by LPP. The outcome will be reported to the LPFA Board.	CEO	Carried over to 2020/21 Postponed to allow the newly onboarded LPFA Chair to consider all aspects of LPFA governance.
There is no standalone policy on Responsible Investment (RI).	Introductory Board training session on RI and current approaches to RI in Pooled Funds. Following this, a plan will be established to produce a RI policy before the end of the calendar year.	CEO	Approved by the Board in October 2019 and finalised in November 2019.
To explore whether the Investment Panel (IP) should be a standing committee of the authority or continue as a sub-group of the Board.	Clarity on the IP's role and decision-making powers. Develop terms of reference.	CEO	Carried over to 2020/21 Postponed to allow the newly onboarded LPFA Chair to consider all aspects of LPFA governance.

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

3 Annual Governance Statement 2019/20

Annual Governance Statement Action Plan

Actions planned for 2019/20:

Issue	Action	Lead Officer	Expected timeframe
Risk register review and Risk Management Framework	LPP to facilitate the review of LPFA's Risk Framework and CEO/s151 officer to participate the direction of its risk tolerances. Volunteered ARC members to partake in internal review.	CEO/s.151 Officer	Risk Management Principles were agreed in February/March 2020 and significant work was undertaken to the update the Risk register during November 2019 to March 2020 which allowed the LPFA Board to agree use of the new register in early April 2020.
Increased financial and strategic shareholder oversight of LPP	LPP to provide a new 5 year strategic and financial plan to provide a sustainable business with reduced reliance on Shareholders in the future. More regular (monthly) financial oversight of LPP financial performance.	LPFA Board/CEO/Section 151 Officer CEO/Section 151 Officer	Revised LPP strategy and financial plan was approved by the LPFA Board in December 2019 and March 2020, respectively. Regular meetings took place between the LPFA and the LPP Chief Financial Officer.

Actions planned for 2020/21:

The following actions in relation to governance and monitoring actions have been carried over or are planned for 2020/21. The recent expansion of the LPFA executive management team will assist the LPFA CEO with the actions.:

Issue	Action	Lead Officer	Expected timeframe
LPFA's Staff Governance Handbook has not been updated since the incorporation of LPP. (Carried over from 2019/20)	LPP to support the Staff Governance Handbook review following the appointment of LPFA's additional resources.	CEO	Winter 2020/21 To be incorporated into the LPFA policy review plan which reviews policies on an ongoing rolling basis.
Extra resources are required on the LPFA Executive team and thereafter transition the appropriate responsibilities to the relevant appointed personnel. (Carried over from 2019/20)	Scope job descriptions and advertise as appropriate. Provide an effective induction programme and training. Clarity of roles and responsibility to ensure there is no unnecessary duplication with LPP.	LPFA Board, CEO	Summer 2020 A new Compliance and Governance Director was appointed and commenced the role in July 2020.
Update of the LPFA's Compliance Policies. (Carried over from 2019/20)	Review and update the compliance policies and assess whether they remain appropriate.	Compliance and Governance Director	Winter 2020/21 A review was carried out in 2019. Will be considered by the Compliance and Governance Director in conjunction with outsourced LPPI Company Secretarial Services.
Effectiveness review of the Audit & Risk Committee (ARC). (Carried over from 2019/20)	To carry out an internal evaluation facilitated by LPP. The outcome will be reported to the LPFA Board.	Compliance and Governance Director / Chair	Winter 2020/21 Postponed to allow the newly onboarded LPFA Chair to consider all aspects of LPFA governance.

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

3 Annual Governance Statement 2019/20

Annual Governance Statement Action Plan

Actions planned for 2020/21:

Issue	Action	Lead Officer	Expected timeframe
To explore whether the Investment Panel (IP) should be a standing committee of the authority or continue as a sub-group of the Board. (Carried over from 2019/20)	Clarity on the IP's role and decision-making powers. Develop terms of reference.	CEO / Chair	Winter 2020/21 Postponed to allow the newly onboarded LPFA Chair to consider all aspects of LPFA governance.
Review of Service Level Agreement (SLA) between LPFA and LPP with particular focus on Corporate Outsourced Services and Investments.	<u>Corporate Outsourced Services SLA Review</u> The LPFA Executive team will review and engage with LPP to ensure that the current SLA's are suitable and meet the Funds requirements. Investment SLA Review The Funding and Risk Director will review the investment related SLA's as part of a holistic review of the Investment strategy review.	CEO Funding and Risk Director	Winter 2020 A review has been undertaken by the LPFA Executive Team. Negotiations with LPP Group are likely to be concluded by November 2020. Winter 2020
Climate Change Policy Refresh	Continue to engage and work with LPPI on the delivery of LPFA's Climate Change Policy refresh in line with the LPFA's vision and Strategic Policy Statement.	Funding and Risk Director	Autumn 2020 The policy has been revised and submitted to the LPFA Board for approval in October 2020.
Risk Register phase 2: Implementation of the Enterprise Risk Management Software (CAMMS)	The Funding and Risk Director to agree a scope of work with CAMMS and oversee the implementation of the software to allow the risk register to be actively managed, as well as be reviewed by members of the LPFA.	Funding and Risk Director	Autumn 2020
Responsible Investment (RI) policy – Phase 2 – Onboarding	To engage with the LPPI Head of RI to ensure that the new RI policy is accurately reflected in the regular RI reporting.	CEO	Winter 2020
LPFA Internal Audit – Onboard new provider	To onboard and agree the three year plan with the newly appointed internal auditor.	Commercial and Finance Director	Autumn 2020
Update the Scheme of Delegations	Following the onboarding of all the LPFA Executive officers, the LPFA Constitutional Scheme of Delegations will be reviewed and revised to reflect the new team.	CEO	Winter 2020
Risk Framework Review	A more comprehensive review to be undertaken following the successful completion of the Funding Strategy Statement and 2019 Triennial Valuation.	Funding and Risk Director	Spring 2021
Client Risk Management Services	To include a mutually agreed client engagement process with LPPI where LPFA risks managed by LPPI are supported through timely identification, communication and management. Process to also advise the timing and escalation of pertinent risks which relate to shareholder related matters.	Funding and Risk Director / CEO	Spring 2021

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

3 Annual Governance Statement 2019/20

Annual Governance Statement Action Plan

Actions planned for 2020/21:

Issue	Action	Lead Officer	Expected timeframe
Shareholder Risk	Develop a process to advise on the timing and escalation of pertinent risks which relate to shareholder related matters which includes having sight of the LPP Risk Register.	CEO	Spring 2021
Good corporate governance during crisis	To proactively identify, monitor and communicate risks, while ensuring the smooth operation of all necessary functions for a sustained duration. Working closely with LPP to mitigate concerns through the identification of priorities, as well as the timely adoption of revised government and regulatory changes implemented as a result of Covid-19. Sustain internal controls and governance parameters defined in the Constitutional document are maintained. Revalidate the LPFA approach to Business Continuity.	CEO	Winter 2020
Employer Contributions	The Covid-19 pandemic could affect some employers' ability to meet their contribution requirements over 2020/21. To ensure transparent decision-making process which will allow for swift and consistent decision making in line with statutory parameters.	Funding and Risk Director	Spring 2021

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3 Annual Governance Statement 2019/20

We propose to further enhance our governance arrangements by taking steps to address the above matters over the coming year. We believe that these steps will address the need for improvements that may be identified in our review of the effectiveness of these arrangements and we will monitor their implementation and operation as part of our next annual review.



Signed

Robert Branagh, Chief Executive Officer

Dated: 27 November 2020



Signed

John Preston, Chair

Dated: 27 November 2020

Independent auditor's report to the members of the London Pensions Fund Authority on the pension fund financial statements of the London Pensions Fund Authority Pension Fund

Opinion

We have audited the financial statements of the London Pensions Fund Authority Pension Fund (the 'pension fund') administered by the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Independent auditor's report to the members of the London Pensions Fund Authority on the pension fund financial statements of the London Pensions Fund Authority Pension Fund

Emphasis of Matter - effects of Covid-19 on the valuation of Private Equity and Infrastructure investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in note 5 to the financial statements, due to the Covid-19 Pandemic, the valuers of Level 3 investments were left with an unprecedented set of circumstances on which to base a judgement. Due to these factors it is considered that there is a material uncertainty attached to the valuations for these assets. Further detail on the estimation uncertainties for Private Equity and Infrastructures is provided within the Accounts. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the above matters.

Independent auditor's report to the members of the London Pensions Fund Authority on the pension fund financial statements of the London Pensions Fund Authority Pension Fund

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 11, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Section 151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

27 November 2020

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

5a Net Assets Statement as at 31 March 2020

31 March 2019	Notes	31 March 2020
£'000		£'000
5,827,903	Investment assets	5,781,870
	Investment liabilities *	
(7,811)	Derivatives	(49,305)
5,820,092	Total net investments	5,732,565
170,421	Cash balances	100,303
69,994	Current assets	56,423
(7,253)	Current liabilities	(6,248)
6,053,254	Net assets of the Fund available to fund benefits at the year end	5,883,043

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

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 25.

A. M. Leech

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Abigail Leech, Section 151 Officer

Dated: 27 November 2020

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account

1. Description of fund

The LPFA is part of the Local Government Pension Scheme.

a) General

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

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

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

It is a 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.

The Pension Fund is subject to Triennial Valuations by an independent actuary. Employers' contributions are determined by the actuary to ensure that in the long term the Pension Fund's assets match its liabilities. The LPFA's Actuary is Barnett Waddingham, who have supplied an Actuary's Statement. This is shown in Section 7 and should be read in conjunction with these accounts.

The last full triennial valuation of the LPFA Fund was carried as at 31 March 2019 in accordance with the Funding Strategy Statement of the fund. The funding level was 109%. New contribution rates for employers following analysis of the 2019 valuation will come into effect from 1 April 2020. The rates are determined for each employer by the actuary to be sufficient to fund the annual cost of benefits and to clear individual employer deficits that still exist.

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.

Details of the participating employer bodies and their individual contribution rates for the year ended 31 March 2020 are set out on pages 56-59.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account

1. Description of fund

The fund membership was as follows:

2018/19	Fund membership	2019/20
Numbers		Numbers
19,489	Active members	20,574
28,222	Deferred beneficiaries	29,120
35,541	Pensioner / dependents	36,095
5,536	Undecided leavers and frozen refunds	6,551
88,788	Total number of members in pension scheme	92,340

The number of participating employers as at 31 March 2020 was 135 (2019 - 142).

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 2020. Employer's contributions are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2019. The employer average primary contributions rates for the year ranged from 0% to 47.8%.

2. Basis of preparation

The Statement of Accounts summarises the funds transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS) as amended for the public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in note 25 to these accounts.

The LPFA has assessed its financial position, especially in the light of the COVID-19 pandemic that commenced in the final months of the year and the impact this had on the financial markets. The markets reacted adversely to the pandemic and this had a direct impact on the assets of the scheme. The assets fell significantly during February and March 2020 but these recovered quickly after the year-end. The change in market value had increased to over £400m for the quarter ended 30 June 2020.

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

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

2a Accounting standards issued, but not yet adopted

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

3 Summary of significant accounting policies

Fund account - revenue recognition

Contributions

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

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

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

Transfers to and from other schemes

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

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

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

Investment income

All investment income receipts and payments are accounted for on an accruals basis.

Income from pooled investment vehicles accumulation units is not paid but is reinvested automatically.

Investment market value changes comprise all realised and unrealised profits/losses during the year.

Dividends and interest on quoted investments are accounted for when received or quoted ex dividend.

Property-related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The income element of private equity distributions is treated as investment income within the fund account.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

Fund account - expense items

Taxation

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

Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

Management expenses

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

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

Administration expenses consist of the following:

Expenses related to LGPS members and pensioners. These include all activities the pension scheme must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements.

- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers.
- Associated project expenses.

Oversight and governance expenses consist of the following:

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

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

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.
- Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses.

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

Financial assets

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

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

- Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market.
- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). This includes the use of discounted cash flow models which are independently audited.
- Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

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

Cash and cash equivalents

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

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end.

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

Property valuation

Directly held freehold properties are included at the open market value as at the year-end. The directly held property was valued at open market value at 31 March 2019 by an independent valuer, Avison Young.

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

Derivatives

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

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

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

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

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

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

Additional voluntary contributions (AVCs)

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

Financial liabilities

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

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

Actuarial present value of promised retirement benefits

The scheme undergoes triennial actuarial valuations in accordance with Local Government Pension Scheme Regulation 62. The last valuation was conducted as at 31 March 2019 (Actuary's Statement page 55)

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 25).

4 Critical accounting estimates and judgement

Unquoted private equity, infrastructure investments and credit funds

The valuation of private equity, infrastructure and credit investments is highly subjective. They are inherently based on forward-looking estimates and judgement involving factors which include the valuations of companies deemed comparable to the asset being valued, the future cash flow expectations and discount factors used. Unquoted private equities, infrastructure and credit investments are valued by the investment managers at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). The value of unquoted private equities, infrastructure and credit at 31 March 2020 was £1,448m (£1,404m at 31 March 2019). There is a risk that these investments may be under or overstated in the accounts.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (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 IAS26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuary's Statement on page 55 of this report. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised benefits	A triennial valuation is carried out in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations), the Funding Strategy Statement of the Fund and IAS19. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rate, and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For Instance: a) a 0.1% increase in the discount rate would reduce the present value of the total obligation by £150m. The rates have gone down over the past 3 years, currently being 2.35%, 2.4% for 2019 and 2.55% for 2018. b) a 0.1% change in the long-term pension increase would increase the present value of the obligation by £143m. More details on the assumptions are shown in note 25
Private equity, Infrastructure and credit	Private equity, Infrastructure and Credit investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity, Infrastructure and credit investments are valued at £1,448m. The value at 31 March had declined due to the impact of COVID-19 on the markets. There are inherent risks within the valuation technique which means the asset value could vary between plus and minus 5.1%.

Emphasis of matter - property valuation within the LPPI Real Estate Pool

Note 15 describes the basis for valuing investment property in the LPPI Real Estate Pool. The fund managers engaged Avison Young to value the investment properties within the pool. The expert valuation included 'a material valuation uncertainty' as per VP 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to pool valuation than would normally be the case.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Accounts (continued)

Estimation uncertainty - COVID -19

Due to the COVID-19 pandemic, the valuers of Level 3 investments were left with an unprecedented set of circumstances on which to base a judgement. Due to these factors it is considered that there is a material uncertainty attached to the valuations for these assets (see previous page for further details). Further detail on the estimation uncertainties for Private Equities and Infrastructure are in the table above.

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).

During the year a new virus, COVID-19, was discovered that led to a global pandemic. This had an adverse impact on global markets due to uncertainties over the extent of the pandemic, the period of isolation required to control the rate of infection and the impact this would have on world economies. As events unfolded after the year-end it was not felt necessary to make additional adjustments to the accounts. This is explained in note 24.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

5 Fund account

2018/19	Notes	2019/20	
£'000		£'000	
Dealing with members, employers and others directly involved in the Fund			
152,187	Contributions	7	156,966
55,879	Transfer in from other pension funds	8	66,018
208,066			222,984
(266,307)	Benefits	9	(274,215)
(14,169)	Payments to and on account of leavers	10	(17,440)
448	Capital Funding costs		-
(280,028)			(291,655)
(71,962)	Net withdrawals from dealings with members		(68,671)
(52,778)	Management expenses	11a	(73,025)
(124,740)	Net withdrawals including fund management expenses		(141,696)
Returns on investments			
169,584	Investment income	12a	155,316
54	Taxes on income		(793)
354,082	Profit and Loss on disposal and change in value of investments	13a	(183,038)
523,720	Net returns on investments		(28,515)
398,980	Net increase/(decrease) in net assets available for benefits during the year		(170,211)
5,654,274	Opening net assets of the scheme		6,053,254
6,053,254	Closing net assets of the scheme		5,883,043

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

7. Contributions

By Category

2018/19		2019/20
£000		£000
75,885	Employers - normal	79,650
35,929	Employers - additional	34,488
2,000	Employers - one off deficit payment	250
37,428	Members - normal	41,567
945	Cessation valuations	1,011
152,187		156,966

By type of employer

2018/19		2019/20
£000		£000
59,771	Scheduled bodies	63,476
90,335	Admitted bodies	92,497
558	Community admission body	659
1,523	Transferee admission body	334
152,187		156,966

Additional deficit contribution

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

8. Transfers in From other pension funds

2018/19		2019/20
£000		£000
46,117	Group transfers	52,612
9,762	Individual transfers	13,406
55,879		66,018

The Group transfers in related predominantly to the merger of the New City college with the Havering Further Education college and the Havering sixth form colleges (£36.3m). Additional income was also received in relation to the 2019 Kingston college merger (£14.9m).

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

9. Benefits

By Category

2018/19	2019/20
£000	£000
226,848 Pensions	238,252
33,348 Commutation and lump sum retirement benefits	28,679
4,835 Lump sum death benefits	4,083
1,276 AVC payments	1,299
- Tax on exceeding lifetime or annual allowance	1,902
266,307	274,215

The AVC payment was not disclosed separately in the accounts last year and has now been recategorised to the correct heading.

By type of employer

2018/19	2019/20
£000	£000
165,549 Scheduled bodies	169,367
98,295 Admitted bodies	102,997
316 Community admission body	372
2,105 Transferee admission body	1,434
42 Resolution body	45
266,307	274,215

10. Payments to and on account of leavers

2018/19	2019/20
£000	£000
1,437 Refunds to members leaving service	1,036
(6) Payments for members joining state scheme	9
- Group transfers	1,309
12,738 Individual transfers	15,086
14,169	17,440

11a. Management expenses

2018/19	2019/20
£000	£000
48,852 Investment management	68,179
1,862 Administration	1,860
2,064 Oversight & governance	2,986
52,778	73,025

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

11b. Investment expenses

2018/19	2019/20
£000	£000
40,874 Management fees	42,493
7,427 Performance related fees	22,712
68 Custody fees	65
437 Transaction fees	2,899
46 Other fees	10
48,852	68,179

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

12a. Investment income

2018/19	2019/20
£000	£000
86,790 Pooled investments - Private equity and infrastructure	93,685
66,954 Pooled investments - Unit trusts and other managed funds	47,904
8,443 Rents from property	8,230
1,972 Interest on cash deposits	4,679
5,425 Other	818
169,584	155,316

The directly held property was transferred to the LPPI Real Estate ASC during the year as detailed in note 13d.

12b. Property income

2018/19	2019/20
£000	£000
10,654 Property income	14,112
(2,211) Property expenses	(5,882)
8,443	8,230

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

13. Investments

Market value at 31 March 2019		Market value at 31 March 2020
£000		£000
	Pooled investments:	
271,774	- Fixed income	297,011
2,482,565	- Equities	2,338,396
449,316	- Credit	443,719
586,895	- Private Equity	551,276
367,435	- Infrastructure	432,999
-	- Real Estate	586,543
704,606	- Diversified Strategy	681,855
4,862,591		5,331,799
	Non pooled investments:	
-	- Equities	75,851
-	- Private Equity	12,500
-	- Infrastructure	7,405
288,757	- Real Estate	-
268,780	- Direct Property	-
343,680	- Managed Funds **	302,378
33,890	- Commodity Funds	-
-	- Diversified strategy	45,539
8,914	- Derivatives - Forward exchange contracts *	5,844
21,257	- Cash at investment managers	523
34	- Investment Income Due	31
5,827,903	Total investment assets	5,781,870
	Investment liabilities	
(7,811)	Derivatives - Forward exchange contracts *	(49,305)
5,820,092	Net investment assets	5,732,565

* The opening forward exchange contracts have been restated to show the total of the asset side and liability side of the contracts. The net of the assets and liabilities remain unchanged and therefore the restatement has had no impact on the opening net assets of the scheme.

** The Managed Funds is a Liability Driven Investment ('LDI') that looks to hedge the real interest rate (the difference between nominal interest rates and inflation) exposure as determined by the valuation basis methodology used at LPFA triennial valuation. At high level, the programme gives a funding protection against lower nominal interest rate movements, and higher movements in inflation. The programme will usually generate positive returns when long term interest rates fall and when inflation expectations rise. This is a hedge against any variation in performance in the triennial valuation basis actuarial calculations and is offset against the movements in the assets and liabilities. The programme is tailored specifically to LPFA's assets, liabilities and actuarial methodology, it is undertaken as a standalone programme for LPFA, and therefore cannot be reasonably pooled with other investments.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

13a. Reconciliation of movements in investments and derivatives

Period 2019/20	Market value at 31 March 2019	Re-class	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during in the year	Market value at 31 March 2020
	£000	£000	£000	£000	£000	£000
Pooled investments:						
- Fixed income	271,774	-	44,279	-	(19,042)	297,011
- Equities	2,482,565	-	51,383	(90,553)	(104,999)	2,338,396
- Credit	449,316	-	(3,408)	(3,380)	1,191	443,719
- Private equity	586,895	-	47,414	(94,566)	11,533	551,276
- Infrastructure	367,435	(30,541)	127,406	(30,521)	(780)	432,999
- Real estate	-	-	586,010	-	533	586,543
- Diversified strategy	704,606	-	(12,371)	-	(10,380)	681,855
	4,862,591	(30,541)	840,713	(219,020)	(121,944)	5,331,799
Non pooled investments:						
- Equities	-	-	122,928	(26,000)	(21,077)	75,851
- Credit	-	-	3,349	(3,459)	110	-
- Private equity	-	-	12,500	-	-	12,500
- Infrastructure	-	-	11,518	(234)	(3,879)	7,405
- Real estate	288,757	30,541	18,769	(346,438)	8,371	-
- Direct property	268,780	-	15,810	(292,202)	7,612	-
- Managed funds - cash	343,680	-	28,139	(84,796)	15,355	302,378
- Commodity funds	33,890	-	-	(33,890)	-	-
- Diversified strategy	-	-	138,496	(99,903)	6,946	45,539
	5,797,698	-	1,192,222	(1,105,942)	(108,506)	5,775,472
Derivative contracts:						
- Forward exchange contracts	1,103	-	(40)	-	(75,894)	(43,461)
	5,798,801				(184,400)	5,732,011
Cash at Investment Managers	21,257	-	-	-	1,362	523
Investment Income Due	34	-	-	-	-	31
Net investment assets	5,820,092				(183,038)	5,732,565

During the year an Infrastructure investment was reclassified to real estate once the construction of the asset was completed.

In addition, some assets were transferred from pooled to non pooled and some assets held were designated as part of non-pooled diversified strategy. This has had the impact of increasing both purchases and sales to reflect these transfers.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

13a. Reconciliation of movements in investments and derivatives (continued)

Net investment assets (prior year comparative)

Period 2018/19	Market value at 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during in the year	Market value at 31 March 2019
	£000	£000	£000	£000	£000
Pooled investments:					
- Fixed income	601,145	135,000	(453,167)	(11,204)	271,774
- Equities	2,400,971	-	(260,000)	341,594	2,482,565
- Credit	267,734	175,000	(1,456)	8,038	449,316
- Private equity	592,989	90,388	(83,002)	(13,480)	586,895
- Infrastructure	510,869	106,963	(254,196)	3,799	367,435
- Diversified strategy	-	715,778	-	(11,172)	704,606
	4,373,708	1,223,129	(1,051,821)	317,575	4,862,592
Non pooled investments:					
- Real estate	328,293	16,420	(64,374)	8,418	288,757
- Managed funds	408,128	88,940	(258,388)	105,000	343,680
- Commodity funds	27,713	15,939	(10,742)	980	33,890
- Cash instrument	10,269	-	(10,280)	11	-
- Direct property	167,360	96,503	-	4,917	268,780
	5,315,471	1,440,931	(1,395,605)	436,901	5,797,698
Derivative contracts					
- Forward exchange contracts	-	-	-	(82,819)	1,103
	5,315,471			354,082	5,798,801
Cash at investment managers	58,849	-	-	-	21,257
Amount Receivable for Sale of Investments	617	-	-	-	-
Investment income due	81	-	-	-	34
Net investment assets	5,375,018			354,082	5,820,092

During the year certain investments were transferred into new pooled vehicles. This has had the impact of increasing both purchases and sales to reflect the transfer.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

13b. Analysis of investments

31 March 2019	31 March 2020
£000	£000
Equities	
<u>Overseas</u>	
- - Quoted	75,851
Pooled Funds - additional analysis	
<u>UK</u>	
271,774 - Fixed income - quoted	297,011
449,316 - Credit - unquoted	443,719
586,895 - Private equity - unquoted	551,276
367,308 - Infrastructure - unquoted	432,999
704,606 - Diversified strategy - unquoted	681,855
- - Real estate - unquoted	586,543
<u>Overseas</u>	
2,482,565 - Global equities - quoted	2,338,396
4,862,464	5,331,799
Private equity	
<u>UK</u>	
- - Unquoted	12,500
Infrastructure	
<u>UK</u>	
- - Unquoted	7,267
<u>Overseas</u>	
127 - Quoted	138
127	7,405
Real estate	
<u>UK</u>	
212,846 - Quoted	-
268,780 - Direct property - unquoted	-
<u>Overseas</u>	
75,911 - Quoted	-
557,537	-
Diversified strategy	
<u>Overseas</u>	
- - Unquoted	45,539
Managed funds - cash instruments unquoted	
<u>Overseas</u>	
343,680 - Unquoted	302,378
33,890 Commodity funds	-
8,914 Derivatives - forward exchange contracts	5,844
21,257 Cash at investment managers	523
34 Investment income due	31
5,827,903 Investment assets	5,781,870
Investment liabilities	
(7,811) Derivatives - forward exchange contracts	(49,305)
5,820,092	5,732,565

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

13c. Investments analysed by fund manager

Market value at 31 March 2019	% of Market value 31 March 2019		Market value at 31 March 2020	% of Market value 31 March 2020
£000	%		£000	%
Investment managed within LPPI asset pools				
2,437,012	42.03%	LPPI Global Equities	2,338,396	40.49%
704,606	12.15%	LPPI Diversified Strategy	681,855	11.81%
-	0.00%	LPPI Real Estate	586,543	10.16%
586,511	10.12%	LPPI Private Equity	551,276	9.55%
445,947	7.69%	LPPI Credit	443,719	7.68%
330,534	5.70%	LPPI Infrastructure	432,999	7.50%
271,774	4.69%	LPPI Fixed Income	297,011	5.14%
4,776,384	82.38%		5,331,799	92.32%
Investments managed outside asset pools				
388,853	6.71%	Insight Investment Management (Global)	377,756	6.54%
92,307	1.59%	Aeolus Property	45,539	0.79%
-	0.00%	LPP group	12,500	0.22%
4,638	0.08%	Infrared Capital Partners	5,776	0.10%
3,369	0.06%	M&G Investment Management	-	0.00%
1,595	0.03%	Foresight Group	1,162	0.02%
384	0.01%	Impax Asset Management	329	0.01%
381	0.01%	Blackrock Management	472	0.01%
126	0.00%	Standard Chartered	139	0.00%
268,780	4.64%	Knight Frank	-	0.00%
212,846	3.67%	CBRE Global Investors	-	0.00%
30,541	0.53%	Pontoon Dock	-	0.00%
17,494	0.30%	Brookfield Howard Asset Management	-	0.00%
1,021,314	17.62%		443,673	7.68%
5,797,698	100%		5,775,472	100%
1,103		Forward exchange contracts	(43,461)	
21,257		Cash at investment managers	523	
34		Investment income due	31	
5,820,092			5,732,565	

London Pensions Fund Authority Pension Fund

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6 Notes to the Fund Account (continued)

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

Security	Market value at 31 March 2019	% of Total Fund	Market value at 31 March 2020	% of Total Fund
	£000		£000	
LPPI Global Equity Fund	2,437,013	40.00%	2,338,396	39.75%
LPPI Diversified Strategy	704,606	11.64%	681,855	11.59%
LPPI Real Estate	-	0.00%	586,543	9.97%
LPPI PE Investments (No.1) LP	586,511	9.69%	551,276	9.37%
LPPI Credit	445,947	7.37%	443,719	7.54%
LPPI Infrastructure	330,534	5.46%	432,999	7.36%
Insight Liability Driven Investment (LDI) solutions plus LDI active '1'FD	343,300	5.67%	377,756	6.42%
LPPI Fixed Income	271,774	4.49%	297,011	5.05%
Total	5,119,685	84.32%	5,709,556	97.05%

13d. Property holdings

The fund's investment in property portfolio comprises investment in pooled property funds. The previously directly owned properties have now been included in the LPPI real estate pool. Details of these directly owned properties are as follows:

	31 March 2019	31 March 2020
	£000	£000
167,360	Opening balance	268,780
96,503	Purchases	15,810
-	Sales	(292,202)
4,917	Change in fair value	7,612
268,780		-

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposals and the pension fund is not under any contractual obligations to purchase, construct or develop any of the properties. Nor does it have any responsibility for any repairs maintenance or enhancements.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

14. 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 2020 (31 March 2019 - £nil).

Open Forward Foreign Currency contracts

The net position on open forward currency contracts at 31 March 2020 amounts to a loss of £43.461m (2019 - gain of £1.103m). This amount is reflected within the cash balance held by managers.

Analysis of open Forward Foreign Currency contracts

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

Settlement	Currency code purchased	Currency purchased amount	Currency code sold	Currency sold amount	Asset value	Liability value
		£000		£000	£000	£000
1 month	GBP	27,064	HKD	257,138	326	-
	GBP	22,569	EUR	25,998	-	(448)
	GBP	20,292	USD	26,148	-	(784)
	GBP	138,580	USD	178,573	-	(5,352)
	GBP	1,067	EUR	1,243	-	(34)
	GBP	1,082	USD	1,411	-	(56)
	GBP	2,566	USD	3,366	-	(147)
	GBP	24,872	CHF	31,439	-	(1,357)
	GBP	15,947	JPY	2,258,600	-	(939)
	CHF	293	GBP	233	11	-
	EUR	428	GBP	365	13	-
	JPY	87,800	GBP	620	37	-
	GBP	990	USD	1,291	-	(50)
	CHF	2,442	GBP	1,997	40	-
	JPY	301,000	GBP	2,186	65	-
	EUR	2,927	GBP	2,553	39	-
	USD	12,999	GBP	10,154	323	-
	JPY	97,100	GBP	738	-	(12)
	CHF	1,437	GBP	1,237	-	(38)
	EUR	3,180	GBP	2,909	-	(94)

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

14. Analysis of derivatives

Settlement	Currency code purchased	Currency purchased amount	Currency code sold	Currency sold amount	Asset value	Liability value
		£000		£000	£000	£000
	USD	26,262	GBP	21,867	-	(699)
	GBP	149	NZD	306	3	-
	GBP	1,589	SGD	2,788	10	-
	GBP	3,741	AUD	7,538	22	-
	GBP	737	NOK	9,550	4	-
	GBP	1,165	DKK	9,684	16	-
	GBP	18,986	CAD	32,690	469	-
	GBP	15,088	SEK	184,051	106	-
1 to 6 months	GBP	20,221	USD	26,148	-	(844)
	GBP	138,094	USD	178,573	-	(5,767)
	GBP	22,375	EUR	25,998	-	(657)
	GBP	1,068	EUR	1,243	-	(33)
	GBP	1,081	USD	1,411	-	(56)
	GBP	2,562	USD	3,366	-	(149)
	EUR	428	GBP	366	13	-
	GBP	990	USD	1,291	-	(50)
	GBP	24,815	CHF	31,146	-	(1,191)
	GBP	15,231	JPY	2,170,800	-	(1,009)
	CHF	2,442	GBP	2,000	39	-
	JPY	301,000	GBP	2,187	65	-
	EUR	2,927	GBP	2,552	41	-
	USD	12,999	GBP	10,153	320	-
	JPY	97,100	GBP	738	-	(11)
	CHF	1,437	GBP	1,236	-	(36)
	EUR	3,180	GBP	2,910	-	(93)
	USD	26,262	GBP	21,856	-	(699)
	GBP	20,131	USD	26,148	-	(926)
	GBP	23,538	EUR	27,241	-	(613)
	GBP	138,565	USD	179,984	-	(6,371)
	GBP	2,557	USD	3,366	-	(154)
	EUR	428	GBP	366	14	-
	GBP	988	USD	1,291	-	(51)
	EUR	2,927	GBP	2,556	39	-
	USD	12,999	GBP	10,149	319	-
	EUR	3,180	GBP	2,910	-	(91)
	USD	26,262	GBP	21,904	-	(756)
	GBP	23,161	CHF	27,267	372	-
	GBP	13,351	JPY	1,772,700	79	-

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

14. Analysis of derivatives

Settlement	Currency code purchased	Currency purchased amount	Currency code sold	Currency sold amount	Asset value	Liability value
		£000		£000	£000	£000
	GBP	13,351	JPY	1,772,700	79	-
	GBP	19,984	USD	26,148	-	(1,069)
	GBP	23,162	EUR	27,241	-	(1,006)
	GBP	70,073	USD	91,675	-	(3,737)
	GBP	70,062	USD	91,675	-	(3,748)
	EUR	428	GBP	366	14	-
	GBP	987	USD	1,291	-	(52)
	EUR	2,927	GBP	2,559	38	-
	USD	12,999	GBP	10,147	318	-
	EUR	3,180	GBP	2,913	-	(92)
	USD	26,262	GBP	21,897	-	(753)
	GBP	20,137	USD	26,148	-	(913)
	GBP	22,726	EUR	26,813	-	(1,079)
	GBP	142,193	USD	184,641	-	(6,446)
	EUR	2,927	GBP	2,561	37	-
	USD	12,999	GBP	10,145	319	-
	EUR	3,180	GBP	2,916	-	(92)
	USD	26,262	GBP	21,894	-	(751)
	GBP	18,719	EUR	20,706	322	-
	GBP	21,341	USD	26,148	295	-
	GBP	118,652	USD	145,380	1,638	-

Open forward contracts at 31 March 2020 **5,844** **(49,305)**

Net forward contracts at 31 March 2020 **(43,461)**

Open forward contracts at 31 March 2019 **8,914** **(7,811)**

Net forward contracts at 31 March 2019 **1,103**

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

15. 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 loans and receivables at 31 March 2020 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Assets are carried at fair value. When an asset or liability is translated at balance sheet date the gain/ loss is taken as unrealised but when the asset or liability is settled (i.e. received/ paid) the gain/ loss becomes realised.

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

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

Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

The values of the investment in private equity and infrastructure are based on valuations provided by the general partners of the funds in which the LPFA has invested.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

15. Fair values -basis of valuation (continued)

Basis of valuation	Valuation hierarchy level	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Pooled global equities	1	Unadjusted quoted bid market prices.	Not required.	Not required.
Fixed income funds	1	Unadjusted market values based on current yields.	Not required.	Not required.
Pooled real estate investments	2	The Real Estate ASC is valued in accordance with RICS Red Book Global valuation methodology. The valuations are used to calculate the unit price.	NAV-based pricing set on a forward pricing basis.	Not required.
Forward foreign exchange derivatives	2	Market forward exchange rates at year-end.	Exchange rate.	Not required.
Private equity, long term credit and infrastructure investments	3	Annually at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cash flows; differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments at 31 March 2020.

Assets	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value increase £000	Value decrease £000
Private equity	5.1%	563,776	592,480	535,072
Infrastructure	5.1%	440,404	462,827	417,981
Credit	5.1%	443,719	466,323	421,139
		1,447,899	1,521,630	1,374,192

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

15a. Fair value hierarchy

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2020	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit or loss	2,711,257	1,576,621	1,493,438	5,781,316
Financial liabilities at fair value through profit or loss	-	(49,305)	-	(49,305)
Net investment assets	2,711,257	1,527,316	1,493,438	5,732,011

Reconciliation of level 3 assets

	Market Value 1 April 2019	Transfer	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2020
	£000	£000	£000	£000	£000	£000
Private equity	586,895	-	58,333	(87,876)	6,423	563,776
Infrastructure	336,893	(30,541)	136,780	(6,904)	4,175	440,404
Commodity	16,396	-	-	(16,396)	-	-
Real estate	75,911	-	-	(75,911)	-	-
Diversified strategy	-	-	138,496	(99,904)	6,946	45,539
Credit	3,369	445,947	(58)	(6,839)	1,301	443,719
Total	1,019,465	415,406	333,551	(293,829)	18,845	1,493,438

During the year there was a net movement of assets of £415m from level 2 assets into level 3. Although, movements between levels is rare, the scheme follows a consistent policy for moving assets between levels. This move occurs immediately when the conditions giving rise to a change of level occurs.

	Quoted market prices	Using observable inputs	With significant unobservable inputs	Total
Market value at 31 March 2019	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit or loss	3,548,345	970,022	1,019,465	5,537,832
Non Financial assets at fair value through profit and loss	-	268,780	-	268,780
Financial liabilities at fair value through profit or loss	-	(7,811)	-	(7,811)
Net investment assets	3,548,345	1,230,991	1,019,465	5,798,801

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

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

16. Classification of financial instruments

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

Market value at 31 March 2019	Category	Market value at 31 March 2020
£000		£000
Financial assets - fair value through profit and loss		
Pooled investments:		
2,482,565	- Equities	2,338,396
271,774	- Fixed interest	297,011
449,316	- Credit	443,719
586,895	- Private equity	551,276
367,435	- Infrastructure	432,999
	- Real estate	586,543
704,606	- Diversified strategy	681,855
4,862,591		5,331,799
	- Equities	75,851
	- Private equity	12,500
	- Infrastructure	7,405
288,757	Real estate	-
	- Diversified strategy	45,539
343,680	Managed	302,378
33,890	Commodities	-
8,914	Forward exchange contracts	5,844
5,537,832	Total Financial assets at fair value through profit and loss	5,781,316
Assets at amortised Cost		
21,257	Cash at investment managers	523
34	Investment income due	31
170,421	Cash balances	100,303
69,994	Current Assets – Note 20	56,423
261,706	Total - Financial assets at amortised cost	157,280
Finance liabilities - fair value through profit and loss		
(7,811)	Forward exchange contracts	(49,305)
Finance liabilities - at amortised cost		
(7,253)	Current liabilities – Note 21	(6,248)
(15,064)	Total - Liabilities	(55,553)
5,784,474	Grand Total	5,883,043

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

17. Nature and extent of risks arising from financial instruments

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

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

Overall, LPFA manages risk in the following ways:

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

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

Market risk

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

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

Market risk – sensitivity analysis

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

The expected volatility over a 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.

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.

**London Pensions Fund Authority Pension Fund
Statement of Accounts
For the year ending 31 March 2020**

6 Notes to the Fund Account (continued)

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

2019 1 year expected volatility (%)	2019 Asset Class % of Fund	2020 1 year expected volatility (%)	2020 % of Fund
17.4	45.5 Global Equities	24.1	44.3
25.7	9.8 Private Equity	32.0	9.7
20.5	9.0 Property	19.6	9.9
3.3	4.5 Fixed Income	5.6	5.0
18.0	5.7 Infrastructure	23.8	7.3
8.4	7.6 Credit	13.9	7.8
4.5	13.3 Total Return	6.7	12.9
0.0	4.6 Cash & LDI	0.0	3.1
11.8	100.0 Total Fund	16.3	100.0

The value of the Fund as at 31 March 2020 was £5,883m (2019: £6,054m) and the expected volatility was 16.30% (2019: 11.8%). Given these figures, we would expect that in roughly 2/3rds of outcomes the value of the Fund would lie between £6,842m (2019: £6,768m) and £4,924 (2019: £5,340m) in 12 months' time, expressed in today's equivalent present value.

Interest rate risk

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

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

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

Currency risk

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

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

Currency risk sensitivity analysis

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

The expected standard deviation of the Fund's significant currency exposure is based on 12m market implied volatilities as at 31 March 2020. The following tables summarise the Fund's currency exposure and expected 12m volatility by currency as at 31 March 2020 and as at the previous period end:

London Pensions Fund Authority Pension Fund Statement of Accounts For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

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

Value at 31 March 2019 (£m)	Implied volatility %	Currency	Value at 31 March 2020 (£m)	Implied volatility %
1,481	9.3	USD	1,593	14.4
43	10.7	JPY	33	16.1
447	8.1	EUR	495	12.6
88	9.0	CHF	95	13.4

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

Credit risk also arises with LPFA deposits held with banks and financial institution. During 2013/14 the LPFA joined a Group Investment Syndicate (GIS), operated by the Greater London Authority (GLA), under the supervision of the participants; the GLA, the London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC) and the Mayor's office for Policing and Crime (MOPAC). The GIS has an approved counterparty list using a creditworthiness methodology. The methodology uses an average of the ranked ratings from the ratings agencies; Fitch, Moody's and Standard & Poor.

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 2020 was £76.9m (2019: £151.3m).

Liquidity risk

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

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

The LPFA defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020, the value of illiquid assets (private equity, infrastructure, credit and real estate) was £2,034m, which represented 34.6% of the total LPFA assets (31 March 2019: £1,920m which represented 32.1% of the total LPFA assets).

All financial liabilities at 31 March 2020 are due within one year.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

18. Cash balances

31 March 2019	31 March 2020
£000	£000
170,421 Short term deposits	100,303
21,257 Cash at investment managers	523
191,678	100,826

19. AVC investments

31 March 2019	31 March 2020
£000	£000
12,810 Prudential	12,209
12,810	12,209

AVC contributions of £1.44m (2019 - £1.57m) were paid directly to Prudential in the year.

20. Current assets

31 March 2019	31 March 2020
£000	£000
1,972 Contributions due - employees	3,063
7,253 Contributions due - employers	5,798
43,961 Transfer value receivable	37,137
- VAT	2,124
16,808 Sundry debtors and prepayments	8,301
69,994	56,423

21. Current liabilities

31 March 2019	31 March 2020
£000	£000
1,539 Other current liabilities	1,075
1,119 VAT	-
2,931 Other taxes	2,813
1,664 Benefits payable	2,360
7,253	6,248

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

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

22. Related party transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. The LPFA has prepared this note in accordance with its interpretation and understanding of IAS24 and its applicability to the public sector using current advice and guidance.

Some of the board members have positions of authority within organisations that are participating employers of the scheme. The employer contributions paid into the scheme by these employers have been disclosed as related party transactions. Ruth Dombey is the Vice Chair of London Councils. London Councils paid employer contributions of £688k (£2019: £645k). Christina Thompson is the Director of Finance and Property at the London Borough of Lambeth. The London Borough of Lambeth paid employer contributions of £42k (2019: £183k). The London Councils are Admitted bodies in the Fund, whereas Lambeth is a Scheduled body in the Fund.

The Mayor of London is involved in the approval of the LPFA annual budget. As the Mayor is part of the Greater London Authority and it is a participating employer, the employer contributions are deemed to be related party transactions. The Greater London Authority paid employer contributions of £6,413k (2019: £5,345k) during the year.

The LPFA Operational Account and Residual Liabilities accounts are deemed to be related parties and transactions relating to such are reflected in their accounts. LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries on 19 October 2015. LPP is a related party of LPFA. In addition, during the year the scheme acquired a £12.5m direct investment in LPP, being 12.5m non-voting X £1 ordinary shares. This is included as private equity within investment assets. LPP invoiced the scheme £1.075m for investment fees.

23. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £631.2m (2019: £646.2m) based on:

Currency	Commitment	Exchange rate	£
US\$	224,173,405	1.240	180,792,287
CHF	7,029,000	1.200	5,858,896
EUR	115,904,565	1.130	102,565,654
GBP	342,029,208	1.000	342,029,208
Total			631,246,046

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.

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

24. Post balance sheet non-adjusting event - COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets; How long will the pandemic last? Will there be a second flare-up? How deep will its economic impacts be? There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs. Both the short and long-term implications of the shut-down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of COVID-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19.

The assets of the scheme, particularly the Global Equity and Diversified Strategy, did experience a sharp decline in market value between February and March 2020 due to the market's response to the pandemic but these recovered within a couple of months after the year-end. Although, there has been significant variation to individual fund values (both upwards and downwards), as at the end of May 2020 the investments are valued overall at a higher value than they were at 31 March 2020 (in these financial statements).

With regards to the Fund's Level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying Level 3 investment assets could have seen positive uplifts to their valuations (e.g. broadband\telecommunications infrastructure providers) as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

6 Notes to the Fund Account (continued)

25. Actuarial present value of promised retirement benefits

In addition to the triennial valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities in accordance with IAS 26, every year using the results of the Triennial Actuarial Valuation as at 31 March 2019, estimated income and expenditure for the year, fund returns for the year and details of any new retirements for the year that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

The present value of the Funded Obligation at 31 March 2020 for the Fund was £8,063m (2019: £8,465m). The net liability for the Fund at 31 March 2020 was £2,212m (2019: £2,480m).

Key assumptions used

Life expectancy from age 65 (years)	31 March 2019	31 March 2020
Retiring today :		
Males	20.40	21.30
Females	23.30	23.90
Retiring in 20 years:		
Males	22.20	22.70
Females	25.20	25.50

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

	31 March 2019	31 March 2020
	% p.a.	% p.a.
RPI increases	3.45	2.70
CPI increases	2.45	1.90
Salary increases	3.95	2.90
Pension increases	2.45	1.90
Discount rate	2.40	2.35

These assumptions are set with reference to market conditions at 31 March 2020.

London Pensions Fund Authority Pension Fund Statement of Accounts

7 Actuary's statement as at 31 March 2020

Introduction

The last full triennial valuation of the London Pensions Fund Authority Pension Fund was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

Asset value and funding level

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

- The Fund as a whole had a funding level of 109% on the "Fund level" basis. This means the assets were 109% of the value that they would have needed to be to pay for the benefits accrued to that date based on the assumptions used. This corresponds to a surplus of £481m, which is an improvement in the position from 2016.
- This basis uses a single discount rate assumption based on a weighted average of estimates of the Fund's future long-term asset returns, with an allowance for prudence.
- The contribution rate for each employer was set based on the employer's calculated cost of new benefits, known as the primary rate, plus any adjustment required (for example, to allow for deficit recovery), known as the secondary rate.
- The assumptions used for each employer in setting these contributions varied based on the period that they were expected to continue in the Fund and the assessed strength of their covenant.
- In particular, the discount rate varied by employer as a higher allowances for prudence (leading to lower discount rates) were applied for less secure employers. As a result they are required to pay higher contributions than if they were valued on the "Funding level" basis.
- The funding level taking into account the individual employer funding targets is 106%. The surplus on this basis is £326m.

Updated position since the 2019 valuation

Fund investment performance was strong for the first three quarters following the valuation date, however, recent events relating to the COVID-19 crisis have seen significant falls in equity values. As at 31 March 2020, in market value terms, the Fund assets were significantly less than where they were projected to be based on the previous valuation. However, the smoothed funding model used at the 2019 valuation was designed to withstand short-term market shocks and using a consistent approach, updated for market conditions, the funding position is estimated to be broadly similar at 31 March 2020. We are continuing to monitor the impact on the Fund and the assumptions used in our model as the situation develops.

Future investment returns that will be achieved by the Fund are particularly uncertain at this time. There are also other uncertainties in respect of future benefits, in particular the remedies that will be required in respect of the McCloud and Sargeant court cases and any changes in relation to the cost cap management process.

Ross Anderson FFA

Associate, Barnett Waddingham LLP

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

8 Employers Participating in the Fund

Employer body	Contribution rate %
Alleyns School	22.14
Archbishop Tenison's Church of England GMS	12.97
Association of Colleges	12.03
Babcock Critical Services Ltd	13.70
Babcock Training Limited	10.57
Bishop Thomas Grant School	12.70
Bouygues ES FM UK Ltd	17.56
Briggs Marine Contractors Ltd	11.83
British Film Institute	11.50
Broadacres Housing Association Limited	22.69
Brunel University	14.44
BUVFC	13.10
Capital City College Group	13.00
CFBT Education Trust	32.82
Charlotte Sharman Foundation Primary School	12.50
Chartered Institute of Environmental Health	12.80
Chartered Institute of Housing	0.00
Churchill Services	14.34
City Literary Institute	12.00
City University	12.00
Comm for Local Administration in England	13.76
Compass Brunel Catering	25.60
Compass Group	19.80
Computacenter Ltd	12.06
Coram's Fields	19.31
Corpus Christi School	12.45
Dulwich College	19.55
Dunraven School	12.00
Durand Academy	12.00
Ealing, Hammersmith & West London College	14.00
East London Waste Authority	13.80
FHSVSA	47.83
Food Standards Agency	19.42
Food Standards Scotland	20.02
Freedom Leisure	19.80
Friars School	16.10
Gallions Housing Association	17.45
Geffrye Museum Trust Ltd.	12.87
Genesis Housing Group	19.16
GLL (Nexus)	17.69
Goldsmith College	22.80

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

8 Employers Participating in the Fund (continued)

Employer Body	Contribution rate %
Greater London Authority	12.00
Guinness Partnership Ltd	19.50
Horniman Museum & Gardens	13.41
Ibstock Place School	16.74
Immanuel & St Andrew C of E Primary School	12.00
Julian's Primary School	12.10
L.B. of Camden	21.19
L.B. of Enfield	20.43
L.B. of Greenwich	24.20
L.B. of Hackney	19.47
L.B. of Hammersmith & Fulham	0.00
L.B. of Islington	20.67
L.B. of Lambeth	21.16
L.B. of Lewisham	22.69
L.B. of Southwark	20.23
L.B. of Tower Hamlets	19.90
L.B. of Wandsworth	20.62
La Retraite RC Girl's School	12.87
La Sainte Union Convent School	13.57
Lee Valley Leisure Trust	12.70
Lee Valley Regional Park Authority	21.70
Lionheart (RICS Benevolent Fund)	26.10
Local Pensions Partnership	12.00
Local Pensions Partnership Investments	12.00
London Councils	12.00
London Fire & Emergency Planning Authority	13.74
London Legacy Development Corporation	12.00
London Metropolitan University	17.30
London Nautical School	14.96
London Pensions Fund Authority	12.00
London South East Colleges	17.30
Mary Ward Centre	14.30
Morley College	12.00
Mountain Training limited	21.37
N.I.A.C.E.	12.16
New City College	16.00
Newable Ltd	5.50
Newcastle College Group	13.40
Notre Dame School	13.98

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

8 Employers Participating in the Fund (continued)

Employer Body	Contribution rate %
NSL Limited	0.00
OPDC	12.00
Open College Network London Region	15.70
Orchard Hill College Academy Trust	17.80
Peabody Trust	17.45
Poplar Harca	19.75
Prospects Services Ltd	24.40
R.B. of Kensington & Chelsea	23.61
Raine's Foundation School	14.93
Rathbone Training	21.76
Roehampton University	13.67
Royal Central School of Speech & Drama	14.00
S.S.A.F.A. Forces Help	16.07
Sacred Heart School	12.00
SDP Regeneration Services 2 Ltd	14.32
SITA	20.10
South Bank University	12.71
South Bank Colleges	13.50
South Thames College	15.20
Sport and Recreation Alliance Limited	12.00
Sport England	16.07
St Andrews RC Primary School	12.99
St Anne's RC Primary School	15.22
St Anthony's School	14.11
St Bede's GM Infant & Nursery School	13.43
St Bernadette's School	16.60
St Francesca Cabrini Primary School	14.80
St Francis Xavier 6th Form College	15.15
St Joseph RC Infant School	19.32
St Joseph RC Junior School	13.59
St Martin in the Field High School	17.51
St Mary's RC Primary School	14.77
St Michael's RC School	12.75
St Thomas the Apostle College	12.00
Surrey Square Primary School	14.49
The English & Media Centre	41.78
The English Institute of Sport	12.00
The Froebel Trust	21.52
The Pioneer Group	12.30

London Pensions Fund Authority Pension Fund Statement of Accounts

For the year ending 31 March 2020

8 Employers Participating in the Fund (continued)

Employer Body	Contribution rate %
Transport for London	15.86
Trinity Laban	20.15
Turney School	15.77
Turnham Primary GMS School	12.41
UAL Short Courses Ltd	12.06
UK Anti Doping	12.00
United colleges group	26.90
United Kingdom Sport	12.00
University of Arts London	12.06
University of Greenwich	14.00
University of St. Mark & St. John	15.48
University of Westminster	12.47
Valuation Office Agency	20.43
Valuation Tribunal Service	15.30
W. London Waste Authority	12.00
W. Riverside Waste Authority	12.43