

LONDON PENSIONS FUND AUTHORITY
STATEMENT OF OPERATIONAL & RESIDUAL
LIABILITIES ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2021

DRAFT

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

Information

Directors

John Preston (Chairman)
Terence Jagger
Dermot McMullan (Retired 31 March 2021)
Tamlyn Nall
Dr Barbara Weber
Tony Newman (Resigned 31 October 2020)
Ruth Dombey
Christina Thompson

Chief Executive Officer

Robert Branagh

S151 Officer

Abigail Leech (resigned 31 July 2021)
Michelle King (appointed 31 July 2021)

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SE1 0LL

Auditor

Grant Thornton UK LLP
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30 Finsbury Square
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Bankers

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

Contents

	Page
1 Narrative Report	4
2 Statement of Responsibilities for the Statements of Accounts	8
3 Auditor's report to the London Pension Fund Authority (LPFA)	9
4 Group Operational Accounts	17
5 Notes to Group Operational Accounts	23
6 Residual Liabilities Accounts	40
7 Notes to Residual Liabilities Accounts	45

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

1 Narrative Report 31 March 2021

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 Statement of Accounts for the financial year 2020/21 consists of:

- the **Statement of Responsibilities**;
- two separate sets of financial statements:

The **Group Operational Accounts** represent the cost of the governance and administration of the pension scheme and residual liabilities and the recharge of these costs to the Pension Fund and the Residual Liabilities Accounts.

The **Residual Liabilities Accounts** detail the provisions created to settle the liabilities of the Greater London Council ('GLC') to pay past employees of the GLC and Inner London Educational authority ('ILEA') who have become injured due to exposure to asbestos. The past employees are paid via the pensions payroll and the costs are then recharged to the Residual accounts, which funds these costs via a levy.

The **Group Operational Accounts and Residual Liabilities Accounts** consist of:

The **Comprehensive Income and Expenditure Account** which is a summary of the resources generated and consumed by the LPFA in the year. The statement shows the accounting costs in the year of providing services in accordance with the generally accepted accounting practices. The LPFA does not raise taxation to cover expenditure;

The **Statement of Financial Position** which sets out the financial position of the LPFA at 31 March 2021. The Statement of Financial Position shows the value as at the Statement of Financial Position date of the assets and liabilities recognised by the LPFA. The net assets of the LPFA (assets less liabilities) are matched by the reserves held by the LPFA;

The **Cash Flow Statement** shows the changes in cash and cash equivalent assets of the LPFA during the reporting period. The statement shows how the LPFA generates and uses cash and cash equivalents by classifying cash flows as operating and financing activities. The overall total agrees to the Cash position shown in the Statement of Financial Position.

The **Notes to support the Accounts**.

Funding

The LPFA incurs costs in the discharge of its functions as the administering authority of the Fund. These costs are detailed in the Operational Account. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the LPFA charges its costs to the Fund under its management as they are incurred and there is no formal recharge procedure.

Any costs, charges and expenses incurred in administering the Residual Liabilities are met by the Levy on the Greater London and Inner London authorities.

Review of the Statements

The 2020/21 budget is part of the Medium Term Financial Plan (MTFP). It received initial approval from the Board in December 2019 and was submitted to the Mayor of London for comment. The final budget was approved by the Board in March 2020.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

1 Narrative Report (continued)

Operational budget

	Actual	Budget	Variance
Operational accounts	2020/21	2020/21	2020/21
	£000	£000	£000
Administration			
Administration services fee per LPP SLA	2,082	2,082	-
Total Administration	2,082	2,082	-
Oversight & Governance			
Board	154	142	(12)
Executive Committee	205	172	(33)
Governance services fee per LPP SLA	808	945	137
Risk Services LPP	574	859	285
Central Corporate Costs	1,449	1,549	100
IAS19	749	300	(449)
Total Oversight & Governance	3,939	3,967	28
Total operational costs	6,021	6,049	28
Funded by:			
Charge made to pension fund	(5,476)	(5,476)	-
Recharge to residual liabilities	(573)	(573)	-
Movement in reserves			
Total Funding	(6,049)	(6,049)	-
Net deficit/(surplus)	(28)	-	28

Overview of the year

The Operational result for the year ended 31 March 2021 is a net surplus of £28K rather than the break-even result budgeted for the year. This includes IAS19 current service cost and the interest on liabilities but excludes LPP and the actuarial deficit.

The results are better than budgeted due mainly to the risk service cost of £285K, 33% below budget, this service was brought inhouse from November. The staffing costs for the risk service are within Central Corporate costs. Additionally, Governance costs have reduced due to savings with part of the service now inhouse. Central Corporate costs were down £100k (6.5%) below budget, with staff and premises costs up, but with an offset of an underspend of £95K in communications costs and £322K in consultancy costs.

Salaries have increased by £424K from £346K in 2019/20 to £776K by the year end. This is due to staff numbers having increased from 6 to 12 during the year, additionally, some posts were filled during 2019/20 compared to a full year cost in 2020/21. LPFA has now increased its Risk, Compliance and Governance and Communications staff.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

1 Narrative Report (continued)

Residual Liabilities budget

LPFA is responsible for compensation payments in respect of former Greater London Council (GLC), Inner London Education Authority (ILEA) and London Residual Body (LRB) staff. These payments are not chargeable to the pension fund and are recovered by a levy on London boroughs. These budgets contain significant uncertainties in the form of injury claims for asbestosis, dating back to the GLC and ILEA. The LPFA has established a significant provision for known and expected claims, the costs of which will be met through the levy on London boroughs.

Greater London

The budgeted levy requirement in 2020/21 was £10.3m. Pension costs were higher than expected and the draw down on the asbestosis provision was less than budget. However it remains extremely difficult to forecast the sums likely to be paid, both in year and over the longer term, on dealing with asbestosis claims. The LPFA has engaged an expert advisor to support the management of claims as they are submitted, and to agree estimates of future claims.

Greater London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension Retirement Costs	(3,450)	(5,948)	2,498
Management Expenses	(244)	(244)	0
Asbestosis Provision (known cases + direct costs)	(1,179)	(3,096)	1,917
Interest Payable and Receivable	341	491	(150)
Levy	10,318	10,318	(0)
Net inflow to Balances	5,786	1,521	4,265

Inner London

The budgeted levy requirement in 2020/21 was £13.1m. The budgeted pension costs were lower than expected. The asbestosis provision spending was also significantly below budget. However, again as with the Greater London levy, the asbestosis claims remain a significant variable factor and this led to reduction in the asbestosis provision.

Inner London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension Retirement Costs	(8,609)	(10,253)	1,644
Management Expenses	(329)	(329)	(0)
Asbestosis Provision (known cases + direct costs)	(116)	(287)	171
Interest Payable and Receivable	-	119	(119)
Levy	13,065	13,065	0
Net inflow/(Outflow) to Balances	4,011	2,315	1,696

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

1 Narrative Report (continued)

Retirement Benefits

Date the Statement of Accounts were authorised for issue

The Statement of Accounts were authorised for issue by the Audit and Risk Committee on xxxxx 2021. 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.

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

FOR THE YEAR ENDED 31 MARCH 2021

2. Statement of Responsibilities for the Statement of Accounts

LPFA's responsibilities

LPFA is required to:

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

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

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

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

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

Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

.....
Michelle King

Section 151 Officer

Dated: TBC

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

Report on the Audit of the Group Operational Account Financial Statements

Opinion

DRAFT

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

DRAFT

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DRAFT

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DRAFT

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Opinion

DRAFT

**Independent auditor's report to the members of the London
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DRAFT

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DRAFT

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

Group Operational Accounts

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

9. Group Operational Account

Group Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	Equity Interest in Joint Venture	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020 brought forward	(13,833)	(13,833)	(2,451)	12,500	-	10,049	(3,784)
Surplus or (deficit) on provision of services	-	-	(1,929)	-	-	(1,929)	(1,929)
Share of Tax	-	-	(615)	-	-	(615)	(615)
Net Increase before Transfers to Earmarked Reserves	-	-	(2,544)	-	-	(2,544)	(2,544)
Remeasurements of the Net Defined Benefit Liability	(4,228)	(4,228)	-	-	-	-	(4,228)
Other movement - joint venture	-	-	(6,590)	-	-	(6,590)	(6,590)
Movement in year	(363)	(363)	363	-	-	363	-
Increase/(decrease) in year	(4,591)	(4,591)	(8,771)	-	-	(8,771)	(13,362)
Balance at 31 March 2021 carried forward	(18,424)	(18,424)	(11,222)	12,500	-	1,278	(17,146)

Group Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	Equity Interest in Joint Venture	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019 brought forward	(14,261)	(14,261)	(2,765)	-	400	(2,365)	(16,626)
Surplus or (deficit) on provision of services	-	-	220	-	-	220	220
Share of Tax	-	-	58	-	-	58	58
Net Increase before Transfers to Earmarked Reserves	-	-	278	-	-	278	278
Transfers to/from Earmarked Reserves	-	-	400	-	(400)	-	-
Remeasurements of the Net Defined Benefit Liability	637	637	-	-	-	-	637
Other movement - joint venture	-	-	(573)	-	-	(573)	(573)
Non-voting X shares	-	-	-	12,500	-	12,500	12,500
Movement in year	(209)	(209)	209	-	-	209	-
Increase/(decrease) in year	428	428	314	12,500	(400)	12,414	12,842
Balance at 31 March 2020 carried forward	(13,833)	(13,833)	(2,451)	12,500	-	10,049	(3,784)

The table above includes historical rounding errors that have been now corrected.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

9. Group Operational Account

Entity Statement of Movement in Reserves

	Pension Reserve £000	Total Unusable Reserves £000	General Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2020 brought forward	(13,833)	(13,833)	1,605	-	1,605	(12,228)
Surplus or (deficit) on provision of services	-	-	28	-	28	28
Net Increase before Transfers to Earmarked Reserves	-	-	28	-	28	28
Remeasurements of the Net Defined Benefit Liability	(4,228)	(4,228)	-	-	-	(4,228)
Movement in year	(363)	(363)	363	-	363	-
Increase/(decrease) in year	(4,591)	(4,591)	391	-	391	(4,200)
Balance at 31 March 2021 carried forward	(18,424)	(18,424)	1,996	-	1,996	(16,428)

Entity Statement of Movement in Reserves

	Pension Reserve £000	Total Unusable Reserves £000	General Reserve £000	New Premises Reserve £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2019 brought forward	(14,261)	(14,261)	873	400	1,273	(12,988)
Surplus or (deficit) on provision of services	-	-	123	-	123	123
Net Increase before Transfers to Earmarked Reserves	-	-	123	-	123	123
Transfers to/from Earmarked Reserves	-	-	400	(400)	-	-
Remeasurements of the Net Defined Benefit Liability	637	637	-	-	-	637
Movement in year	(209)	(209)	209	-	209	-
Increase/(decrease) in year	428	428	732	(400)	332	760
Balance at 31 March 2020 carried forward	(13,833)	(13,833)	1,605	-	1,605	(12,228)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

9. Group Operational Account

Group Operational Account, Comprehensive Income & Expenditure Statement for the year ended to 31 March 2021

31 Mar 20 Group	31 Mar 20 Entity		Notes	31 Mar 21 Group	31 Mar 21 Entity
£'000	£'000			£'000	£'000
5,351	5,351	Income	5	6,049	6,049
3	3	Other income	6	9	9
(4,861)	(4,861)	Expenditure	7-11	(5,663)	(5,663)
493	493	Income from services		395	395
(370)	(370)	Financing and Investment Income and Expenditure		(367)	(367)
123	123	Surplus on provision of services		28	28
97	-	Share of surplus/ (loss) on provision of services by LPP Joint Venture	14	(1,957)	-
220	123	Group surplus/ (deficit)		(1,929)	28
58	-	- Tax (expense)/credit of LPP Joint Venture	4	(615)	-
278	123	Surplus for the financial year		(2,544)	28
		Items that will not be reclassified to surplus/ (deficit)			
637	637	Actuarial (losses)/ gain on pension assets/liabilities	12	(4,228)	(4,228)
(707)	-	Share of actuarial loss of LPP Joint Venture	14	(6,222)	-
134	-	Deferred tax on actuarial Loss in LPP Joint Venture	14	305	-
-	-	Pension reserve dererred tax movement in LPP	14	(673)	-
64	637	Other Comprehensive Income and Expenditure		(10,818)	(4,228)
342	760	Total Comprehensive Income and Expenditure		(13,362)	(4,200)

Financing and Investment Income and Expenditure is the net interest on the defined benefit liability and the nominal administration cost.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

9. Group Operational Account

Group Statement of Financial Position as at 31 March 2021

31 Mar 20	31 Mar 20		Notes	31 Mar 21	31 Mar 21
Group	Entity			Group	Entity
£'000	£'000			£'000	£'000
-	-	- Property, Plant & Equipment		3	3
8,444	-	- Investment in Joint Venture	14	-	-
8,444	-	- Non-current assets		3	3
538	538	Debtors	16	1,084	1,084
2,459	2,459	Bank	18	1,881	1,881
2,997	2,997	Current assets		2,965	2,965
(1,392)	(1,392)	Creditors	17	(972)	(972)
1,605	1,605	Net current assets		1,993	1,993
10,049	1,605	Total assets less current liabilities		1,996	1,996
(13,833)	(13,833)	Pension liability		(18,424)	(18,424)
-	-	- Provision in Joint Venture	14	(718)	-
(3,784)	(12,228)	Net assets		(17,146)	(16,428)
		Reserves			
(2,451)	1,605	General Reserve		(11,222)	1,996
12,500	-	- Non-voting equity Interest in Joint Venture		12,500	-
		Unusable reserves			
(13,833)	(13,833)	Pension Reserve		(18,424)	(18,424)
(3,784)	(12,228)			(17,146)	(16,428)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

9. Group Operational Account

Group Account Cashflow Statement for the year to 31 March 2021

31 Mar 20 Group	31 Mar 20 Entity		Notes	31 Mar 21 Group	31 Mar 21 Entity
£'000	£'000			£'000	£'000
278	123	Net surplus/(deficit) on the provision of services		(2,544)	28
578	733	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	13	1,968	(603)
856	856	Net cash flows from Operating Activities		(576)	(575)
-	-	Investing Activities - acquisition of non-current assets		(3)	(3)
856	856	Net increase or (decrease) in cash and cash equivalents		(579)	(578)
1,603	1,603	Cash and cash equivalents at the beginning of the reporting period		2,459	2,459
2,459	2,459	Cash and cash equivalents at the end of the reporting period		1,880	1,881

The table above includes historical rounding errors that have been now corrected.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the financial statements

General Information

The operational costs incurred by LPFA in administering the pension fund, residual liabilities fund and agency contracts are accumulated in the operational accounts and are reimbursed from the respective source.

1. Summary of Significant Accounting Policies

General Principles

The Statement of Accounts summarises LPFA's transactions for the 2020/21 financial year and its position at year-end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based upon International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost.

The financial statements and accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the statement of financial position. Where it is doubtful that debts will be settled, the balance of receivables is written down and a charge is made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

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

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

Employee Benefits

Benefits payable during employment

Employee benefits are those due to be settled in the financial year. They include salaries, bonuses, paid annual leave and paid sick leave for employees and are recognised as an expense in the year in which the employee renders services to LPFA. An accrual is made for leave and flexi-time carry-forward at the end of the financial year. This is reversed out through the movement in the reserves statement.

Post-employment benefits

LPFA participates in the Local Government Pension Scheme (LGPS) administered by the LPFA. This is a funded, defined benefit scheme. Employees' and employers' contributions are paid in to the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Barnett Waddingham. The pension liabilities of the LPFA are included in the statement of financial position on an actuarial basis i.e. an assessment of the future payments (retirement benefits) based on assumptions made by the Actuary about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities under IAS 19. In line with directions from Government, future pensions liabilities are now measured using the Consumer Prices Index. The Code of Practice requires the net pensions asset or liability be matched by a pensions reserve in the statement of financial position.

The movement in the defined benefit obligation is analysed into the following components:

- Service cost: the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period
- Interest cost: the change during the period in the defined benefit liability that arises from the passage of time
- Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;
- Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the Actuary;
- Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;
- Estimated benefits paid (net of transfers in): Payments to discharge liabilities directly to pensioners;
- Contributions by scheme participants: the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the statement of financial position. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent Liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Value Added Tax

LPFA is VAT registered, so all income and expenditure amounts exclude VAT, with the exception of where VAT is not fully recoverable.

Financial Assets/ Liabilities

Financial assets are included in the statement of financial position on a fair value basis as at the reporting date in accordance with IFRS 9. The asset is recognised in the statement of financial position on the date the entity 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 entity in the profit and loss account.

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another.

Financial assets are recognised by LPFA on the statement of financial position, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

Joint Venture

The London Pensions Authority has a joint venture, Local Pensions Partnership (LPP), with the Lancashire County Pension Fund. This was established on 8 April 2016. It is owned in equal shares by London Pension Fund Authority (LPFA) and the Lancashire County Council and the LPP manages the administration and investment functions on behalf of the two funds.

In the LPFA entity, accounts of the value of the investment in LPP is disclosed at cost, being £nil. The cost of acquisition was £nil as LPP was acquired as a start up.

Group Accounts have been included recognising the LPFA's significant interest in the LPP. As a Joint Venture, the LPP is consolidated into the Fund's Group Accounts using the equity method. The judgement in defining LPP as a Joint Venture is reached due to LPP being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two Funds have rights to the net assets of the arrangement. This remains the case in 2020/21.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the General Fund Balance in the Movement on Reserves Statement. Where expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then applied to offset this charge.

General Reserve

The General Reserve is a usable reserve, which includes the movement on the provision of Operational services.

Pension Reserve

The Pension Reserve has been set up to ring-fence the accounting for the pension costs. It merely represents the actuarially calculated deficit between the value of all pension liabilities and the assets held.

2. Accounting standards issued, but not yet adopted

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

3. Financial Risk Management

There is a robust budget setting process in place that includes: strategic business direction set by the Board, budget challenge by both Officers and the Audit and Risk Committee prior to the draft budget being presented to Board for its initial comment and approval prior to dispatch to the Mayor of London for formal consultation. Subsequently a revised budget paper, including comments and other changes is presented back to Board for final approval. The budget contains income generated from commercial contracts and assumptions have been made regarding renewal of those contracts. During the course of the year, as contracts are renewed, or not, then actual events may not accurately reflect the assumptions allowed for in the budget. Events affecting commercial contracts are reviewed as they happen and on a monthly basis as part of the budget monitoring arrangements.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

4. Critical Accounting Judgements and Estimates

Estimate

Pensions Liability Guarantee

The LPFA has provided a guarantee, under the Admission Agreements, to settle the LPP and LPPI pension deficits in the event of both entities ceasing to trade and exiting the LGPS. To determine how this guarantee is treated within the LPFA financial statements requires several judgements to be made regarding the balance between financial risks such as the discount rate and non financial risks from such things as changes in life expectancy or final salaries of members. The non-financial risks falls within the definition of an insurance contract under IFRS 4. As the financial and non-financial risks are both significant, the guarantee has not been deemed to be a derivative under IAS 39. IAS 37 excludes obligations and contingencies arising from insurance contracts, but it does apply to other provisions, contingent liabilities and contingent assets of an insurer. The LPFA Admissions Agreement states that LPFA is providing a guarantee if LPP exits the LGPS. In such an event LPFA would suffer a loss equivalent to the amount required to settle the pensions liability. After consideration of IAS 28 and IAS 37, the possible liability to settle the pension deficit within LPP should be disclosed in LPFA financial statements, as a contingent liability in accordance with IAS 37 due to the very low probability of a cessation event triggering the LPFA guarantee.

Judgement

Pensions Liability

Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide LPFA with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Joint venture

The LPFA has to make a judgement regarding the level of control exercised over LPP and whether it is a joint operation or a joint venture to determine whether it is eligible to treat it as a joint venture under FRS11. As a joint operation the LPFA would have rights to the assets and obligations relating to the liabilities of LPP, whereas as a joint venture it has rights to a proportion of the net assets of the entity. The LPFA have determined that the arrangement is that of a joint venture.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

5. Income

2019/20	2020/21
£'000	£'000
4,765 Management Fee	5,476
586 Funded by Residual Liabilities	573
5,351	6,049

6. Other Income

£'000	£'000
(1) Agency work	2
4 Other fees and charges	7
3	9

7. Remuneration and other costs - Board members

2019/20	2020/21
£'000	£'000
146 Emoluments	139
9 Employers NI contributions	10
13 Reimbursable Expenses	1
168	149

8. Remuneration was paid to the board in the following bands:

2019/20	2020/21
1 £5,001 to £10,000	1
7 £10,001 to £15,000	5
1 £15,001 to £20,000	1
1 £35,001 to £40,000	-
- £50,001 to £55,000	1

9. Remuneration and other costs - employees

2019/20	2020/21
£'000	£'000
345 Salaries	776
41 Employers NI contributions	94
35 Reimbursable Expenses	(2)
203 IAS 19 Current service costs	382
37 Temporary staff	54
2 Training costs	4
49 Recruitment costs	7
2 Other employee related costs	4
714	1,319

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

9a Disclosure of remuneration for senior employees

The following table sets out the remuneration disclosures for Senior Officers whose salary is greater than £50,000 per year.

31 March 2021					
Post Holder	Salary (including fees & allowances)	Bonus	Total remuneration	Pension contributions	Total remuneration
	£	£		£	£
Chief Executive Officer	150,438	30,000	180,438	21,168	201,606

31 March 2020					
Post Holder	Salary (including fees & allowances)	Bonus	Total remuneration	Pension contributions	Total remuneration
	£			£	£
Chief Executive Officer	135,324	26,400	161,724	18,720	180,444

The number of senior employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 as follows:

2019/20 Number of employees	Remuneration bands	2020/21 Number of employees
1	£50,000 - £54,999	-
-	£70,000 - £74,999	1
-	£75,000 - £79,999	1
-	£85,000 - £89,999	1
-	£100,000 - £104,999	1
-	£125,000 - £129,999	1
1	£160,000 - £164,999	-
-	£180,000 - £184,999	1

Please note that the above includes bonus payments.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

10. Other services

2019/20	2020/21
£'000	£'000
94 Internal audit	85
73 External audit	120
208 Professional fees (including consultancy)	275
18 Insurance	32
21 Bank costs	8
34 Pensioner forum and meetings	18
- Communications expenses	7
25 Other miscellaneous services	32
- Accommodation	78
- Equipment and external support	28
- Printing and stationary	3
6 Postage	-
1 Communication	-
53 Subscriptions & publications	67
(118) Bad debt provision	(24)
1,860 Management Charge - Pension Admin	2,082
1,711 Management Charge - Governance	1,382
(6) Management Charge - Secretarial	-
- General management charge	5
3,980	4,195

11. Disclosure of Audit Costs

2019/20	2020/21
£'000	£'000
54 External audit - Code of audit practice	77
19 Other external audit costs	43
73	120

Fees are also payable to the external auditors in relation to the certification of the data used to calculate the IAS19 disclosures for participating employers. The fee is expected to be £30K (2019/20: £34.5K). These fees are recharged to the employer so that the net cost to LPFA is £nil.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

12. Retirement Benefit Obligations

Amounts recognised in the balance sheet are determined as follows:

2019/20	2020/21
£'000	£'000
21,570 Estimated employer asset	24,309
(35,403) Present value of scheme liabilities	(42,733)
(13,833) Net Pension Liability	(18,424)

Reconciliation of the opening and closing balance of the present value of the defined benefit obligation.

2019/20	2020/21
£'000	£'000
38,191 At 1 April	35,403
188 Service cost	319
913 Interest cost	774
(3,067) Change in financial assumptions	8,294
296 Change in demographic assumptions	(366)
(10) Experience loss/(gain) on defined benefit obligation	(564)
- Liabilities assumed extinguished	80
(1,180) Estimated benefits paid (net of transfers in)	(1,286)
15 Past service cost	-
57 Contributions by scheme participants	79
35,403 As at 31 March	42,733

The movement in the fair value of plan assets over the period is as follows:

2019/20	2020/21
£'000	£'000
23,930 At 1 April	21,570
575 Interest on assets	436
(665) Return on assets less interest	3,136
(1,479) Other actuarial gains/(losses)	-
(32) Admin expenses	(29)
364 Contributions by employer including unfunded	386
57 Contributions by scheme participants and other employers	79
(1,180) Estimated benefits paid including unfunded net of transfers in	(1,286)
- Settlement prices received/(paid)	17
21,570 Assets	24,309

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

Amounts recognised in Group Operational Account:

2019/20	2020/21
£'000	£'000
203 Service cost	382
338 Net interest on the defined liability (asset)	338
32 Admin expenses	29
573 Total Operating Charge	749

Amounts recognised in the Statement of Other Comprehensive Income and Expenditure:

2019/20	2020/21
£'000	£'000
(665) Return on plan assets in excess of interest	3,136
(1,479) Other actuarial gains/(losses) on assets	-
3,067 Change in financial assumptions	(8,294)
(296) Change in demographic assumptions	366
10 Experience gain/(loss) on defined benefit obligation	564
637 Re-measurements	(4,228)

The movement in the defined benefit liability:

2019/20	2020/21
£'000	£'000
(14,261) At 1 April	(13,833)
(203) Current service cost	(382)
364 Contributions by employer including unfunded	386
(338) Interest costs	(338)
(665) Return on plan assets in excess of interest	3,136
(32) Admin costs	(29)
1,302 Actuarial gains/losses	(7,364)
(13,833) Liabilities	(18,424)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

The principle actuarial assumptions were as follows:

	31-Mar-21	31-Mar-20
Mortality rate for 65 year olds - retiring today		
Males	22.5	21.8
Females	24.0	24.1
Mortality rate for 65 year olds - retiring in 20 years time		
Males	23.1	23.2
Females	25.8	25.6

The following assumptions were also made:

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

	31-Mar-21		31-Mar-20		31-Mar-19	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI Increases	3.2	0	2.7	0	3.4	0
CPI Increases	2.8	-0.4	1.9	-0.8	2.4	-1
Salary Increases	3.8	0.6	2.9	0.2	3.9	0.5
Pension Increases	2.8	-0.4	1.9	-0.8	2.4	-1
Discount Rate	2	-1.2	2.35	-0.35	2.4	-1

Sensitivity Analysis:

31-Mar-21	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	42,351	43,141	43,946
Projected Service Cost	372	385	398
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	43,141	43,141	43,141
Projected Service Cost	385	385	385
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	43,939	43,141	42,357
Projected Service Cost	398	385	372
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Obligation	45,218	43,141	41,163
Projected Service Cost	403	385	367

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

Contributions to the Pension Fund during 2020/21

Contributions from the employer amounted to £386,000 (31 March 2020: £364,000)

Impact on Authority's Cash flows

The next triennial valuation is due as at 31 March 2022 and may have an impact on the future liability cashflows, further detail on the funds can be found on page 56.

The authority expects to pay increased contributions in 2021/22 due to the change in structure of the LPFA, this should amount to £402k.

The Past service duration of the defined benefit obligation for scheme members is 19 years.

As at date of the last asset breakdown report pension scheme assets comprised:

Asset Breakdown		31-Mar-21	
		% Quoted	% Unquoted
Equities			
	Segregated:		
	Real Estate	0.9%	-
	Consumer Discretionary	4.2%	-
	Consumer Staples	6.2%	-
	Energy	0.2%	-
	Financials	5.0%	-
	Health Care	3.3%	-
	Industrials	5.1%	-
	Information Technology	9.2%	-
	Materials	1.3%	-
	Communication Services	2.6%	-
	Utilities	0.9%	-
	Fixed Income & Other	0.0%	-
	Trade Cash/ Pending	1.9%	-
	Synthetic Equity	1.2%	-
Private Equity		-	8.5%
Fixed Income		4.2%	
Total return			
	Investment/ Hedge Funds and Unit Trusts	11.1%	-
Credit		-	8.1%
Infrastructure		-	8.3%
Real Estate		-	9.1%
Cash			
	Cash	1.4%	-
	LDI	6.3%	-
	Currency Hedge (Forward Contracts)	-	1.0%
Total		65.0%	35.0%

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

12. Retirement Benefit Obligations

Employee Benefits

The LPFA had 12 out of 12 staff who are members of the Local Government Pension Scheme (LGPS) as at 31 March 2021. The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending of their rate of pay. The LPFA, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to LPFA. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by LPFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services line in the Comprehensive Income and Expenditure Statement at the earlier of when LPFA can no longer withdraw the offer or when the authority recognises costs for a restructuring under IAS37. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of LPFA are members of the LGPS, administered by the LPFA. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for LPFA.

The Local Government Pension Scheme

LGPS is accounted for as a defined benefits scheme: The liabilities of the LPFA pension fund attributable to LPFA are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Discretionary Benefits

LPFA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

13. Cashflow statement - adjustment for Non-Cash Items

2019/20	2019/20		2020/21	2020/21
Group	Entity		Group	Entity
£'000	£'000		£'000	£'000
(155)	-	Reverse share of profit/ loss in joint venture	2,571	-
250	250	Decrease/(increase) in receivables	(546)	(546)
274	274	Increase/(decrease) in payables	(420)	(420)
209	209	Transfer to pension reserve	363	363
578	733	Balance at 31 March	1,968	(603)

The table above includes historical rounding errors that have been now corrected.

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

14. Net investment in joint venture

LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries on 19 October 2015. The objective of LPP is to provide high quality, low cost pension administration, risk management and investment management services to London Pension Fund Authority (LPFA), Lancashire County Pension Fund and other LGPS clients.

The joint venture has been equity accounted and LPFA's fifty percent share of LPP's results are included, in the Group Comprehensive Income and Expenditure Statement and in the Balance Sheet. The results of the LPP Group are as follows:

50% Share of LPP 2019/20	LPP Group 2019/20		50% Share of LPP 2020/21	LPP Group 2020/21
£'000	£'000		£'000	£'000
Comprehensive Income and Expenditure Statement:				
97	194	Profit/ (loss) on ordinary activities before taxation	(1,957)	(3,913)
58	115	Taxation	(615)	(1,229)
(707)	(1,414)	Net actuarial gain/ (loss) on defined benefit pension schemes	(6,222)	(12,444)
135	269	Deferred tax on actuarial loss	305	610
		Pension reserve deferred tax movement in LPP	(673)	(1,346)
(418)	(836)	Total Comprehensive income for the period	(9,162)	(18,323)
Balance Sheet:				
19,090	38,180	Total assets less current liabilities	17,812	35,623
		Creditors: amounts falling due after more than one year		
(10,647)	(21,293)	Post-employment benefits	(18,530)	(37,059)
8,444	16,887	Net liabilities	(718)	(1,436)
		Represented by:		
12,500	25,000	Called up share capital	12,500	25,000
(2,119)	(4,238)	Profit & loss account	(12,452)	(24,904)
(4)	(9)	Opening reserves on subsidiary company	(4)	(9)
(1,933)	(3,866)	Retirement benefit obligations reserve	(762)	(1,523)
8,444	16,887	Net value	(718)	(1,436)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

15. Related Party Transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. Agency contracts and pension funds are related parties. LPFA Pension Fund, Residual Liabilities and the Greater London Authority are related parties. LPFA Operational accounts includes income for Administration and Governance services charged to the LPFA Pension Fund and Residual Liabilities, being £5,476K and £573K respectively (2019/20: £4,765K and £586K respectively)

LPP and its subsidiaries are also related parties, details of which are in note 15. LPP invoiced £3,464K (2019/20: £3,571K) for Administration and Oversight and Governance.

During the year LPFA officials were appointed to senior positions within the LPP Group in both a non executive and executive roles.

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

10 Notes to the Group Operational accounts (continued)

16. Debtors

2019/20	2020/21
£'000	£'000
603 Sundry Debtors	724
109 VAT	362
(174) Allowance for credit losses	(2)
538	1,084

17. Creditors

2019/20	2020/21
£'000	£'000
21 Other Taxes	37
1,371 Sundry Creditors	935
1,392	972

18. Bank

2019/20	2020/21
£'000	£'000
2,459 Cash at bank comprises an allocation of the total cash	1,881

19. Financial Instruments

The operational account only holds cash as mentioned in note 18 above as well as payables and receivables, these are covered in notes 16 and 17. The current assets and liabilities are valued at amortised cost. The debtors are reviewed during the year for any credit risks and a provision for credit losses is included within the accounts.

20. Post Balance Sheet events

There were no material events after the statement of financial position date.

**London Pensions Fund Authority Statement of Operational
and Residual Liabilities Accounts**

Residual Liabilities Accounts

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For the year to 31 March 2021

11 Residual Liabilities Accounts

Statement of Movement in Reserves for the year ended

	General Fund Reserve			Pension Reserve			Total Reserves
	Greater London	Inner London	Total	Greater London	Inner London	Total	
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019 carried forward	15,047	4,484	19,531	(69,013)	(137,259)	(206,272)	(186,741)
Movement in reserves during 2019/20							
Surplus on the provision of services	6,719	11,267	17,986	-	-	-	17,986
Contributions for unfunded benefits	(6,477)	(10,229)	(16,706)	6,477	10,229	16,706	-
Net interest on pension scheme liabilities	1,447	2,908	4,355	(1,447)	(2,908)	(4,355)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	12,808	30,134	42,942	42,942
Net movement in reserves	1,689	3,946	5,635	17,838	37,455	55,293	60,928
Balance at 31 March 2020 carried forward	16,736	8,430	25,166	(51,175)	(99,804)	(150,979)	(125,813)
Movement in Reserves during 2020/21							
Surplus on the provision of services	11,445	12,251	23,696	-	-	-	23,696
Contributions for unfunded benefits	(5,570)	(10,254)	(15,824)	5,570	10,254	15,824	-
Net interest on pension scheme liabilities	1,089	2,131	3,220	(1,089)	(2,131)	(3,220)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	(2,764)	(9,020)	(11,784)	(11,784)
Net movement in Reserves	6,964	4,128	11,092	1,717	(897)	820	11,912
Balance at 31 March 2021 carried forward	23,700	12,558	36,258	(49,458)	(100,701)	(150,159)	(113,901)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

11 Residual Liabilities Accounts

Statement of Financial Position as at 31 March 2021

2019/20 Greater London	2019/20 Inner London	Total Total		2020/21 Greater London	2020/21 Inner London	Total Total
£000	£000	£000		£000	£000	£000
13,353	-	13,353	Asbestosis Reimbursement	-	-	-
13,353	-	13,353	Non-current assets	-	-	-
239	1,174	1,413	Receivables	44	941	985
33,322	10,210	43,532	Cash and Cash equivalents	37,173	13,307	50,480
33,561	11,384	44,945	Current Assets	37,218	14,248	51,465
(89)	(14)	(103)	Trade and other payables	(24)	(3)	(27)
(4,245)	(411)	(4,656)	Provision	(1,597)	(524)	(2,121)
(4,334)	(425)	(4,759)	Current liabilities	(1,621)	(527)	(2,149)
(25,844)	(2,529)	(28,373)	Provision	(11,896)	(1,163)	(13,059)
(51,175)	(99,804)	(150,979)	Unfunded pension liability	(49,458)	(100,701)	(150,159)
(77,019)	(102,333)	(179,352)	Non-current liabilities	(61,354)	(101,864)	(163,218)
(34,439)	(91,374)	(125,813)	Net liabilities	(25,758)	(88,143)	(113,901)
			Reserves			
16,736	8,430	25,166	General Fund reserve	23,700	12,558	36,258
(51,175)	(99,804)	(150,979)	Pension reserve	(49,458)	(100,701)	(150,159)
(34,439)	(91,374)	(125,813)	Total Reserves	(25,758)	(88,143)	(113,901)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

11 Residual Liabilities Accounts

Cashflow Statement

2019/20	Notes	2020/21
£000		£000
17,986		23,696
(12,536)	9	(17,089)
5,450		6,607
Financing Activities		
(4,348)		-
1,102		6,607
Investing Activities		
(159)		-
510		341
1,453		6,948
42,079		43,532
Cash and cash equivalents at the end of the reporting period		50,480

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts

1. General information

The LPFA makes payments of annual statutory compensation following the abolition of the former Greater London Council (GLC) and Inner London Education Authority (ILEA). These payments are financed by way of a levy on all London Boroughs in respect of former Greater London liabilities and on Inner London Boroughs in respect of Inner London liabilities.

The residual liabilities accounts include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis. The costs of these claims are to be met through a levy on London boroughs, and so the accounts also include a re-imbusement to offset most of the provision, the balance being met by funds already taken from London boroughs, and held in reserves.

2. Summary of significant accounting policies

General Principles

The Statement of Accounts summarises LPFA's transactions for the 2020/21 financial year and its position at period end of 31 January 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21: based upon International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, and not when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

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

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that in probability, may require settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the balance sheet. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Overheads

Directly attributable overheads are charged to the appropriate service areas within the Residual Liabilities Account.

Interest on Balances

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

Financial Assets / Liabilities

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another. Financial assets are recognised by LPFA on the Balance Sheet, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account and the reserve is then appropriated back also so that there is no net charge to LPFA at this point.

General Fund reserve

The General Fund reserve is used to fund unexpected short term costs, principally relating to asbestosis claims.

Certain reserves are kept to manage accounting processes and do not represent usable resources for LPFA. This is the pension reserve.

Pension Reserve

The Pension Reserve is not cash backed and represents the actuarially calculated deficit between the value of all pension liabilities and the pension assets held.

Accounting for Retirement Benefits

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The effect of recognising retirement benefits in the balance sheet is a net liability and a pension reserve in the combined residual liabilities accounts. This relates to the compensation payments which are met on an annual basis by levies on London boroughs.

These liabilities reflect the current actuarial value of future payments and do not affect income and expenditure in 2020/21.

The change in the net pension liability is analysed into the following components:

Current service cost: the increase in pensions liabilities as a result of a year's service;

Past service costs: The increase in liabilities as a result of changes to plan arrangements in the current year with subsequent effects to years of service earned by the employee in previous years;

Interest cost: the increase in the present value of the liabilities during the year as a result of moving one year closer to being paid;

Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;

Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the actuary;

Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;

Unfunded pension payments: the decrease in scheme liabilities due to payments made to pensioners in the year.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

3. Critical Accounting Estimates and Judgement

Estimate

Asbestosis Provision

LPFA have set aside a provision for its liabilities to meet the costs of asbestosis claims from former employees of the GLC and the ILEA. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. LPFA also has an estimate of future reimbursement of these costs from the London boroughs. The LPFA has been exploring the possibility that insurers of the GLC and ILEA may be liable in part for these costs as well as awaiting the impact that recent legislation in this area may have on future costs. Any potential impact will take a number of years to assess.

Judgement

Pensions Liability

Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide LPFA with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

4. Segmental Information

Management do not report segmental information in their monthly management accounts, hence the financial statements for the Residual Liabilities Account have been presented reflecting the non-segmental nature of the entity's operations.

5. Asbestosis Provision

The GLC are responsible for the settlement of claims made by former employees of the GLC and the ILEA who have become injured as a result of exposure to asbestos. Due to the long periods over which this illness can lay dormant the normal deadline for submitting injury claims has been waived. This means that the LPFA has liabilities estimated to last until about 2035. A provision has been established for the injury claims. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. The costs have been estimated in discussion with our legal advisers and take into account previous experience of claims over the last 20 years. The costs are met through the levy on the London boroughs. The future profile of claims is used to smooth any changes in the levy to, as far as possible, limit any changes to the levy, until it gradually decreases as the final liabilities are met. The LPFA does not fund these costs as they are passed on to the appropriate Greater London or Inner London Borough Councils who have a legal duty to reimburse the LPFA. As there is certainty that these costs will be reimbursed the future costs are offset by the reimbursed future income in the Comprehensive Income and Expenditure Statement and are shown separately on the balance sheet of the Residual Liability Fund. The movement in the asbestosis provision over the year is as follows.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

5. Asbestosis Provision

2019/20			2020/21			
Greater London	Inner London	Total	Asbestosis Provision	Greater London	Inner London	Total
£000	£000	£000		£000	£000	£000
(56,386)	(5,518)	(61,904)	At 1 April	(30,089)	(2,941)	(33,030)
25,228	2,514	27,742	Decrease to provision	15,417	1,138	16,555
1,069	63	1,132	Amount used during the year	1,179	116	1,295
(30,089)	(2,941)	(33,030)	At 31 March	(13,493)	(1,687)	(15,180)
(25,844)	(2,529)	(28,373)	Non-current	(11,896)	(1,163)	(13,059)
(4,245)	(412)	(4,657)	Current	(1,597)	(524)	(2,121)
(30,089)	(2,941)	(33,030)		(13,493)	(1,687)	(15,180)
			Amounts recoverable are as follows:			
13,353	-	13,353	Asbestosis reimbursement	-	-	-
13,353	-	13,353		-	-	-

The methodology used to calculate the provision for the 2020/21 year was a refinement of the estimation basis used in 2019-20, which was due to the receipt from LPFA's legal advisers of a more detailed analysis of the legal claims received in the year. In particular, the number of future asbestosis claims is assumed to be in line with projections initially prepared in 2009, adjusted to reflect the level of observed claims over the past five years. Over recent periods, the level of observed claims has been lower than anticipated in the initial projections, leading to a lower provision than if the 2009 projections had been used without adjustment.

In calculating the 2020/21 provision, a refinement was made to the recorded number of claims over recent years. Information was provided by LPFA's legal advisers to identify those claims that were notified to LPFA but were successfully defended on the grounds that liability lay with a different body, not LPFA. As the provision is intended to be an estimate of the present value of future successful claims against LPFA, it is appropriate to exclude claims that presented no liability to LPFA from the record of observed claims. Refining the data in this way reduced the observed number of claims, resulting in a lower provision.

For the 2019/20 year, all claims notified to LPFA were included in the observed number. This represented a prudent assumption that all notified claims would be successful. The modified calculation for 2020-21 is a more accurate representation of the future successful claims that are expected to occur.

6. Short Term Liabilities

2019/20			2020/21		
Greater London	Inner London	Total	Greater London	Inner London	Total
£000	£000	£000	£000	£000	£000
(11)	-	(11)	-	-	-
(79)	(13)	(92)	(24)	(3)	(27)
(90)	(13)	(103)	(24)	(3)	(27)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

7. Retirement benefit obligations

	31 Mar 20			31 Mar 21		
	Greater London	Inner London	Total	Greater London	Inner London	Total
Retirement benefit obligations						
	£000	£000	£000	£000	£000	£000
The amounts recognised in the balance sheet are determined as follows:						
Present value of unfunded obligations	51,175	99,804	150,979	49,458	100,701	150,159
Pension Liability	51,175	99,804	150,979	49,458	100,701	150,159
The movement in the present value of unfunded obligations over the year is as follows:						
At 1 April 2020	69,013	137,259	206,272	51,175	99,804	150,979
Interest cost	1,447	2,908	4,355	1,089	2,131	3,220
Change in financial assumptions	(2,226)	(4,445)	(6,671)	4,704	9,775	14,479
Change in demographic assumptions	(1,640)	(1,338)	(2,978)	(630)	(1,205)	(1,835)
Experience loss/(gain) on defined benefit obligation	(8,942)	(24,351)	(33,293)	(1,310)	450	(860)
Unfunded pension payments	(6,477)	(10,229)	(16,706)	(5,570)	(10,254)	(15,824)
At 31 March 2021	51,175	99,804	150,979	49,458	100,701	150,159

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

Life Expectancy from age 65 (years)

Greater London:

The assumed life expectations from age 65 are:		31 Mar 20	31 Mar 21
Retiring today:	Males	21.9	21.7
	Females	22.5	22.4

Inner London:

The assumed life expectations from age 65 are:		31 Mar 20	31 Mar 21
Retiring today:	Males	22.0	21.7
	Females	23.4	23.3

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

	31 Mar 20			31 Mar 21		
	Greater London	Inner London	Total	Greater London	Inner London	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts recognised in the income statement are as follows:						
Service cost	-	-	-	-	-	-
Administration expenses	-	-	-	-	-	-
Net interest on the defined liability (asset)	1,447	2,908	4,355	1,089	2,131	3,220
Total	1,447	2,908	4,355	1,089	2,131	3,220
Re-measurements in Other Comprehensive Income						
Return on plan assets in excess of interest	-	-	-	-	-	-
Other actuarial gains/(losses) on assets	-	-	-	-	-	-
Change in financial assumptions	(2,226)	(4,445)	(6,671)	4,704	9,775	14,479
Change in demographic assumptions	(1,640)	(1,338)	(2,978)	(630)	(1,205)	(1,835)
Experience gain/(loss) on defined benefit obligation	(8,942)	(24,351)	(33,293)	(1,310)	450	(860)
Changes in effect of asset ceiling	-	-	-	-	-	-
Re-measurements	(12,808)	(30,134)	(42,942)	2,764	9,020	11,784

Financial Assumptions for GL and IL:

	31-Mar-21		31-Mar-20		31-Mar-19	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI Increases	3.55	-	2.95	0.00	3.50	0.00
CPI Increases	2.80	(0.75)	1.95	(1.00)	2.50	(1.00)
Pension Increases	2.80	(0.75)	1.95	(1.00)	2.50	(1.00)
Discount Rate	1.60	-	2.25	0.00	2.20	0.00

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

Sensitivity Analysis for GL:

	£000	£000	£000
Present value of total obligation		49,458	
Sensitivity to	+0.1%		-0.1%
Discount rate	49,127		49,790
Pension increases and deferred revaluation	49,786		49,131
Sensitivity to	+ 1 Year		- 1 Year
Life expectancy assumptions	51,908		47,123

Sensitivity Analysis for IL:

	£000	£000	£000
Present value of total obligation		100,701	
Sensitivity to	+0.1%		-0.1%
Discount rate	100,014		101,393
Pension increases and deferred revaluation	101,384		100,021
Sensitivity to	+ 1 Year		- 1 Year
Life expectancy assumptions	105,689		95,948

8. Administration Expenses

The administration expenses are the costs charged to the residual liabilities accounts from the operational accounts and comprise a share of the costs relating to administering the residual liabilities responsibilities. The costs for 2020/21 were £244k (2019/20: £249k) for the Greater London levy and £329k (2019/20: £337k) for the Inner London levy, this has reduced by £72k from 2019/20.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

9. Reconciliation of Non-Cash Movements

2019/20	2020/21
£000	£000
(12,351) Transfer to pension reserve	(12,604)
(30) (Increase)/Decrease in receivables	428
52 Increase/(Decrease) in payables	(76)
158 Interest paid plus adjustment to interest owed	-
(510) Interest received	(341)
(28,874) Movement in provisions	(17,849)
(Increase) decrease in asbestos reimbursement	
29,019 expenditure through asbestos provision	13,353
(12,536)	(17,089)

10. Related Party Transactions

The LPFA Pension Fund Accounts and the LPFA Operational Accounts are related parties and transactions relating to such are disclosed elsewhere in the accounts.

11. Cash and Cash Equivalents

The cash at the bank and on short term deposit totals £50,574k, this was £45,532k in 2019/20.

12. Post Balance Sheet Events

There were no material events after the balance sheet date.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

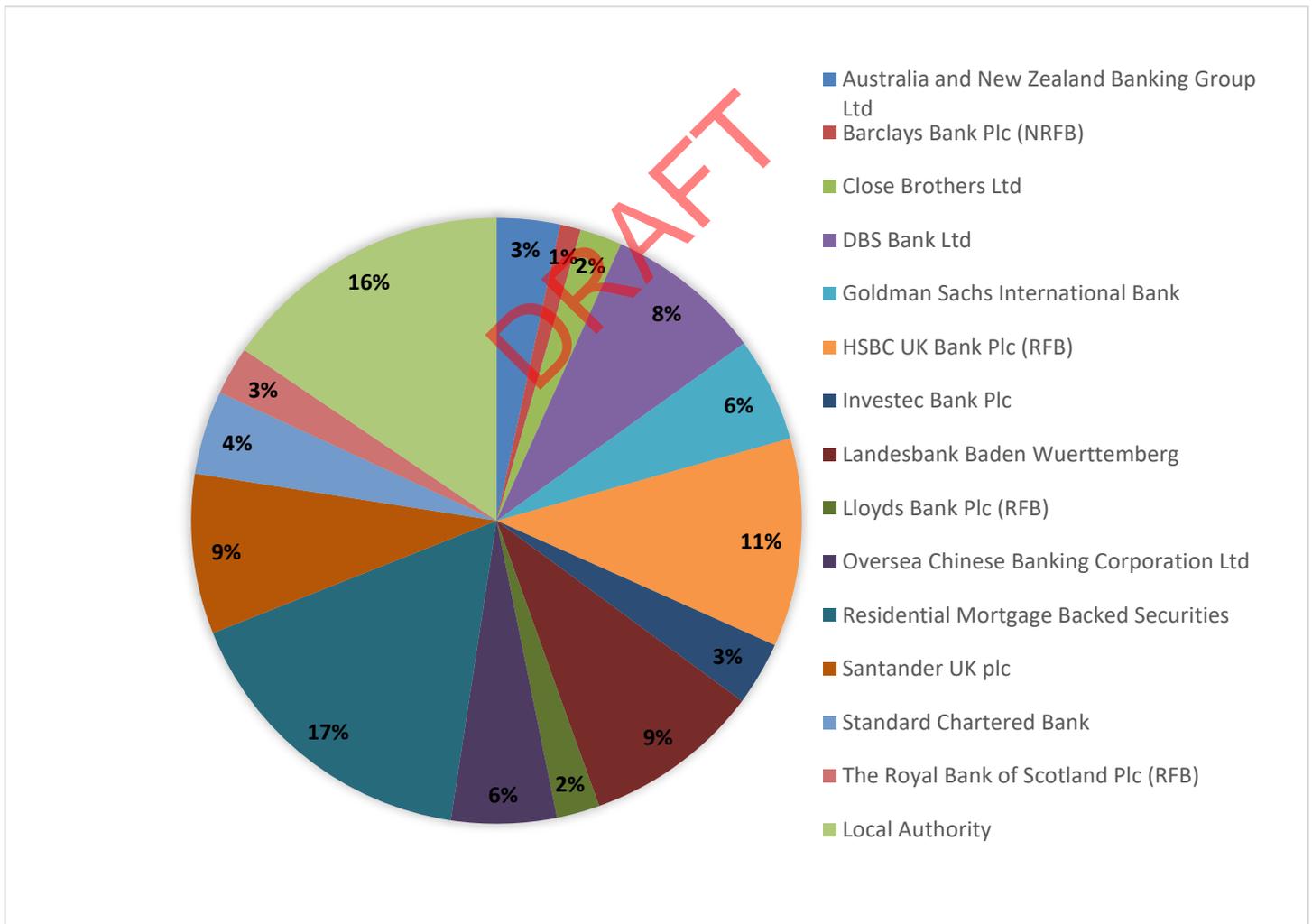
For the year to 31 March 2021

12 Notes to the Residual Liability Accounts (continued)

14. Financial Instruments

Aside from the receivables and payables, the LPFA also has a cash balance on the residual liabilities account. A small balance is maintained with the LPFA's bank, Lloyds, for ongoing costs, and the remainder is pooled with the GLA. The GLA holds 100% of pooled funds deposited across various banks, as per the breakdown below. As at 31st March 2020 the LPFA held £53,650k with the GLA compared to £48,590k at 31st March 2019, the balance each year being held within the LPFA bank account.

As at 31st March 2021



London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

14. Financial Instruments

As at 31st March 2020

