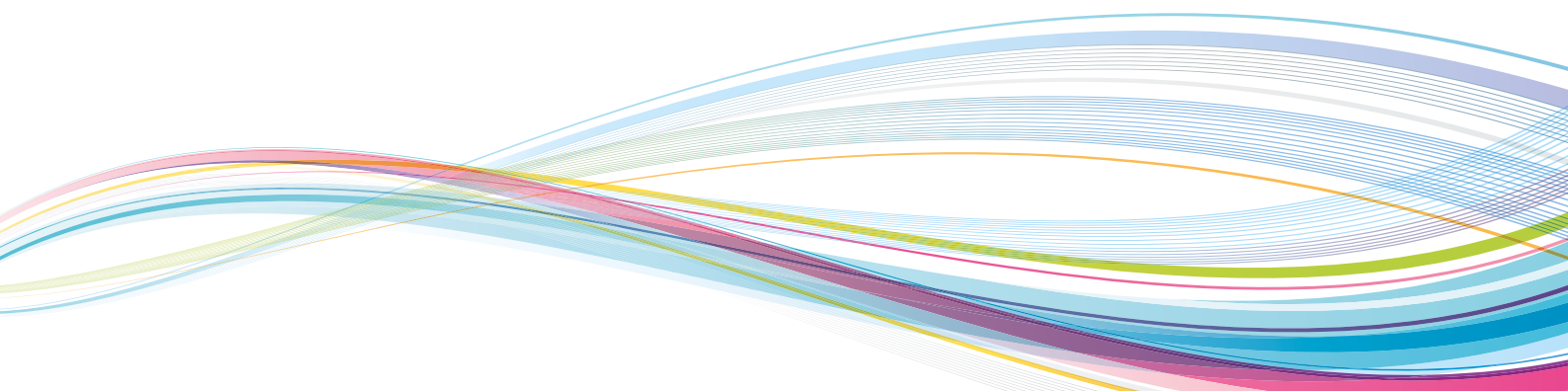


Annual Report

2015-16



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1.1 Note from the Chairman



I'm delighted to present to you the 2015-16 LPFA Annual Report. The past year has been one of no comparison. Global uncertainty, combined with wholesale government changes and shaky financial markets have combined to present many changes. However, our fund has navigated these choppy waters with a measure of success. Our focus on managing risk and building our internal skills has meant we have delivered real long term change.

Some highlights for the year include:

- Our joint infrastructure investment vehicle with Greater Manchester Pension Fund made two successful investments; funding the construction of a biogas plant in Yorkshire and becoming a part owner in one of Europe's largest windfarms.
- We had significant success from our internal equity portfolio. This has grown over 50% since I last reported to you, and now sits at over £900m. Over the year it has returned around 10%, which is even more impressive when compared to its benchmark, which was down 1% for the same period.
- Our partnership with Lancashire County Pension Fund - the Local Pensions Partnership (LPP) - went live with FCA approval.

In terms of our investments overall, we saw around 3% growth excluding Liability Driven Investment, which is the practice of investing to gain enough assets to cover our liabilities. This means we focus on investing to meet the assurances made to you and your employers.

During the year two members of the Board also stepped down, our former Chair of Audit Stephen Brooker and Risk Committee Member Robert Vandersluis. I wish Stephen all the best in the future and am delighted that Robert in turn took up a Board position with LPP. His expertise on pension fund management is almost unparalleled in the market and he's a real asset to LPP. In turn we welcomed Tamlyn Nall and Terence Jagger to the LPFA Board. Tamlyn has spent over 30 years in financial markets, including retail banking and pensions, whilst Terence has worked across international development, finance and strategy. They are already making valuable contributions.

Finally, I'd like to thank Susan Martin for her tireless efforts as LPFA's Chief Executive. She has driven the change agenda from the outset and without her tireless efforts the Fund would not be in the position it is in.

LPFA's former Director of Pensions, Mike Allen, has assumed the role of Managing Director of the LPFA and is the stand out choice to lead the organisation into this next phase of development. Mike will be known to many of you and has been with the Fund since joining the Greater London Council in 1982 and is easily the right person to take LPFA forward.

I hope you find our Annual Report informative and look forward to the year ahead.

Regards,

Sir Merrick Cockell
LPFA Chairman

1.2 Note from the Chief Executive



performance we must remember that at the core of what we are doing is funding your retirements. The pace and scale of recent developments in the pension industry of late is more profound than we have ever experienced and some of what you may have read in the press might have given you cause for concern.

However, for some time – and the past year being no exception – we have focused on providing a sustainable Defined Benefits scheme which focuses on a long-term strategic approach to pensions. That means identifying the payments we need to make to our members and investing in the right assets in order for us to generate the returns to do so. The formation of the LPP is built on this very principle.

This is why one of the first deliverables of the LPP was to build up its risk capability in order to understand our liabilities. We recently employed a new Chief Risk Officer and have been forming a strong team to focus on this, so I'm pleased to tell you that we are in the driving seat.

It's been a pleasure to act on your behalf as LPFA's Chief Executive and I will continue to put your interests at the heart of what we do at the LPP.

You may have already received some correspondence with the LPP logo on it and the vast majority of LPFA staff have transferred to LPP. The LPFA Board retain key strategic decisions, but the implementation of these has been delegated to the LPP. We hope this will lead to cost reductions of £6m per year and further benefits that can come by being part of a larger organisation.

Regards,

Susan Martin
LPFA Chief Executive



It is a great honour to lead the LPFA as it undertakes a new direction in its history. As Susan has already mentioned, I started my career with the precursor to the LPFA over 30 years ago. I care deeply about the Fund and how to keep it successful.

Be it member concerns relating to funding retirements, employers who have had to increase funding of contributions into the Fund to ensure sufficient assets are available or dealing with Government changes, it's important that we continue to deliver and develop.

It is also a time of great change. We are in the largest overhaul local government pensions has ever undertaken, but are leading from the front. The formation of the LPP preceded the Government's mandate for Funds to pool assets into investment pools, and we continue to engage with the LGPS about what the future may hold.

As you can read in this report, the Fund is in a strong position. Whilst the total value of the Fund dropped slightly from £4.65bn to £4.54bn, this was, in part, due to a tough investment environment and costs relating to the establishment of the LPP, which we will recoup over the next 18 months. This, however, has not affected our funding level, which remains strong at 95%.

The year ahead is still full of challenges; however, just as many opportunities. As the LPFA – and the industry – enters uncharted waters, I'm confident to report that that we are in a strong position.

Regards,

Mike Allen
LPFA Managing Director

1.3 A Note from the Local Pension Board



The LPFA Local Pension Board was set up as a result of the 2013 Pensions Act, which obliged all public sector pension schemes to set up representative local pension boards by 1 April 2015. The formal remit of all local pension boards, including this one, is first to secure compliance

with all regulations and legislation, and secondly to ensure the effective and efficient governance and administration of the scheme. A further factor behind the establishment of local pension boards was the perceived need for members and employers to have some voice within the management of public sector pension schemes.

In the case of the LPFA, the Member and Employer Panels were already performing those functions effectively, and the Local Pension Board, consisting of four member and four employer representatives, has taken over their role. I was appointed as Independent Chair following a public procurement exercise conducted jointly with the Lancashire Pension Fund, and three Board members representing employers and three representing members were then appointed through a selection process from a total of 23 candidates.

The Board’s membership was subsequently expanded to eight, and one further employer and one further member representative were elected from the same list. The Chair holds office for two years with a two-year extension by mutual agreement, members for a term of four years, and no member may serve more than two terms.

Under the legislation, local pension boards have no executive power. We are not a decision-making body.

We can scrutinise compliance with regulations and call Officers or the LPFA Board to account, and in the last instance we have a duty to report significant breaches to The Pensions Regulator, but we are not a decision-making body. As we only meet a limited number of times a year, we have chosen to perform much of the scrutinising function as possible outside meetings. We can then focus our discussions on offering robust challenge to the executive’s decision-making processes and providing member and employer perspectives, which might not otherwise be available.

We also held an initial training meeting as well as an additional informal meeting in March 2016 to update Board members on the establishment, together with the Lancashire County Pension Fund, of Local Pensions Partnership (“LPP”).

Table 1 shows the meetings held.

Table 1

Training session	17 June 2015
Board meeting	6 July 2015
Board meeting	9 December 2015
Update session (on LPP formation)	11 March 2016
Board meeting (scheduled)	29 June 2016

The Board’s activities, including meeting agendas and minutes, are publicly available on the LPFA website.

Training is also required under the Pensions Act 2013. The initial session was held to brief members on the activities of the LPFA and their role. We have subsequently held shorter sessions on different topics at the beginning of each Board meeting covering the reports we receive, investments, and regulation.

The Board receives the same operational and financial monitoring reports as received as those which go to the Business and Administration Committee and the Executive Board. Board members are expected to have read these between meetings. While some time at meetings is spent on reviewing reports received and discussing matters arising, we prefer to focus our time at meetings on more detailed discussion on specific topics. The Board has on occasion commissioned specific reports from Officers to cover matters of concern.

During the year the Board has reviewed and commented on the 2014-15 Annual Report, the 2014-15 Customer Service Update, the Communications Annual Planner, the Annual Governance Statement, the Myners Compliance Statement, the Internal Audit Report, and the arrangements made for the 2016 triennial valuation. It has also scrutinised compliance with The Pension Regulator’s Code of Practice 14, which covers public sector pension schemes and was issued in April 2015.

The creation of LPP has inevitably featured largely in our discussions over the year, as it is probably the most important change in the Scheme in recent years. As a Board, we have been supportive of the creation of LPP, but have provided robust challenge to the LPFA’s Executive throughout the process, particularly in the area of governance and compliance. We will continue to do so as LPP finds its feet over the next few years in order to ensure that members and employers do benefit from its creation. We also spent some time discussing how to improve communications between the Fund and its members and employers in both directions. As a result, some changes have been made to the forms which the Fund uses to make them easier to use. In the light of The Pensions Regulator’s standards for data quality, we have also looked at practical ways to encourage both members and employers to provide accurate and timely data.

After the first twelve months of the Local Pension Board’s activities, we need to look back and ask whether it adding value to the LPFA Pension Fund’s operations, and whether it will continue to do so in the future.

It is still early days, but I believe that it is already fulfilling two important functions: offering challenge to the Executive; and providing members’ and employers’ valuable perspectives to the Executive which they might otherwise struggle to obtain. We are able to do this because we have a fully engaged and considerably experienced Board, and also because we have the full support and commitment of the Officers who run the LPFA Pension Fund.

As Chair, I would like to pay tribute to all members of the Board, who give up their time on an unpaid basis to wrestle with the complex and evolving subject of the regulations and guidance covering the LGPS Scheme generally and to play their part in making this Fund run ever more efficiently.

William Bourne
Chairman of the Local Pensions Board

2. Fund Administration

2.1 At a glance

LPFA is a leader in the provision of pension administration for the Local Government Pension Scheme (LGPS). This Scheme provides an occupational pension for many local authority employees and employees of other public bodies and organisations which have entered into the Fund. A list of participating employers is shown in Annex ii on page 74.

LPFA has its own pension fund with assets of £4.5bn and also assists other local authorities with all aspects of LGPS administration. Dedicated teams also deliver the Firefighters Pension Scheme.

LPFA has accreditations in Information Technology (ISO 27001) and a bronze standard for Investors in People.



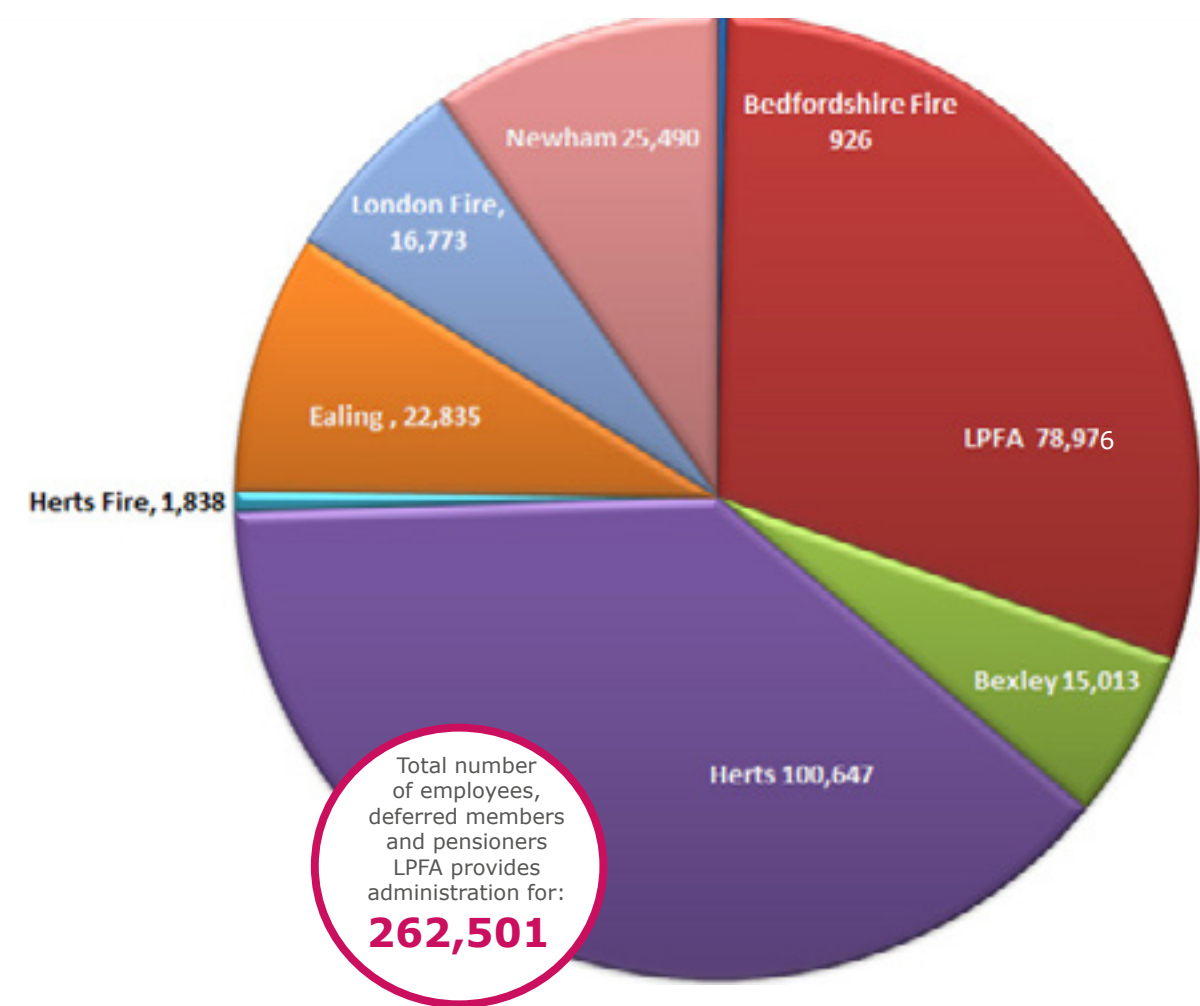
2.2 Membership

LPFA SCHEME MEMBERSHIP OVER 4 YEARS

Summaries of the Fund membership and the age profile are shown below and overleaf.

	2012-13	2013-14	2014-15	2015-16
Active Contributors	16,534	17,736	17,308	17,264
Deferred Beneficiaries	25,396	25,782	24,808	25,257
Pensioners and Dependants	35,147	35,488	33,580	33,838
Undecided Leavers and Frozen Refunds	2,661	1,902	1,950	2,620
TOTAL MEMBERSHIP	79,738	80,908	77,646	78,976

TOTAL MEMBERSHIP UNDER ADMINISTRATION



Figures correct to 31 March 2016

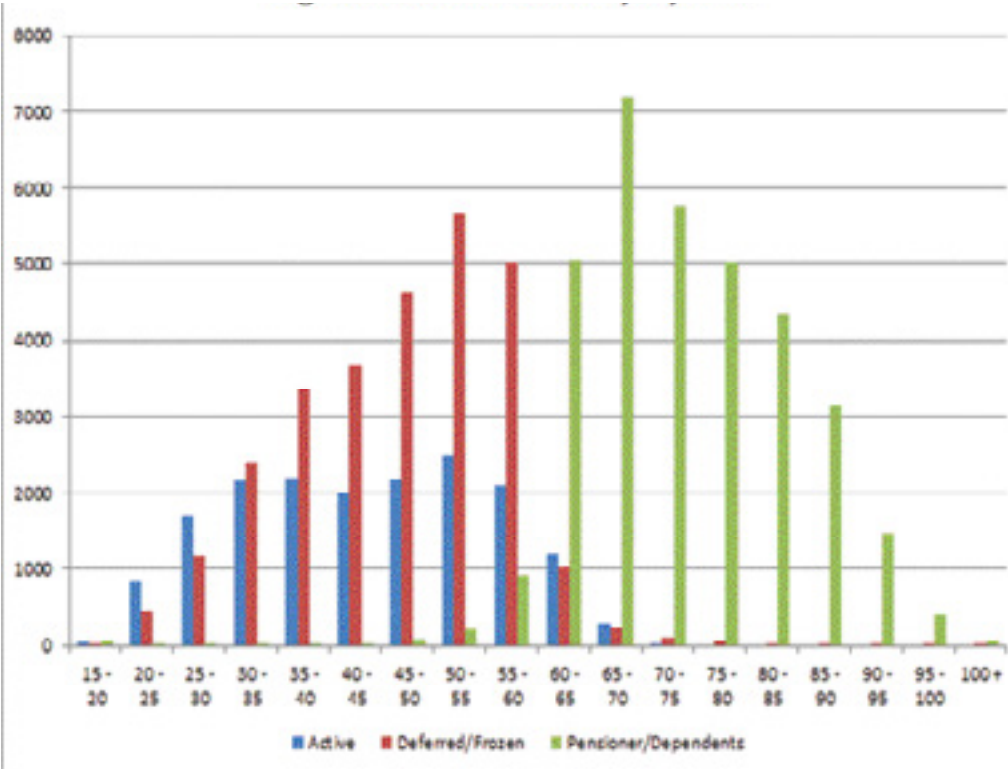
As well as managing the LPFA fund, LPFA carries out LGPS and Fire Scheme administration for London Boroughs of Bexley, Ealing and Newham, the London Fire and Emergency Planning Authority (LFEPA), Bedfordshire Fire, Hertfordshire County Council and Hertfordshire Fire.

38 staff are employed directly on administration and seven on investments

Staff to Fund Member ratio = 1:2,043

Average cases per member of staff = 1,244

AGE OF LPFA SCHEME MEMBERS



	Active	Deferred/Frozen	Pensioner/Dependants
Average	43.8 years	46.9 years	73.7 years
Maximum	74.3 years	100 years	108.6 years
Minimum	16.7 years	18.2 years	1.3 years

2.3 Workloads and targets

WORKLOADS

The workload of the pension administration team continues to grow but staff are committed to providing a timely and accurate service. We set ourselves high standards and this past year, again, 95% of queries were completed within our expected timescales. We have also been working with employers to reduce our expected delivery times, which have continued to drop significantly in recent years. Below are the top 10 casework enquiries completed during the year and the amount completed within performance targets.

New Starters
4,758

99% on target of 5 days
Avg. = 3 days

Transfers In
894

97% on target of 64 days
Avg. = 62 days

Transfers Out
624

96% on target of 23 days
Avg. = 14 days

Estimates for a member
1,381

97% on target of 10 days
Avg. = 8 days

Deferred Benefits
2,047

94% on target of 23 days
Avg. = 18 days

Deaths
1,803

97% on target of 44 days
Avg. = 43 days

Retirements
1,651

98% on target of 53 days
Avg. = 56 days

Refunds
776

97% on target of 28 days
Avg. = 14 days

Estimates for an employer
587

96% on target of 9 days
Avg. = 8 days

General Correspondence
4,858

97% on target of 7 days
Avg. = 4 days

LPFA CUSTOMER SATISFACTION

Staff are committed to providing the best possible customer service and over the past year, 95% of LPFA members surveyed were satisfied with our service. We are also ServiceMark accredited with the Institute of Customer Service.

	2012-13	2013-14	2014-15	2015-16	Benchmark	Target 2015-16
% of members satisfied with our overall service	97%	98%	97.5%	97.5%	Average of last 5 years	95%
% of members surveyed	1.4%	1.34%	1.27%	1.42%		
Number of complaints received	33	25	15	19		<20
No. of complaints categorised as pension ombudsman cases	0	0	0	0		0
No. of IDRP cases (Internal Dispute Resolution Procedure)	6	2	1	6		<6
Cases per member of staff	1,481	1,464	1,244	1,897		

*x3 Stage 2 ill Ill Health, x1 Failure to transfer to a new scheme, x1 change of payment date on VTS transfer and x1 Admission agreement ceased.

GOING DIGITAL

Our preferred method of communication is electronic and we now propose to communicate with you either by email or via our member self-service facility, which you can register for at: www.yourpension.org.uk.

<http://axise.yourpension.org.uk>

.... is our member self-service facility which allows members to access information about their pensions securely online.

www.yourpension.org.uk

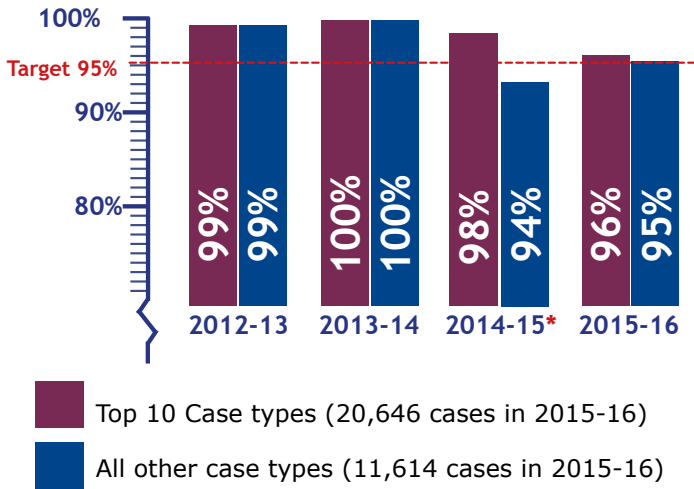
.... is the site for members. Here your members can find information about the pension scheme including videos, guides and factsheets as well as calculation examples.

www.yourfund.org.uk

.... is the secure online portal for employers. Employers can submit online forms, data or carry out data matching facilities.

100% of employer forms were submitted online via the **YourFund** employer portal.

Queries Completed on Time yearly comparison



■ Top 10 Case types (20,646 cases in 2015-16)
■ All other case types (11,614 cases in 2015-16)

* Of the cases that did not meet the target, 50% were in respect of Guaranteed Minimum Pension notifications received from HMRC. These cases were received on mass and although were not completed by the workflow due date, were completed in time for the Pension Payroll close down so that the amounts were correct in time for the pay run.

As at 31 March 2016, LPFA held 10,283 active member email addresses. That’s **60%** of our active members.

As at 31 March 2016, **38%** of active members had signed up to our member self-service system, an increase of 11 percentage points.

FUND COSTS PER MEMBER*

At 31 March 2015

Fund costs	Absolute	Per fund member	% of Net assets of fund
	£'000	£	%
Administration	6,775	87.27	0.15
Investment*	31,110	400.72	0.67
TOTAL	37,885	487.99	0.82

*Includes projected performance fees of £10.8m

At 31 March 2016

Fund costs	Absolute	Per fund member	% of Net assets of fund
	£'000	£	%
Administration	7,748	98.11	0.17
Investment	30,651	388.11	0.67
TOTAL	38,418	486.21	0.84

*Costs for the Fund increased for the year due to costs relating to the establishment of the LPP. We expect to recoup this cost over the next 18 months.

EMPLOYER INTERACTIONS

LPFA Pensions Administration Strategy (PAS)

The aim of the PAS is to ensure that both LPFA and its employers are fully aware of their responsibilities under the Scheme and to identify acceptable levels of performance. The original Strategy went live on 1st April 2010, and since then we have seen a significant improvement to the service that we provide to the Scheme member. This is a result of efficient data and information flow between LPFA and our employers.

The PAS covers 91 of our 144 employers with actively contributing members - this represents 13,990 of the 17,060 active members, or 82%.

Year End Error Rates

Year End Error rates include missing joiners, missing leavers, missing change of hours and high or low pay queries based on the information held on our pensions administration system. Employers who had a high year end error rate (> 10%) were subject to additional charges for the extra work incurred by our administration teams.

	2013-14	2014-15	2015-16	PAS Error Rate Target
Year End Error Rate	15.5%	27.3%	18.62%	10%

Amounts due from employers at the Year End

- Employers contributions - £6,826,000
- Employees contributions - £2,282,000
- Cessation Values - £1,284,000

Timeliness of receipt of contributions

96% of contributions were received by the LPFA within 19 days of the following month. There were 90 instances where employers did not pay their contributions on time. These were charged under the pension administration strategy.

2.4 Pension Payments

PENSIONERS IN RECEIPT OF ENHANCED RETIREMENT BENEFITS

	Ill health instances	Early retirement	Redundancy/ Voluntary Early Retirement
2011-2012	23	16	339
2012-2013	32	12	275
2013-2014	30	10	136
2014-2015	25	42	121
2015-2016	24	8	130
TOTAL VALUE FOR 2015-16	£1,276,364.88	£1,332,795.82	£8,653,455.42

ANALYSIS OF PENSION OVERPAYMENTS

	2011-12	2012-13	2013-14	2014-15	2015-16
	£	£	£	£	£
Overpayments	215,443.45	147,547.50	122,920.49	120,730.87	144,900.68
Collected	190,928.97	98,078.31	93,162.00	72,424.94	16,761.46
Written off	15,225.44	34,267.12	20,257.53	16,990.58	0
Outstanding	9,289.04	15,202.07	9,500.96	31,315.35	128,139.22

3. Investment Review

3.1 Investment Performance

THE LAST TWELVE MONTHS

2015 was a year of sluggish global economic growth, increased volatility and significant monetary policy divergence. Whilst most central banks in developed markets (Eurozone, Japan) engaged in monetary stimulus in an attempt to revive growth, the Federal Reserve proceeded with a much anticipated rate hike, the first in almost a decade. During the year we witnessed a continuous decline in commodity and energy prices, the stabilization of tensions between Russia and the West, increasing terrorist attacks in Europe and throughout the world, as well as the largest immigrant crisis in Europe since World War II.

In the US, the economy remained resilient to the global slowdown, although not completely immune to the downside risks in Europe and China. Recognizing that the global economic outlook still remains fragile, the Fed committed itself to gradually raising its interest rates. The US major equity indices have recovered from a rocky year and are now back to their January 2015 levels. US unemployment has decreased significantly and is currently below its long term average (c. 6%). Personal consumption has probably increased on the back of lower energy prices, as nominal wage growth has remained mild.

In the Eurozone the absence of inflation (or even deflation for some periods of 2015) has prompted the European Central Bank (ECB) to expand its Quantitative Easing programme and lower its key interest rates. On the back of a growing immigration crisis political tensions have risen among EU members. An agreement was reached through a plan to relocate asylum-seekers across the Bloc, as well as a separate agreement between Turkey and the EU, which stated that the former would attempt to reduce the flow of migrants from the Middle East to Europe in exchange for financial aid and other concessions. Additionally, a third bailout programme was signed with Greece and its Creditors after a period of extended negotiations, decreasing the chances of a 'Grexit'.

In this challenging environment consumer spending has increased, supported by declining unemployment and lower energy prices. Furthermore, the rapid decline of the Euro against the other major currencies boosted exports and GDP growth in the area.

In the UK 2015 brought a sweeping victory for David Cameron that led to the first Conservative majority government since 1992. However, the UK's economic prospects are overshadowed by the uncertainty of the much anticipated British referendum. The Pound plummeted against its major counterparties citing a growing concern over the likelihood of the 'Leave' vote prevailing. Although the UK's Budget Deficit is continuing to decrease it still remains quite high (c. -4%), making Government's pledge of eliminating it by 2019 difficult to achieve. Britain's trade deficit has remained near all-time highs, although a weaker Sterling is expected to support export sales. UK inflation has remained subdued significantly below 1% so far, making an interest rate hike in 2016 extremely unlikely.

Global markets remained concerned about the impact of economic rebalancing and lower growth in China. Although the sharp falls in the Shanghai and Shenzhen markets triggered volatility all over the world, they were primarily local affairs. The preceding boom in equity prices was triggered by overt Government support for stock market investing, an influx of new investors and rapid growth in margin finance (investing with borrowed money). However, despite the fact that Chinese economic data were not exhilarating they are far from freefall. Exports in Yuan have increased, the country enjoys a near record trade surplus and there is real GDP growth of over 6%.

Looking forward, in aggregate, global growth is forecast to muddle through in 2016, probably at a somewhat better pace than in 2015. The basis for optimism comes from domestic demand growth in the US and Europe providing a foundation for a rebound in production all over the world. This macro backdrop, the policy divergence between the Fed and the ECB, and the overhang of China's structural adjustment dominate our outlook for capital flows and financial asset pricing. Uncertainty is further exacerbated by the outcome of Brexit and the extent to which it creates ripples into the European economy.

LONG TERM PERFORMANCE

Against this challenging environment, the Fund as a whole returned an estimated 2.9% (excluding the Fund's Liability Driven Investment Portfolio) from April 2015 to March 2016. This return was principally driven by our Public and Private Equity holdings as well as our infrastructure investments.

As a pension fund our investment horizon is long term. Our investment strategy is based on the Fund's objectives of capital preservation, enough cash flow at the right quantity at the right time and on closing the existing deficit gap within the expected time frame. Assets are managed within an acceptable level of risk. Whilst we also make opportunistic investments, we are long term responsible investors and the Fund's investment strategy is decided in accordance with the Fund's principles and beliefs*.

The performance of the Fund is set out in the table overleaf. The Fund is currently in deficit and the funding level, the ratio between assets and liabilities is on an LGPS actuarial basis, 95.2%.

The caveat is, of course, no further unexpected market shocks or a repeat of the unprecedented financial and economic meltdown of 2008. The table shows that the Fund has generated a total assets' return (including LDI) of c. 4.9% during a five year period but a one-year return of -0.93%.

However, Investment returns (excluding LDI) are c.6.6% and 2.9% for the same periods respectively. The 1-year investment return is lower than the expected; however, it has to be judged against a significant increase in volatility during the past year. On a five-year basis the Fund has achieved the target of a nominal return of c. 6% or better.

As the Fund gradually moves away from the legacy holdings to the strategic asset allocation established in November 2015, we expect to maintain and further improve our long term performance.

As was discussed last year, the Board is of the belief that a broadly diversified portfolio including meaningful allocation to illiquid assets, where an illiquidity premia can be harvested, will improve risk adjusted returns over the long term. Further progress towards this goal has materialized through significant new investments in Private Equity, Alternative Credit and Infrastructure (through our joint venture with GMPF).

In these areas we are increasingly making use of our

internal investment resources to access opportunities in a more direct manner, reducing fees and increasing control. In the liquid part of the portfolio we have further reduced Fixed Income exposure. The remaining Fixed Income exposure is largely indirect, via holdings within Blackrock Diversified Growth Fund. In the public Equities space our 'Buy & Hold' portfolio is now fully invested. At the end of the calendar year we rebalanced the portfolio to weight our holdings depending on the conviction we have in each name.

The weighting methodology broadly followed the scoring approach which we set out to the Investment Committee in November 2015.

**See the Statement & Investment Principles*

FUND PERFORMANCE AS AT 31 MARCH 2016

Period return	Quarterly	1 Year	3 Year	5 Year
Excluding LDI	2.11%	2.90%	6.47%	6.63%
Including LDI	(1.55)%	(0.93)%	3.21%	4.86%

GROSS AND NET RETURN ON INVESTMENTS TO 31 MARCH 2016

Calculated as return on investments (gross or net of investment fees)/Net assets of the fund at start of year

	2013-14 (Actual)	2014-15 (Actual)	2015-16 (Actual)	
Gross return on investment	6.2%	5.86%	3.12%	(0.52%)
			Total Excluding Hedge Effects	Total Portfolio
Net return on investment	5.5%	5.58%	2.90%	(0.93%)

Total Value of the Fund

£4.54bn

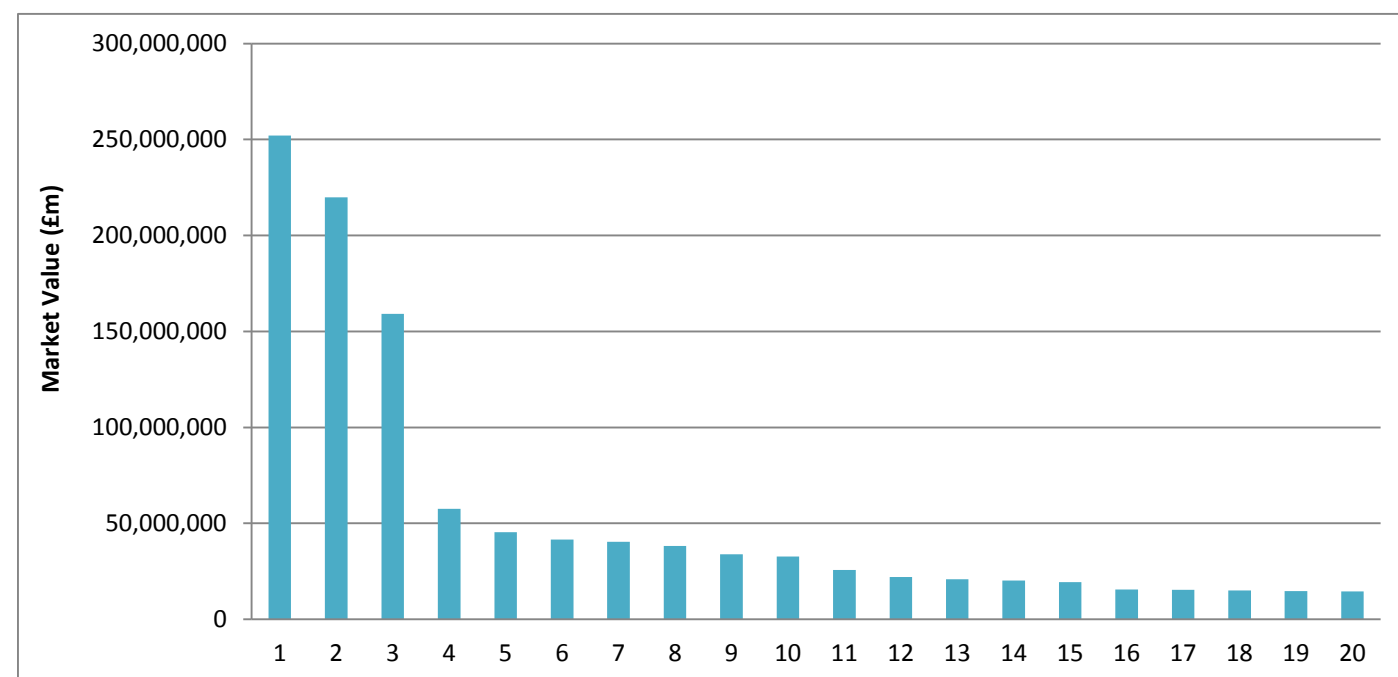
at 31 March 2016

PORTFOLIO EXPOSURE AS AT 31 MARCH 2016

ASSET CLASS	VALUATION £m	EXPOSURE £m	%
Global Equities	1,788.33	2,621.33	57.7
MFS	939.19	939.19	
In House Buy & Hold	849.14	849.14	
Insight Synthetic		712.98	
*Blackrock DDG	325.26	-	
Fixed Income	-	86.84	1.9
LDI	439.49	-	
Illiquids	1,080.04	1,096.63	24.2
Private Equity	397.47	407.23	9.0
Infrastructure	321.25	321.25	7.1
Real Assets	21.54	24.79	0.5
Property	159.56	163.14	3.6
Global Credit	180.22	180.22	4.0
Total Return	471.89	495.96	10.9
Insight Bonds Plus	252.09	252.09	
Blackrock - FIGA	219.80	219.80	
Effective Cash incl. Currency Hedge	448.85	244.09	5.4
Total	4,544.86	4,544.86	

The above table is based on preliminary data as at 31st March 2016.

3.2 Top 20 Pooled Funds (excluding LDI/cash funds)



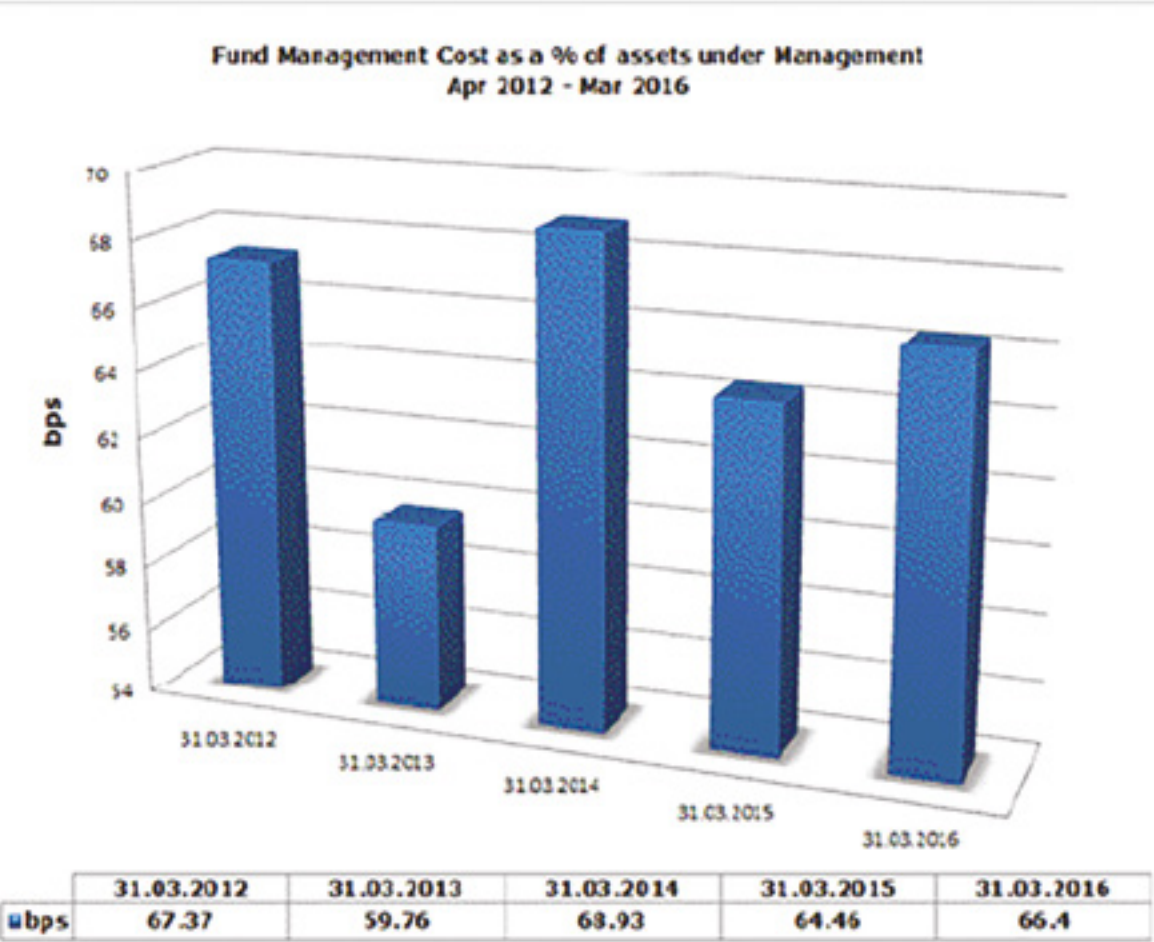
No.	Pooled Investment	Market Value £
1	Insight Bonds Plus 400	252,091,050
2	BlackRock FIGA Fund	219,802,202
3	CBRE Global Osiris Fund	159,138,565
4	Apollo Union Street Partners	57,584,517
5	M&G Debt Opportunities Fund	45,460,601
6	Hermes Private Equity Co-Investment Fund II, LP	41,560,601
7	Meridiam Infrastructure Fund	40,321,193
8	M&G UK Companies Financing Fund LP	38,185,850
9	The Energy & Minerals Group Fund III, LP	33,901,030
10	Adveq TMC I, LP	32,751,132
11	Permira Europe V, LP	25,646,454
12	Pantheon USA Fund VIII Feeder	22,045,406
13	LGT Crown Asia-Pacific Private Equity PLC	20,879,284
14	Adveq TMC O 1, LP	20,144,139
15	Glennmont Clean Energy Fund Europe 1 'A' LP	19,354,859
16	3i Infrastructure CF	15,525,000
17	Adveq TMC II, LP	15,376,995
18	BlackRock Co-Investment IV, LP	15,004,800
19	Brookfield Brazil Agriland LLC	14,687,319
20	M&G Debt Opportunities Fund III	14,470,510

3.3 Top 20 Equity holdings

 Accenture £87,683,444	 Reckitt Benckiser £58,381,471	 Honeywell £57,442,348	 Nestle SA £56,857,394
 Alphabet Inc £56,695,353	 Visa Inc £51,185,861	 WPP £50,224,278	 3M £49,407,744
 Diageo £48,463,733	 Medtronic £47,147,722	 Colgate Palmolive £45,337,881	 AON £36,125,965
 BlackRock Inc £36,097,892	 British American Tobacco £35,065,975	 London Stock Exchange Group £34,783,544	 Texas Instruments £34,641,241
 Experian £34,387,158	 Autozone Inc £32,093,288	 Johnson & Johnson £31,494,306	 CIE Financiere Richemont £31,327,545

3.4 Fund Management Costs

Investment management, performance and administration fees are monitored and reported regularly to the Committee. We have regular dialogue with our fund managers and service providers to ensure that LPFA receive value for money. The table below shows the Fund’s investment management, performance and custodian/consultant fees over the last five years. We continue to seek to minimize fees both through commercial negotiation and via more direct and internal management.



3.5 Risk Management

The greatest risk to the LPFA Fund are not to have sufficient assets to generate the required cash flow for regular pension payments, and that the Fund’s assets are exhausted before the liabilities are fully discharged. To this end, the Fund is governed by its Statement of Investment Principles and Funding Strategy Statement which are reviewed annually. Investment strategy is set in accordance with these guiding principles and beliefs.

Governance is an essential risk management tool; the LPFA governance framework is regularly reviewed and improved especially in decision making process and accountability, compliance and conflicts of interest policies.

In 2013, a Risk Committee was established and the monitoring of potential risks to assets and investment falls within its remit. The Risk Committee meets quarterly to set/review the Fund’s risk framework and officers are accountable to the Committee. In 2016, the Risk Committee has been combined with the Audit Committee to further facilitate effective and efficient review.

The Fund also has in place a risk framework to monitor the Fund’s assets and management regularly.

The performance of the various fund managers are monitored frequently. JPMorgan, as the performance statistics producer, provide LPFA with the monthly and quarterly performance statistics based on reconciled accounting information. These are analysed and reported to the Board quarterly.

During the past year we have been working to further improve the internal tools we have to analyse and dissect the portfolio. Significant progress has been made trialing new software and systems and we plan to roll this out into a “live” environment in the coming months. This asset liability modeling capability will allow for not only timely reporting of current exposures but also a range of scenario testing and forecasting tools to underpin our asset allocation decisions as we move forward.

The Fund’s assets are audited annually by both external and internal auditors. As part of the audit process, the robustness of our internal controls system and procedures are also checked.

3.6 Responsible Investment

One of the LPFA’s five strategic objectives is to manage its business processes to produce an overall positive impact on stakeholders and society. From an investment perspective this means taking account of environmental, social and corporate governance (ESG) issues as we develop our investment strategy and ownership activities.

Over the last few years, LPFA have worked hard to incorporate concepts of Responsible investment and stewardship into our investment activity. We do not consider Responsible Investment as a separate strand, instead integrating these concepts into our day to day activities and evolving our practice under the guidance of the Stewardship Committee. Where we allocate to third party managers we expect these managers to understand and support our policies as part of their core approach.

During the year under review, the LPFA voted in favour of 3,571 resolutions, against 262 resolutions and abstained on 8 resolutions at company meetings. In a total of 234 meetings we voted against management recommendation on 266 occasions.

The LPFA continues to participate in and supports collaborative projects such as signing up to the UN Principles for Responsible Investing (UNPRI) and sharing opportunities such as are provided by the Institutional Investors Group on Climate Change (IIGCC), the Pensions and Lifetime Savings Association (PSLA), and the Local Authority Pension Fund Forum (LAPFF).

Our Statement of Investment Principles including our Myners Compliance Statement can be found on our website: <http://www.lpfa.org.uk/What-we-publish/FUND-PUBLICATIONS.aspx>

RISK INDICATORS

LPFA's aim is to achieve fully funded status on an actuarial basis within 15 years. We use various metrics to assess the risk of the fund and is exposed to, both in terms of assets and liabilities.

With respect to assets, some key metrics we look at are:

(VaR) is a widely used statistical approach to measuring the level of risk inherent within a portfolio - It is measured in three variables - Amount of potential loss; Probability of loss; and Time frame.

=

**Historical 1 Month VaR (95%):
6.75%**

(vs. 5.01% for our benchmark).

For example, if the 1 year VaR (95%) of a given portfolio is calculated as being £100, there is a 5% chance that the loss over the next year will be more than £100. (i.e. we are 95% confident that the loss will not exceed £100).

∂[Equity market] (Sensitivities to changes in the Equity market) In simple terms, beta is the tendency of the fund's returns to respond to the equity market's returns. A beta of 1 indicates that the Fund will move with the equity market. A beta of less than 1 means that the Fund will be less volatile than the equity market. A beta of greater than 1 indicates that the Fund's return will be more volatile than the market.

=

**Fund Beta to MSCI World
Net TR: 0.86**

In terms of liabilities, some key metrics we assess are:

The estimated effect on our liabilities on the triennial valuation of a 1 point basis (0.01%) move upwards in inflation.

=

**IE01 (As at 31 March 2016)
+ £6.7m**

The estimated effect on our liabilities on triennial valuation basis of a 1 basis point (0.01%) move upwards in discount rate.

=

**PV01 (As at 31 March 2016)
-£6.8m**

4. Governing the Fund

This section explains how the LPFA governs and runs the LPFA pension fund. It contains governance highlights, the structure of the Board, its standing Committees, the Local Pension Board, and risk management processes.

Further details of the LPFA's governance arrangements, including Local Code of Corporate Governance, and LGPS Governance Policy Statement, can be found on our website: www.lpfa.org.uk.

GOVERNANCE HIGHLIGHTS FOR 2015-16

► A Board and Corporate Management Team away day was held in September 2015 to review LPFA's future strategy and in particular to discuss the developing partnership arrangements with Lancashire County Pension Fund, the Strategic Policy Statement and the Medium Term Financial Plan were updated accordingly to reflect the Board's vision and direction of travel.

► The LPFA Board agreed to form a £10bn pension's services partnership with LCPF, known as Local Pensions Partnership (LPP). This involved preparing for the delegation of all aspects of pension fund management as a fully-fledged pension service organisation. Formal strategic decision-making and oversight responsibilities remain with the LPFA and LPFA Board; however, from April 2016 the implementation of LPFA's asset management, risk management and pension administration strategies has been delegated to the LPP. The LPFA Board played a significant role in the development and implementation of the LPP. LPFA is now an active shareholder of LPP. Skip McMullan has been appointed as LPFA's Shareholder Nominated Director on the Board of LPP. LPP itself comprises a holding company and two subsidiary companies. One of these companies is FCA authorised and is responsible for the implementation of LPFA's investment strategy.

► The Business and Administration Committee held additional, monthly meetings with counterparts from LCPF. This became the Project Advisory Working Party and was instrumental in the establishment of the LPP and the appointment of the Local Pensions Partnership Board.

► LPFA continued to make representation to the Government to encourage discussion around the future of the LGPS. The Government launched a consultation in November 2015 which requested that all LPGA funds join together into six large investment pools. LPFA continues to work with LCPF and LPP to widen the shareholders and investors of the LPP and encourage participation in the pension services provided by LPP which extend beyond just pooling assets.

► A limited liability partnership was formed with Greater Manchester Pension Fund (GMPF & LPFA Infrastructure LLP) as a vehicle to represent collaborative infrastructure investments. During 2015-16, this partnership has actively invested in infrastructure projects including one of the largest UK onshore windfarms, based in Scotland; and a vehicle established for the construction and operations of renewable energy plants in the UK.

► A number of changes were made to the Board and Committee structures to reflect the transition towards the new delegated arrangements under the Local Pensions Partnership. This was completed with a view to avoid duplication between LPFA and LPP.

► The Audit Committee and Risk Committee were merged in January 2016 to become the joint Audit & Risk Committee. The Business and Administration Committee, Remuneration and Nomination Committee and the Investment Committee were all removed from the governance structure of the LPFA. Instead, the activities covered by those former committees were either reserved to the LPFA Board or were delegated to the newly established committees of the LPP (Risk, Remuneration & Nomination Committee). The governance structure from 8th April 2016 consisted of the Board and the Audit and Risk Committee. This is supplemented by the Local Pensions Board. An Investment Panel has been selected from the membership of the LPFA Board. This Panel will meet separately from the main LPFA Board and will engage with the Chief Investment Officer of the LPP on issues such as performance reporting.

► The LPFA Local Pension Board was set up as a result of the 2013 Pensions Act, which obliged all public sector pension schemes to set up employer and member representative's local pension boards by 1 April 2015. A full annual review from the Local Pension Board Chairman can be found on page 6.

4.1 Board, Executive Team and Committees

THE LPFA BOARD

LPFA's Board members are appointed by the Mayor of London. Half of the appointments are via an open appointment process and the remaining are appointed via consultation with London Councils. Board members are usually appointed for a period of three to four years and usually only serve two appointment periods.

Sir Merrick Cockell was appointed Chairman in September 2015 (replacing Edmund Truell) after previously being Deputy Chairman since 2013. Mike O'Donnell and Anthony Dalwood were reappointed for further three-year terms during the 2015-16 financial year.

There were two new members appointed to the Board during the 2015-16 financial year. Terence Jagger and Tamlyn Nall were appointed on 1 January 2016, each on three-year terms.

The LPFA Executive Team underwent some changes during the year. In the summer of 2015 Angela Smith replaced Luke Webster as Chief Finance and Risk Officer. From April 2016 Susan Martin (Chief Executive), Chris Rule (Chief Investment Officer) and Angela Smith (Interim Chief Finance and Risk Officer) transferred to Local Pensions Partnership Ltd under the service agreement with LPFA. The LPFA Executive has been led by Mike Allen (Managing Director) since April 2016. Joining Mike Allen as Principal Officers for LPFA from April 2016 are Ed Williams (Monitoring Officer) and Tricia Clark (s151 Officer - interim).

LPFA OFFICERS OF THE FUND

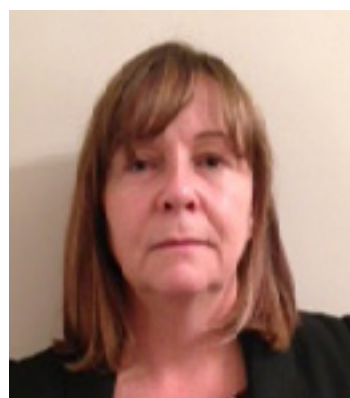
Full biographies are available to view on our website www.lpfa.org.uk



Mike Allen
Managing Director



Ed Williams
Monitoring Officer



Tricia Clark
s151 Officer - Interim

CURRENT BOARD MEMBERS

Full biographies are available to view on our website www.lpfa.org.uk



Sir Merrick Cockell
Chairman



Dermot 'Skip' McMullan
Deputy Chairman



Anthony Dalwood



Kerry Adby



Mike O'Donnell



Terence Jagger



Stephen Alambritis



Tamlyn Nall

We said goodbye to: Stephen Brooker, Board member and Chair of Audit Committee (31 December 2015) and Robert Vandersluis, Board member and Chair of Risk Committee (3 November 2016).

BOARD MEMBER ATTENDANCE

This financial year, an increase in meetings was required to achieve the partnership implementation. There was a total of 41 Committee and Board meetings, including, the Project Advisory Working Party Meetings in 2015-16, compared with 23 Committee and Board meetings in 2015-16. On overview of Board members attendance has been highlighted below:

Board Member	Appointment Period	Background	Committee Membership 2015-16	Appointed as part of a London Council consultation process	Attendance at Board during 2015-16	Attendance at Committees during 2015-16
Sir Merrick Cockell Chairman from September 2015	1 Oct 2010 to 31 Dec 2016	International Business Public Administration	Business & Administration (Chair) Remuneration & Nomination (Chair)	Yes	6 out of 6	4 out of 4 3 out of 3
Dermot “Skip” McMullan (Shareholder Director of LPP)	17 April 2013 to 31 March 2017	Business and Pension Fund Management Investment Management	Investment Business & Administration		6 out of 6 4 out of 4	6 out of 6 4 out of 4
Stephen Alambritis	1 Oct 2010 to 30 Sept 2017	Public Administration	Business & Administration (Chair from Nov 2015) Audit/Audit & Risk	Yes	4 out of 6	4 out of 4 3 out of 3
Anthony Dalwood	1 Oct 2010 to 31 Dec 2018	Investment Management	Investment (Chair from July 2015) Risk Remuneration & Nomination	Yes	6 out of 6	8 out of 8 3 out of 3 3 out of 3
Mike O’Donnell	1 Oct 2010 to 31 Dec 2018	Accountant Public Administration	Audit/Audit & Risk (Chair from February 2016) Remuneration & Nomination (Chair from November 2015)	Yes	4 out of 6	4 out of 4 2 out of 3
Kerry Adby	17 Apr 2013 to 31 Mar 2017	Investment Management Infrastructure Legal	Investment		6 out of 6	7 out of 8
Terence Jagger (appointed 1 January 2016)	1 January 2016 - 31 December 2019	Public Sector Finance	Audit & Risk (from May 2016)		1 out of 1	N/A
Tamlyn Nall (appointed 1 January 2016)	1 January 2016 - 31 December 2019	Finance	Audit & Risk (From May 2016)		1 out of 1	N/A

BOARD MEMBERS DEPARTED						
Edmund Truell (resigned 1 September 2015)	1 Jan 2013 to 1 September 2015	Private Equity Pension Fund Asset and Liability Management	Chairman (to 1 September 2015) Investment (Chair to July 2015)		3 out of 3	0 out of 1
Robert Vandersluis (resigned 3 November 2015)	1 October 2013 to 3 November 2015	Investment and Risk Management	Risk (Chair)	Yes	3 out of 3	2 out of 2
Stephen Brooker	1 Jan 2013 to 31 December 2015	Accountant	Audit (Chair) Risk		5 out of 5	3 out of 3 3 out of 3

BOARD STRATEGY 2015-16

The Strategic Policy Statement developed by the Board and Executive details our strategic aim for 2016-2019. This is available on our website www.lpfa.org.uk.

LPFA’s role during the period covered by this Statement will be as an active shareholder, overseeing the LPP infrastructure partnership. There is also a desire for LPFA and LCPF to work with LPP and encourage further partners to the collaboration, which would deliver greater benefits than those already anticipated. The intention is to attract further partners to increase the scale of the partnership.

Importantly, in relation to the LPFA fund, the existing strategic decision making will remain the responsibility of the LPFA Board. This includes setting employer contribution rates, setting the investment strategy and ensuring an effective pension administration service is in place.

LPFA has a number of key strategic deliverables for the period which link to retained responsibilities of an administering authority. These include carrying out an effective 2016 valuation and ensuring that the investment returns meet LPFA’s deficit recovery objectives. The LPFA will also assist in the transfer of the remaining third party pension administration contracts to the LPP. These are contracts where LPFA provides pension administration services to other LGPS funds.

LPFA will need to ensure that it fulfils its role as an active shareholder in the partnership and that effective communication is maintained with the other shareholders in the LPP, members, employers and wider stakeholders.

4.2 Governance Highlights

LPFA'S CONSTITUTION AND COMMITTEE STRUCTURE

The Constitutional Document continued to be reviewed and amended where appropriate. The document is available on our website: www.lpfa.org.uk.

Much of the substantive work of the Board, prior to 1st April 2016, was conducted through the standing committees:

- Investment
- Risk (merged with Audit Committee in February 2016)
- Audit (merged with Risk Committee in February 2016)
- Business & Administration;
- Remuneration & Nomination.

As of 8 April 2016 the current Committees are:

- Audit & Risk Committee

Additionally, the Local Pension Board was created by the LGPS Governance Regulations 2014 and as such is distinct from the LPFA's Standing Committees. LPFA's standing orders do not apply to this committee, which is outlined in the LPFA Constitutional Document.

Audit & Risk Committee is empowered to carry out the specific duties set out in its terms of reference. Beyond these specific delegated powers, the Committees act as an advisory body with no executive powers, but are authorised to investigate any activity relating to or compatible with its terms of reference. Except where the Committee has been specifically authorised by the Board, the Committee will make recommendations for approval by the Board.

The terms of reference of the Audit & Risk Committee are included in the Constitutional Document, as are items reserved for Board determination. Remuneration & Nomination Committee and Audit & Risk Committee prepare annual reports to the Board which outline their activities during the year. These are publicly available online as part of LPFA's annual report documentation. The Constitutional Document was updated on 8 April 2016 to account for the new arrangements with the LPP; this now details the updated matters reserved to the Board and the terms of reference for Audit and Risk Committee and the Local Pension Board.

BOARD TRAINING

In September 2015, Board Members held a structured offsite Board away day and strategy review; this also included a Board Member-only session to consider the balance of skills on the Board. The annual event is considered vital to allow Board Members and the Executive to dedicate time to setting and reviewing all aspects of LPFA's strategic direction. This resulted in a strategic shift and adaptation of a new trend disclosed within the Strategic Policy Statement (available on our website www.lpfa.org.uk).

All Board members participate in a mixture of individual and group training sessions, established with reference to the CIPFA Knowledge and Skills Framework principles, which have been fully adopted. LPFA's Board members are encouraged to complete The Pensions Regulator's Trustee Toolkit as part of their induction process and this was completed by all new Board member appointments during the 2015-16 year. Training sessions are usually held during the year prior to Board meetings. During 2015-16 training sessions and specific addition Board meetings where necessary were held on:

- Pension funds pooling and the impact of the partnership with Lancashire County Pension Fund. This included a presentation from legal representatives.
- LPFA's Risk approach and implementation of risk management systems.
- Responsible Investment.
- Stock lending and custody arrangements.
- Strategic Asset Allocation and Investment Strategy.
- Valuation approach.

Individual training is tailored to the requirements of Board members and following the outcome of Board member appraisals or themes raised by Board members throughout the year. This is discussed during the induction process and on an on-going basis. New Board members received a full and detailed induction programme.

LPFA representatives of both the Executive Committee and the Board Members are present at all major LGPS investment, governance or administration conferences.

REMUNERATION AND NOMINATION COMMITTEE ANNUAL REVIEW

The Remuneration and Nomination Committee is chaired by Mike O'Donnell and its members are appointed by the Board. This Committee was previously chaired by the Deputy Chairman, Sir Merrick Cockell, who is now Chairman of the LPFA.

The Remuneration and Nomination Committee's general function is to consider the remuneration and service terms of Principal Officers and those members of staff covered by incentive plans and to make recommendations to the Board as necessary. The Committee is also responsible for Board member nomination activities.

The Remuneration and Nomination Committee dealt with a number of matters in correspondence during the year, and met three times to review a number of topics; the attendance for the individual committee members is set out on pages 28 and 29.

- Revised Terms of Reference were approved to include greater clarity of decision making and delegations following the introduction of the Strategic Retention Plan for the investment function.
- The Committee approved the Strategic Retention Plan and the Executive Committee delivery Payment Plan (linked to the launch of the Partnership).
- Approval was received in respect of variable remuneration pay awards for a range of senior staff.
- Approval of the LPFA Pay Policy Statement which took into consideration the variable pay elements and the Strategic Retention Plan.
- Discussed the Board's composition, including the level of skills and professional experience of the LPFA Board.

The Remuneration and Nomination Committee aims to ensure that overall levels of remuneration (including salary, benefits and bonuses) are fair and sufficient to attract, retain and motivate staff and senior staff.

4.3 Risk Management













The LPFA Board promotes a culture of risk management. The LPFA identifies and mitigates a range of risks arising from the external environment (immediate and longer term) and promotes a top-to-bottom and bottom-to-top approach. The Audit & Risk Committee is responsible for oversight and advice to the Board on the current risk exposures and future risk strategy, including strategy for managing liabilities and the oversight of the embedding and maintenance of a supportive culture in relation to the management of risk throughout the Authority. The Committee focuses on both strategic and operational risks and receives quarterly reports on significant risks to the Authority, including status update on trend since last meeting.

LPFA’s risk appetite and the Operational or Financial Risks are available on LPFA’s website (www.lpfa.org.uk) along with actions in place to manage the risk. Audit & Risk Committee provides assurance to Board about the robustness of the existing risk management. The Annual Risk Management Report is published on the LPFA website and provides an insight into the work undertaken by the Audit & Risk Committee during the 2015-16 financial year. In addition a monthly solvency report is published on the LPFA’s website <http://www.lpfa.org.uk/How-we-invest.aspx>

The LPFA manages risk in the following way and is supported by the Audit & Risk Committee’s provision of assurance to the Board:

Management	Audit & Risk Committee	Board
<ul style="list-style-type: none">• Identification and documentation of all risks to which the business is exposed.• Assessing the likelihood and impact of all risks.• Development of processes to manage and reduce risk• Monitoring all risks on a regular basis.• Reporting on risk management to the Audit & Risk Committee and Board.	<ul style="list-style-type: none">• Reviewing the appropriateness of all risk policies and methodologies.• Discussing potential new or unrecorded risks with management.• Challenging management’s assessment of the level of risk.• Monitoring progress against actions to reduce risk.• Receiving reports from management on the changes to the risk landscape.• Providing guidance to management on expectations of Board on acceptable level of risk.• Reporting to the Board.	<ul style="list-style-type: none">• Setting the risk culture of the organisation.• Agreeing the risk appetite of the organisation.• Approving the risk framework.Receiving regular reports from the Risk Committee on key risk items.• Ensuring risk information is included in all strategic decisions and considerations at Board level.

4.4 LPFA Advisors and Service Providers

 Fund Actuary	 Bankers	 Custodian	 Internal Auditor
 External Auditor	 AVC Provider	 Legal Advisor	 Legal Advisor
 Legal Advisor	 Legal Advisor	 Legal Advisor	 Legal Advisor

5. Pension Fund Accounts

INDEPENDENT AUDITOR’S STATEMENT TO THE MEMBERS OF LONDON PENSIONS FUND AUTHORITY ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE PENSION FUND ANNUAL REPORT

Independent auditor’s report to the members of London Pensions Fund on the consistency of the pension fund financial statements included in the pension fund annual report.

The accompanying pension fund financial statements of London Pensions Fund Authority (the “Authority”) for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority’s Statement of Accounts.

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 30 September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority 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.

Section 151 Officer responsibilities for the pension fund financial statements in the pension fund annual report. Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer is responsible for the preparation of the pension fund financial statements, which

must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Auditor’s responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority’s Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Introduction, Fund Administration, Investment Review, Governing the Fund and Public Policy statements.

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and applicable law.

Emily Hill
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

Grant Thornton House
Melton Street
London NW1 2EP

29 September 2016

5.2 Pension Fund Accounts

2014-15 £'000		Notes	2015-16 £'000
	Dealings with members, employers and others directly involved in the Fund		
218,938	Contributions	5	160,151
14,328	Transfers in from other pension funds	6	36,265
233,266			196,416
247,584	Benefits	7	241,310
437,148	Payments to and on account of leavers	8	30,716
(69)	Capital funding cost	10	(170)
684,663			271,856
(451,397)	Net additions/(withdrawals) from dealings with members		(75,440)
(37,885)	Management Expenses	9	(38,418)
	Returns on investments		
46,831	Investment income	11	48,805
(654)	Taxes on income	12	(641)
197,365	Profit and losses on disposal of investments and changes in the market value of investments	13a	(30,379)
243,542	Net return on investments		17,785
(245,741)	Net increase/(decrease) in the net assets available for benefits during the year		96,073

Net Assets Statement for the year ended 31 March 2016

2014-15 £'000		Notes	2015-16 £'000
3,880,115	Investment assets	13	5,276,750
42,000	Cash held by investment managers	13	44,813
3,922,115			5,321,563
-	Investments in Associate	13	-
(30,691)	Investment liabilities	13	(1,127,471)
779,069	Current assets	19	374,050
(24,811)	Current liabilities	20	(18,534)
4,645,681	NET ASSETS OF THE OF THE FUND AVAILABLE TO FUND BENEFITS AT THE PERIOD END		4,549,608

The fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Movement in Reserves Statement for the year ended 31 March 2016

2014-15 £'000		2015-16 £'000
4,891,422	Balance at 1 April	4,645,681
(245,741)	Movement in net assets available for benefits during the year	(96,073)
4,645,681	BALANCE AT 31 MARCH	4,549,608

5.3 Note to the Pension Fund Accounts

1. GENERAL INFORMATION

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the Local Government Pension Scheme (LGPS) (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended), the LGPS (Management and Investment of Funds) Regulations 2009, the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014. Pensions administration (administration expenses in the revenue account) is carried out in-house, while custodial arrangements and fund investment is mainly outsourced to external investment managers (investment management expenses in the pension fund account) under the guidance of LPFA’s Investment Committee.

An increase of 1.2 % (2.7% April 2014) was applied to pensions in April 2015. This was in accordance with The Pensions Increase (Review) Order 2015.

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

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. These transactions are reported in the financial statements of the Residual Liabilities Fund.

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 actuarial statement. This is shown on page 50 and should be read in conjunction with these accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises LPFA’s transactions for the 2015-16 financial year and its position as at 31 March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS).

The accounts summarise the transactions of the Fund and report on the net assets at the disposal of LPFA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the fund year. The actuarial position of the Fund, which does take account of such obligations is dealt with in note 26 and actuarial statement. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS19, is disclosed in note 26 of these accounts.

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

LPFA is not required to be compliant with SERCOP (Service Reporting Code of Practice) under the Local Government Act 2003. LPFA is not governed by the Act.

Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Actuary in the payroll period to which they relate.

Employers’ augmentation contributions and capital cost contributions from the employer are accounted for in accordance with the regulations under which they are paid, or in the absence of such an agreement, when received.

Employers’ deficit funding contributions are accounted for in accordance with the agreement under which they are being paid, or in the

absence of an agreement on a receipt basis.

The LPFA has had discussions with the Department for Communities and Local Government (DCLG) on the long-term funding of the deficit of the Pension Fund. The LPFA continues to collect deficit pension contributions from appropriate London boroughs supported by statements from the fund actuary.

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/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.

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.

Traditionally, LPFA have used a partial VAT recovery method with regard to investment management charges. During 2015-16 financial year, HRMC agreed to permit full recovery of VAT on these charges.

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.

Investment management expenses

Investment management expenses are accounted for on an accruals basis.

Fees of the external 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 most managers.

Fees are either explicit, being expensed separately to the LPFA, or implicit, being expensed within the fund under management.

Where they are implicit an adjustment has been made to the change in market value in order to separately identify the fees charged.

The costs of LPFA's in-house investment team are re-charged as investment expenses to the Fund.

Investment transaction costs

Investment transaction costs are included in the cost of investments purchased or deducted from the proceeds of investments sold.

Investment Assets

Investment assets are included in the net asset statement on a fair value basis as at the reporting date. 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.

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 yearend in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers using guidelines of the British Venture Capital Association. 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.

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 to sterling at the spot exchange rate at the date of the transaction.

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

Derivatives

Derivative 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 generally accepted pricing models.

The future value of forward currency 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.

Fund managers invest on behalf of the LPFA in accordance with the Investment Management Agreement and the Statement of Investment Principles, subject to the Local Government Pension Scheme ("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 18).

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

Unquoted Private Equity, Hedge Funds, Property Funds and Infrastructure Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements 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 and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association or Institutional Limited Partners Association. The value of unquoted private equities and infrastructure at 31 March 2016 was £819m (£639m at 31 March 2015). There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19 and IAS26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuarial Statement on page 50 of this report. This estimate is subject to significant variances based on changes to the underlying assumptions.

4. PENSION FUND INFORMATION

The last full triennial valuation of the LPFA Fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The funding level was 91%. New contribution rates for employers using a risk based approach came into effect from 1 April 2014.

Details of the participating employer bodies and their individual contribution rates for the year ended 31 March 2016 are set out on pages 51-58.

Employees pay contributions determined by their full time equivalent pay at the rates set out below:

Year to 31 Mar 2015	Year to 31 Mar 2016	
Pay Range	Pay Range	Contribution Rate
£0-£13,500	£0 - £13,600	5.50%
£13,501 - £21,000	£13,601 - £21,200	5.80%
£21,001 - £34,000	£21,201 - £34,400	6.50%
£34,001 - £43,000	£34,401 - £43,500	6.80%
£43,001 - £60,000	£43,501 - £60,700	8.50%
£60,001 - £85,000	£60,701 - £86,000	9.90%
£85,001 - £100,000	£86,001 - £101,200	10.50%
£100,001 - £150,000	£101,201 - £151,800	11.40%
£150,001 and above	£151,801 and above	12.50%

The fund membership was as follows:

Fund Membership	2014-15	2015-16
Contributors	17,308	17,264
Deferred Members	26,748	27,874
Pensioners and Dependants	33,579	33,838
Total	77,635	78,976

5. CONTRIBUTIONS**By category**

	2014-15 £'000	2015-16 £'000
Employers - normal	80,531	74,290
Employers - additional	52,573	48,112
Employers - one off deficit payment	48,000	1,870
Members – normal	37,834	35,879
TOTAL	218,938	160,151

By authority

	2014-15 £'000	2015-16 £'000
Administering authority	1,121	1,236
Scheduled bodies	121,330	65,736
Admitted bodies	93,333	91,047
Community Admission Body	675	369
Transferee Admission Body	2,479	1,763
TOTAL	218,938	160,151

Additional deficit contributions

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.

Total contributions paid into the fund at 31 March 2016

£161,151.00

6. TRANSFERS IN FROM OTHER PENSION FUNDS

	2014-15 £'000	2015-16 £'000
Group transfers	1,747	27,653
Individual transfers	12,581	8,612
TOTAL	14,328	36,265

7. BENEFITS**By category:**

	2014-15 £'000	2015-16 £'000
Pensions	213,264	209,375
Commutation and lump sum retirement benefits	30,607	29,522
Lump sum death benefits	3,713	2,413
TOTAL	247,584	241,310

By authority:

	2014-15 £'000	2015-16 £'000
Administering authority	886	1,332
Scheduled bodies	169,841	159,121
Admitted bodies	75,465	79,317
Community Admission Body	53	247
Transferee Admission Body	1,284	1,252
Resolution Body	55	41
TOTAL	247,584	241,310

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2014-15	2015-16
	£'000	£'000
Refunds to members leaving service	250	555
Payments for members joining state scheme	184	157
Group transfers	425,743	17,265
Individual transfers	10,971	12,739
TOTAL	437,148	30,716

The group transfers figure is significantly higher in 2014-15 due to the transfer of the Ministry of Justice employers out of the fund during the year (£425.1m).

9. MANAGEMENT EXPENSES

	2014-15	2015-16
	£'000	£'000
Investment Management	31,110	30,651
Administration	4,898	4,685
Oversight & Governance	1,877	3,082
TOTAL	37,885	38,418

The costs charged directly to the pension fund include actuarial charges, legal fees and bank charges. CIPFA is planning on amending the code of practice as to how administration expenses is disclosed in the future, the LPFA has voluntarily carried this out early and this is shown in the table above.

10. CAPITAL FUNDING

	2014-15	2015-16
	£'000	£'000
Capital Funding Cost	(69)	(170)

The LPFA maintains a separate bank account for the pension fund. As part of managing this requirement the funding for capital expenditure from 2011/12 onwards is transferred to the operational account in the year assets are purchased (and held in a reserve). As the assets are used the depreciation charge is credited back to the pension fund.

11. INVESTMENT INCOME

	2014-15	2015-16
	£'000	£'000
Fixed interest securities	3,958	2,844
Equity dividends	21,633	32,382
Pooled property investments	4	131
Pooled Investments - Unit trusts and other managed funds	14,974	1,416
Cash deposits	3,212	5,241
Private equity income	2,576	4,896
Other	474	1,896
TOTAL	46,831	48,805

12. TAXES ON INCOME

	2014-15	2015-16
	£'000	£'000
Withholding Tax - Fixed Interest securities	4	(6)
Withholding Tax - Equities	(658)	(465)
Withholding Tax - Private Equity	0	(150)
Withholding Tax - Pooled Investments	0	(20)
TOTAL	(654)	(641)

13. INVESTMENTS

	Market Value 31 March 2015 £'000	Market Value 31 March 2016 £'000
Investment assets		
Fixed interest securities	126,623	122,855
Equities	1,409,379	1,804,945
Pooled investments	1,486,500	1,235,608
Pooled property investments	147,891	147,423
Private equity/infrastructure	638,527	819,493
Commodity funds	41,299	23,449
Liquidity fund (Time deposit)	9,692	3,354
Futures	165	356
Forward currency contracts	8,704	1,109,168
Purchased/written options	5,021	2,385
Cash held by investment managers	42,000	44,813
Investment income due	4,854	6,142
Amounts receivable for sales	1,459	1,571
Total investment assets	3,922,114	5,321,563
Investment liabilities		
Futures	(11)	(694)
Forward currency contracts	(25,825)	(1,123,610)
Purchased/written options	(2,618)	(2,792)
Amounts payable for purchases	(2,237)	(375)
Total investment liabilities	(30,691)	(1,127,471)
NET INVESTMENT ASSETS	3,891,424	4,194,092

13A. INVESTMENTS (CONTINUED)**Net Investment assets**

	Market value 1 April 2015 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
Fixed interest securities	126,623	2,353,552	(2,371,283)	13,963	122,855
Equities	1,409,379	566,904	(218,592)	47,255	1,804,946
Pooled investments	1,486,500	770,899	(944,450)	(77,341)	1,235,608
Pooled property investments	147,891	263	(151)	(580)	147,423
Private equity/ infrastructure*	638,528	332,730	(128,540)	(23,225)	819,493
Liquidity fund (Time Deposits)	9,692	1,510,910	(1,517,240)	0	3,354
Commodity funds	41,299	0	(20,565)	2,715	23,449
Futures	154	0	0	(491)	(337)
Purchased/Written Options	2,403	11,125	(15,769)	1,833	(408)
Forward currency contracts	(17,121)	8,098,340	(8,098,340)	2,679	(14,442)
	3,845,348	13,644,715	(13,314,930)	(33,192)	4,141,941
Other Investment Balances:					
Cash held by investment managers	42,000			2,813	44,813
Amount receivable for sales of investments	1,459				1,571
Investment income due	4,854				6,142
Amounts payable for purchases of investments	(2,237)				(375)
NET INVESTMENT ASSETS	3,891,424			(30,379)	4,194,092

13A. INVESTMENTS (CONTINUED)**Net Investment assets (Prior year comparative)**

	Market value 1 April 2014 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in market value during the year £'000	Market value 31 March 2015 £'000
Fixed interest securities	98,269	2,536,671	(2,515,627)	7,310	126,623
Equities	1,322,573	637,207	(721,506)	171,105	1,409,379
Pooled investments	2,580,752	340,798	(1,426,502)	(8,548)	1,486,500
Pooled property investments	133,379	0	0	14,512	147,891
Private Equity/infrastructure	519,917	195,159	(138,916)	62,368	638,528
Liquidity fund (Time Deposits)	17,190	3,833,170	(3,840,668)	0	9,692
Commodity funds	52,599	1,367	0	(12,667)	41,299
Futures	(99)	0	0	253	154
Purchased/Written Options	353	4,347	(2,486)	189	2,403
Forward currency contracts	8,406	84,784	(84,784)	(25,527)	(17,121)
Investors In the Community - Guernsey unit trust	-				
	4,733,339	7,633,503	(8,730,489)	208,995	3,845,348
Other Investment Balances:					
Cash held by investment managers	46,996			(11,630)	42,000
Amount receivable for sales of investments	3,596				1,459
Investment income due	7,481				4,854
Amounts payable for purchases of investments	(3,490)				(2,237)
NET INVESTMENT ASSETS	4,787,922			197,365	3,891,424

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £516k (£1,294k in 2015). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

13B. ANALYSIS OF INVESTMENTS

	31 March 2015 £'000	31 March 2016 £'000
Fixed Interest Securities		
UK		
Public sector quoted	1,759	8,622
Corporate quoted	10,394	3,147
Overseas		
Public sector quoted	39,271	0
Municipal bonds quoted	2,838	30,332
Corporate quoted	72,361	80,754
	126,623	122,855
Equities		
UK		
Quoted	229,413	339,605
Overseas		
Quoted	1,179,966	1,465,341
	1,409,379	1,804,946
Pooled Funds - Additional Analysis		
UK		
Unit trusts	9,632	275,060
Managed Funds	47,682	916,167
Overseas		
Unit trusts	207,965	12,552
Managed Funds	1,212,215	22,037
Hedge Funds	9,006	9,792
	1,486,500	1,235,608
Pooled property investments	147,891	147,423
Private Equity / Infrastructure	638,528	819,493
Commodity funds	41,299	23,449
Liquidity fund (Time deposit)	9,692	3,354
Futures*	154	(337)
Forward currency contracts*	(17,121)	(14,442)
Options*	2,403	(408)
TOTAL	3,845,348	4,141,941

*Further analysis of futures, forward currency contracts and options is given in note 13c.

13C. INVESTMENTS (CONTINUED)**Analysis of Derivatives**

Derivatives are used to hedge liabilities or hedge exposures to reduce risk in 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 agreed between the LPFA and the various Investment Managers.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Nominal value £'000	Market value 31 March 2015 £'000	Nominal value £'000	Market value 31 March 2016 £'000
Assets					
UK equity	Less than one year	3,403	55	1,000	1
UK equity	One to five years	0	0	0	0
Overseas equity	Less than one year	14,087	30	27,218	355
Overseas equity	One to five years	0	0	0	0
Overseas fixed interest	Less than one year	16,504	80	0	0
Total Assets			165		356
Liabilities					
UK equity	Less than one year	(1,328)	(22)	0	(1)
Overseas equity	Less than one year	(6,724)	122	(5,763)	(692)
UK fixed interest	Less than one year	(2,472)	(2)	0	0
Overseas fixed interest	Less than one year	(21,430)	(109)	0	0
Total liabilities			(11)		(693)
NET FUTURES			154		(337)

The Fund had derivative contracts outstanding as at the year-end that are traded over the Counter. The collateral held against all open positions was valued at £567 million.

Open Forward currency contracts

Settlement	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £'000	Liability value £'000
Up to one month						
	AUD	21,237	GBP	11,199	0	(154)
	CAD	23,967	GBP	17,468	0	(265)
	CHF	29,641	GBP	20,509	0	(1,047)
	CHF	6,359	USD	6,300	0	(238)
	CHF	6,539	EUR	5,920	0	(57)
	DKK	32,722	GBP	3,444	0	(40)
	EUR	101,961	GBP	77,792	0	(3,060)
	EUR	4,150	USD	4,557	0	(120)
	GBP	122	AUD	229	1	0
	GBP	2,504	CAD	4,701	24	0
	GBP	1,716	CHF	2,476	84	0
	GBP	363	DKK	3,448	4	0
	GBP	26,742	EUR	34,122	313	0
	GBP	22	HKD	251	-	0
	GBP	2,583	JPY	426,057	56	0
	GBP	54,364	USD	78,320	126	0
	GBP	4,155	ZAR	96,510	408	0
	HKD	50,661	GBP	4,582	37	0
	JPY	24,988	USD	221	0	(1)
	JPY	2,581,857	GBP	15,308	0	(684)
	JPY	2,075,525	USD	18,400	0	(47)
	NOK	11,056	GBP	915	0	(15)
	SEK	230,686	GBP	19,529	0	(286)
	SGD	3,758	GBP	1,926	0	(16)
	USD	269,167	GBP	183,965	0	(3,301)
	USD	20,560	EUR	18,800	602	0
	USD	9,300	JPY	1,102,614	356	0
	ZAR	98,032	GBP	4,145	0	(490)
	AUD	229	GBP	122	0	(1)
	CAD	3,271	GBP	1,743	0	(16)
One to six months						
	CHF	54,823	GBP	39,744	0	(209)
	DKK	3,448	GBP	363	0	(3)
	EUR	103,334	GBP	78,978	0	(3,160)
	GBP	7,020	EUR	9,080	198	0
	GBP	1,185	JPY	189,510	0	(10)
	GBP	15,631	USD	22,595	83	0
	JPY	3,896,357	GBP	24,578	412	0
	RUB	23,200	USD	320	0	(14)
	USD	634,968	GBP	437,651	0	(3,909)
	ZAR	7,639	GBP	353	0	(6)
					2,705	(17,147)

Net forward currency contracts at 31 March 2016		(14,442)
Prior year comparative		
Open forward currency contracts at 31 March 2015	8,704	(25,825)
Net forward currency contracts at 31 March 2015		(17,121)

Purchased/written options

Investment underlying option contract	Expires	Put/ call	Notional holding	Market value 31 March 2015	Notional holding	Market value 31 March 2016
			£'000	£'000	£'000	£'000
Assets						
Index linked purchased	One to three months	Call	611	653	252	1,399
Index linked purchased	Three to nine months	Call	213	202	0	0
Index linked purchased	Over twelve months	Call	1,005	1,418	4	71
Index linked purchased	Less than one month	Put	165	69	0	0
Index linked purchased	One to three months	Put	1,083	1,348	5,631	539
Index linked purchased	Over twelve months	Put	1,271	1,331	3	375
				5,021		2,384
Liabilities						
Index linked written	One to three months	Call	(168)	(91)	(459)	(1,938)
Index linked written	Three to nine months	Call	0	0	0	0
Index linked written	Over twelve months	Call	(397)	(392)	0	0
Index linked written	Less than one month	Put	0	0	(13)	(569)
Index linked written	One to three months	Put	(931)	(1,077)	0	0
Index linked written	Three to nine months	Put	(1,159)	(1,058)	(3)	(284)
				(2,618)		(2,971)
NET PURCHASED/WRITTEN OPTIONS				2,403		2

Investments analysed by Fund Manager

	Market value 31 March 2015 £'000	Market value 31 March 2016 £'000
Record Currency Management	(13,043)	(14,195)
Buy & Hold - LPFA In-house	417,366	823,790
European Credit Managment	54,984	0
Insight Investment Management (Global) Ltd	970,095	803,131
MFS International (UK) Ltd	907,811	925,737
Blackrock Management	514,877	499,362
3i Infrastructure	16,020	15,525
BNP Paribas Clean Energy Partners	19,608	20,431
Brookfield Howard Asset Management	14,882	16,594
Foresight Group	6,994	6,831
HarbourVest Partners LCC	93,232	79,389
Henderson Equity Partners	13,857	0
Impax Asset Management	13,083	10,978
Infrared Capital Partners	6,400	4,485
CBRE Global Investors	147,891	143,547
JP Morgan	9,692	3,354
LGT Capital Partners Ltd	66,775	55,699
M&G Investment Management	91,674	98,117
Meridiam Infrastructure	40,845	45,751
New Energy Solutions II K/S	6,186	5,810
Pensions Infrastructure Platform	100	0
Pantheon Ventures (UK) LLP	110,299	86,987
Phaunos Timber Fund Ltd	6,636	6,854
Robeco Alternative Investments	11,802	10,340
Sarasin & Partners LLP	64,174	0
Schroders Investment Management	19,781	0
Semperian PPP Investment Partners	96,030	97,356
Standard Chartered	9,403	3,979
YFM Equity Partners	1,489	642
Zouk Capital LLP	2,074	1,033
Adveq Management AG	34,028	75,824
Bridges Ventures	2,389	5,768
Cleantech Europe	7,597	12,034
Montana Capital Partners LLP	3,011	9,992
The Energy & Minerals Group Fund III, LP	26,252	26,504
Permira Europe V, LP	13,208	35,702
Blackrock Co-Investment IV, LP	9,878	14,864
Hermes Private Equity Co-investment Fund II, LP	27,968	50,885
Apollo Union Street Partners	0	60,433
Red Kite Mine Finance	0	9,288
Pontoon Dock	0	425
GMPF & LPFA Infrastructure LLP	0	84,901
Coller Capital	0	3,802
	3,845,348	4,141,941
Cash held by investment managers	42,000	44,813
Amounts recievable for sales	1,459	1,571
Investment income due	4,854	6,142
Amounts payable for purchases	(2,237)	(375)
	3,891,424	4,194,092

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

Security	Market value 31 March 2015 £'000	% of Total Fund	Market value 31 March 2016 £'000	% of Total Fund
Insight Liability Driven Investment (LDI) solutions plus LDI active '1' FD	337,022	7.3	430,492	9.5
Insight LDI solutions plus bonds plus FD CLS 'S' SHS	504,741	10.9	252,091	5.5

14. SECURITIES LENDING

Securities lending is governed by an agreement between the LPFA and the custodian. All loans are collateralised and subject to daily valuation and calling of collateral. Cash is not accepted as collateral and a maximum of 35% of securities in the fund can be lent. The Fund held collateral of £124.8m (2015:£104.5m) in equities and government issued debt.

Securities in the UK amounting to £19.5m (2015:£15.6m) were loaned as at 31 March 2016 against collateral of £21.1m (2015:£17.2m). International securities amounting to £92.7m (2015:£80.1m) were loaned against collateral of £103.7m (2015:£87.3m) as at 31 March 2016.

15. FINANCIAL INSTRUMENTS

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

Market value 31 March 2015 £'000	Category	Market value 31 March 2016 £'000
	Financial assets - Fair value through profit and loss	
126,623	Fixed interest securities	122,855
1,409,379	Equities	1,804,946
1,486,500	Pooled investments	1,235,608
147,891	Pooled property investments	147,423
638,528	Private equity/infrastructure	819,493
41,299	Commodity funds	23,499
9,692	Liquidity fund (Time deposit)	3,354
165	Futures	357
8,704	Forward currency contracts	1,109,168
5,021	Purchased/written options	2,385
3,873,801		5,269,038
	Financial liabilities - Fair value through profit and loss	
(11)	Futures	(694)
(25,825)	Forward currency contracts	(1,123,610)
(2,618)	Purchased/written options	(2,792)
(28,454)		(1,127,095)
3,845,347	Total - Fair value through profit and loss	4,141,941
	Finance assets - Loans and Receivables	
42,000	Cash held by investment managers	44,813
4,854	Investment income due	6,142
1,459	Amounts receivable for sales	1,571
779,069	Current Assets	374,050
827,382	Total - Loans and Receivables	426,576
	Finance liabilities - At amortised cost	
(2,237)	Amounts payable for purchase	(375)
(24,811)	Current liabilities	(18,534)
(27,048)	Total - Loans and Receivables	(18,809)
4,645,681	Grand Total	4,459,608

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 2016 have been reviewed and were assessed as being the same as the carrying amounts in the net asset statement. Assets are carried at fair value. When an asset or liability is translated at balance sheet date the gain / loss is taken as unrealised but when the asset or liability is settled (i.e. received / paid) the gain / loss becomes realised.

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

Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

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

Value at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	2,088,707	2,360,837	819,493	5,269,037
Financial liabilities at fair value through profit or loss	(3,486)	(1,123,610)		(1,127,096)
NET FINANCIAL ASSETS	2,085,221	1,237,227	819,493	4,141,941

Value at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	1,593,417	1,551,420	728,964	3,873,801
Financial assets at fair value through profit or loss	(2,629)	(25,825)		(28,454)
NET FINANCIAL ASSETS	1,590,788	1,525,595	728,964	3,845,347

Reconciliation of level 3 assets

	Market value 1 April 2015 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
Level 3	728,964	332,730	-333,138	90,937	819,493

Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The principal aim of investment risk management is to maximise the returns of investments within reasonable risk parameters. The LPFA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. Overall responsibility rests with the Board, although a separate investment committee has been established along with a risk committee. Investment risk management is included within the investment strategy. The in-house investment team reports to the Investment Committee on a quarterly basis.

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 Practice and Investment Guidance.

Overall, the Authority manages risk in the following ways:-

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

In order to comply with the requirement that the LPFA set a balanced budget (Local Government Finance Act 1992) a draft budget is approved by the Corporate Management Team for submission to the Board. The draft budget once approved by Board is submitted to the Mayor of London for comment. The final budget is set by the Board bearing in mind any comments made by the Mayor.

The LPFA has significant pension fund assets and these are managed in line with LPFA’s investment strategy and set out in the Statement of Investment Principles. This includes the use of derivatives, further details of which are in note 13. Further information on the management and performance of these assets is included in the Pension Fund Annual Report, which is available on the LPFA’s website.

The LPFA also holds some pension fund assets in cash which are held in accordance with a Treasury Management Strategy Statement and underlying Treasury Management Practices, agreed by the Board and scrutinised by the Investment Committee, Audit Committee and Risk Committee. Further details on this are provided under ‘Credit Risk’.

For the year ending 31st March 2016, LPFA has undertaken no repurchase or early settlement of borrowing, incurred no premiums and discounts, entered into no financial guarantees, not defaulted on any loans and not held or pledged any collateral (apart from collateral held as part of the securities lending programme) in respect of the repayment of any loans.

The LPFA’s activities expose it to a variety of financial risks in respect of financial instruments:

Market risk

Market risk is the risk of loss from fluctuations in asset prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund’s risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising return on risk
The fund mitigates these risks by establishing a well-diversified strategic asset allocation, including assets which provide real term returns as well as cash flow generating assets that try to match the fund’s liabilities. The exposure of the fund to market risk is monitored quarterly and reported to the Investment Committee and Risk Committee.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices driven by factors other than those arising from interest rate risk or foreign exchange risk (e.g. supply, demand and investor confidence). Often these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is also exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a potential risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. However, the potential losses from shares sold short, is unlimited.

The fund’s investment managers mitigate this price risk of asset classes through diversification and the selection of securities.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, the LPFA has determined that the following movements in market price risk are reasonably possible for the 2015-16 reporting period:

Asset Class	2015 1 year expected volatility (%)	2015 % of fund	2016 1 year expected volatility (%)	2016 % of fund
Global Equities	16.0	49.8	16.0	51.5
Private Equity	22.0	9.4	22.0	12.7
Property	11.0	3.2	11.0	3.5
Fixed Income	7.5	14.3	7.5	5.2
Commodity	12.5	0.8	12.5	0.6
Infrastructure	14.5	4.6	14.5	7.5
Cash & Liability Driven Investment (LDI)	1.0	17.8	1.0	19.0
TOTAL FUND VOLATILITY	10.6	100	11.3	100

The potential price changes disclosed above are broadly consistent with one standard deviation movement in the returns for each of the major asset classes in which the Fund is invested. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on underlying volatilities and correlations of the assets. The methodology has been revised from the previous accounting period; we use long term assumptions for the volatility of each asset class, along with a cautious set of long run correlation assumptions, which result in a higher volatility projection than estimated previously over the equivalent accounting period.

The value of the Fund as at 31 March 2016 was £4,550m (2015:£4,645m) and the expected volatility was 11.3% (2015: 10.6%). Given these figures, we would expect that in roughly 2/3rds of outcomes the value of the Fund would lie between £4,610m (2015: £5,112m) and £3,674m (2015: £4,140m) 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.

Interest rate sensitivity analysis

The table below shows the sensitivity in the values of the main bond mandates held by the Insight and BlackRock pooled investment vehicles. The analysis assumes a +/- 100bps parallel shift across all relevant yield curves, based on the assumption of fixed duration with underlying sensitivities provided by the two investment managers.

Asset Class	Market value (£m)	Interest Rate Sensitivity PV01 (£m)	Impact of yield shift (£m)	
			- 100 bps	+ 100 bps
Insight - as at 31 March 2016	434	1.019	-101.9	101.9
Insight - as at 31 March 2015	337	0.746	-74.6	74.6
Blackrock - as at 31 March 2016	193	0.089	-8.9	8.9
Blackrock - as at 31 March 2015	2,351	0.422	-42.2	42.2

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.

A global asset allocation with sterling liabilities exposes the Fund to fluctuations in exchange rates that may affect the value of its investments. The Board has established a currency hedge covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. This position is reviewed regularly as part of the investment strategy review.

Currency risk sensitivity analysis

The projected standard deviation of the Fund’s currency exposure is based on 12m market implied volatilities and correlations, as of the relevant accounting date. While the largest foreign currency exposure is USD, with an implied volatility of 12.6%, the higher volatilities of other currencies offset by the expected correlation mean that the overall currency exposure, after any currency hedging, is expected to contribute 1.19% (2015: 1.13%) of volatility to the overall assets (£4.55bn) of the portfolio. This assumes no diversification with other assets. The following tables summarise the fund’s currency exposure by currency as at 31 March 2016 and as at the previous period end:

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund’s financial assets and liabilities.

In essence the fund’s entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimizes credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on OTC derivative contracts is minimized as counterparties are recognized financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

During the 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 sophisticated creditworthiness methodology. The methodology uses an average of the ranked ratings from the ratings agencies; Fitch, Moody’s and Standard & Poor.

The LPFA places the majority of its short term cash deposit with the GIS, but in addition can place cash directly with any counterparty on the approved list of the GIS.

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 2016 was £338m (2015:£716m).

Liquidity Risk

The LPFA ensures it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments, particular for the diversifying assets portfolio.

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 2016 the value of illiquid assets was £788.9m which represented 19.1% of the total LPFA assets (31 March 2015 £863.4m which represented 15.7% of the total LPFA assets).

The LPFA has immediate access to its cash holdings with the GIS and Lloyds Bank Plc.

All financial liabilities at 31 March 2016 are due within one year.

Refinancing Risk

The key risk is that the LPFA will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The LPFA does not have any financial instruments that have a refinancing risk, as part of its treasury management.

16. INVESTMENT EXPENSES

	31 March 2015 £'000	31 March 2016 £'000
Investment fees basic	19,709	20,276
Performance fees	11,402	10,375
TOTAL	31,111	30,651

Included in Investment expenses is £471k in respect of the In-house investment team costs (2015: £839k).

17. CASH BALANCES

	31 March 2015 £'000	31 March 2016 £'000
Short term deposits	762,629	359,530
Pooled deposits placed by investment managers	42,000	44,813
TOTAL	804,629	404,343

18. AVC INVESTMENTS

	Market value 31 March 2015 £'000	Market value 31 March 2016 £'000
Prudential	11,265	11,525

AVC contributions of £1,929k (2015:£2,136k) were paid directly to Prudential during the year.

19. CURRENT ASSETS

	31 March 2015 £'000	31 March 2016 £'000
Cash balances	762,629	359,530
Contributions due – employees	2,500	2,282
Contributions due – employers	7,771	6,826
Sundry debtors	7,172	8,353
Prepayments	15	1
Impairment allowance for bad and doubtful debts	(1,018)	(2,942)
TOTAL	779,069	374,050

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

20. CURRENT LIABILITIES

	31 March 2015 £'000	31 March 2016 £'000
Sundry creditors	(23,209)	(14,573)
Group transfer	(30)	(1,797)
Benefits payable	(1,572)	(2,164)
TOTAL	(24,811)	(18,534)

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

21. 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 ISA24 and its applicability to the public sector using current advice and guidance. Mike O'Donnell (Board member) is the Executive Director of Corporate Services at London Borough of Camden. The London Borough of Camden paid employer contributions of £458k (2015: £469k) during the year. Stephen Alambritis (Board member) is the leader of the London Borough of Merton. No contributions were paid by the London Borough of Merton during the year (2015: nil). These two boroughs are Scheduled bodies in the Fund. The Mayor of London comments on the LPFA annual budget and the Greater London Authority is a participating employer of the pension scheme and paid employer contributions of £4,689k during the year (2015: £4,794k). The LPFA Operational Account and Residual Liabilities account are deemed to be related parties and transactions relating to such are reflected elsewhere in these accounts.

22. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2016 totalled £673.66m [2015:£246.2m] based on:

Currency	Commitment	Exchange Rate	£m
USD	287.5	1.4379	199.94
CHF	7.4	1.3811	5.36
EUR	142.1	1.2681	112.06
£	356.3	N/A	356.30
TOTAL			673.66

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.

23. STATEMENT OF INVESTMENT PRINCIPLES

A copy of the statement can be obtained by contacting LPFA at 169 Union Street or via the corporate website: www.lpfa.org.uk

24. POST BALANCE SHEET EVENTS

There have been two non-adjusting post balance sheet event, which are detailed below.

Formation of the Local Pensions Partnership Group

On 8th April 2016 the London Pensions Fund Authority and the pension fund of Lancashire County Council went live with an asset and liability management partnership, forming the Local Pensions Partnership Group (“The Partnership”).

The Partnership, which is a response to the Government’s reform agenda for Local Government Pension Schemes, has the potential to fundamentally change the way in which the two funds are managed and achieve significant reductions in the cost of running the Funds. The Partnership comprises, a pool of investment assets (made up of the assets of the two funds, which are jointly managed and invested) and a pension services organisation. The Partnership carries out both investment management and pensions administration functions. Both the asset pool and the investment management activities are regulated by the Financial Conduct Authority.

EU Referendum

On 23rd June 2016, following the EU Referendum, the UK decided to exit the European Union. Both pre and post referendum, the directors of LPFA fully considered the implications of the outcome. In the short term, the impact has been favourable, however the directors continue to monitor the longer term effect and act accordingly.

25. PARTICIPATING EMPLOYERS

A list of the employer bodies of the Pension Fund is set out on pages 72-76.

26. 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 2013, 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 2016 for the Fund was £6,870m (2014:£7,154m). The net liability for the Fund at 31 March 2016 was £2,325m (2015: £2,528m).

Key Assumptions used

Life expectancy from age 65 (years)	31 March 2015	31 March 2016
Retiring today :		
Males	21.9	22.0
Females	24.9	25.0
Retiring in 20 years:		
Males	24.2	24.4
Females	27.2	27.2

- ▶ 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 2015 %p.a.	31 March 2016 %p.a.
RPI increases	3.2	3.2
CPI increases	2.3	2.4
Salary increases	4.1	4.1
Pension increases	2.3	2.4
Discount rate	3.6	3.3

5.4 Actuarial Statement

INTRODUCTION

The last full triennial valuation of the London Pensions Fund Authority Pension fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2014. The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

This statement gives an update on the likely progression of the funding position to 31 March 2016 and comments on the main factors that have led to a change since the full valuation as at 31 March 2013.

2013 VALUATION

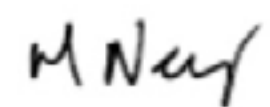
The results for the Fund at 31 March 2013 were as follows:

- ▶ The Fund as a whole had a funding level of 91% i.e. the assets were 91% of the value that they would've needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £483m which is lower than the deficit at the previous valuation in 2010.
- ▶ The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment (usually expressed as a lump sum payment) required to pay for their individual deficit.
- ▶ 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.
- ▶ The contributions for strong employers that were expected to stay in the Fund over the long term were set using the same assumptions as the overall Fund results with an individual deficit recovery period of up to 17 years.
- ▶ In contrast, weaker employers that were expected to leave the Fund shortly were set contributions which target fully funded on a minimum risk basis when they leave the Fund.

UPDATED POSITION

Using an approach consistent with the 2013 valuation, the funding position at 31 March 2016 is projected to have slightly improved. The main reason for the improvement is the payment of deficit contributions by employers.

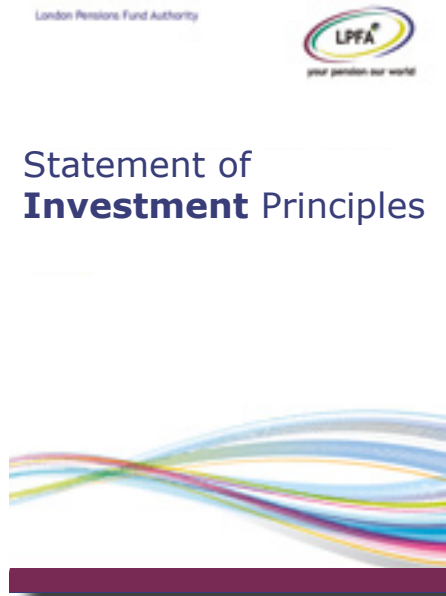
The method and assumptions to be used for the 2016 valuation will be discussed during 2016/17 and the results shall be published by 31 March 2017.


Mark Norquay FFA
Associate, Barnett Waddingham LLP

6. Public Policy Statements

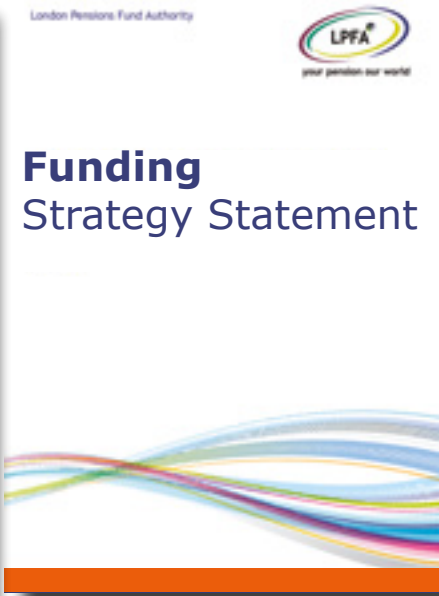
The following public policy statements are reviewed regularly and available on the LPFA website under the "What We Publish" section.

STATEMENT OF INVESTMENT PRINCIPLES (SIP)



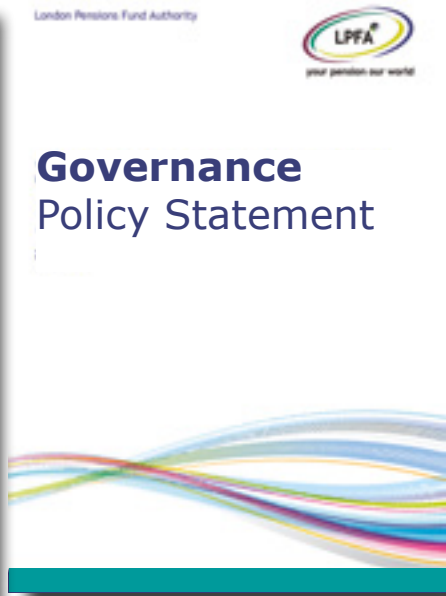
The Statement of Investment Principles (SIP) provides an overview of the responsibilities, process and conduct in the management of the LPFA pension fund investments. The SIP and Myners Principles compliance statement are reviewed and updated annually.

FUNDING STRATEGY STATEMENT (FSS)

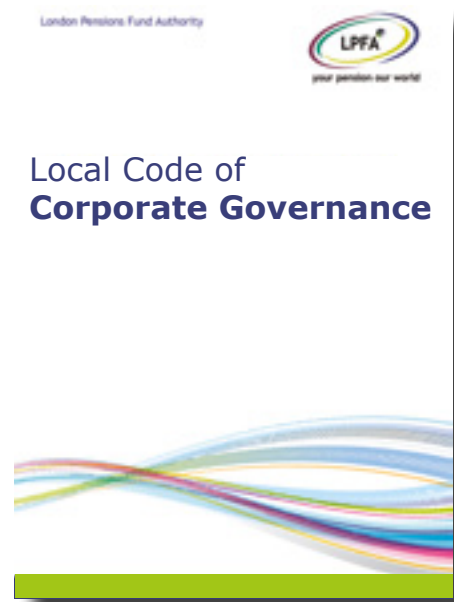
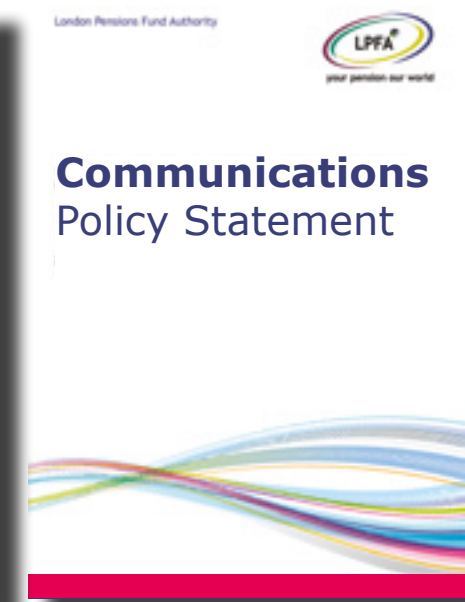

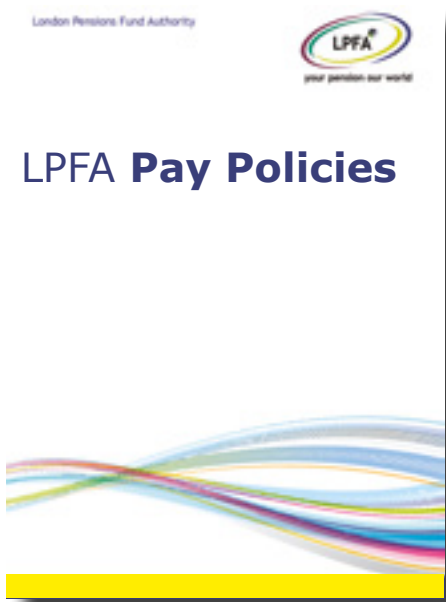



The purpose of this statement is to establish a clear and transparent fund specific strategy which identifies how employers' pension liabilities are best met in future years, to keep their contribution rates as constant as possible and to take a prudent longer-term view of funding those liabilities. The Funding Strategy Statement will be reviewed and amended as part of the 2016 Fund valuation.

GOVERNANCE POLICY STATEMENT



The LGPS Governance Statement sets out how the administration of the Fund is governed. Each administering authority is required to publish a governance statement and also to explain their compliance with a set of best practice principles issued by The Department of Communities and Local Government.

LPFA LOCAL CODE OF CORPORATE GOVERNANCE	COMMUNICATIONS POLICY STATEMENT	STRATEGIC POLICY STATEMENT	LPFA PAY POLICIES	ENVIRONMENTAL POLICY
				
<p>This document sets out LPFA’s Local Code of Corporate Governance and the process for monitoring and maintaining the Code which will enable LPFA to successfully achieve its objectives. This has been reviewed in light of the partnership and approved by the Board in July 2016.</p>	<p>This describes how the LPFA provides information and publicity relating to the Scheme, and the frequency, format and method of distribution, to members, representatives, employers and potential members of the Scheme.</p>	<p>The Authority submitted a Strategic Policy Statement to the Mayor setting out LPFA’s objectives and plans over the three year period from April 2016 to March 2019. The plan is spearheaded by a Mission Statement and underpinned by the following three main pillars:</p> <ul style="list-style-type: none">► Innovation in investments and liability management► Partnership working, Marketing and VAB► Operation efficiency and Active Shareholder	<p>This policy describes LPFA’s pay framework and its approach to determining pay. It also sets out the current structure and arrangements in place for dealing with the remuneration of its Officers.</p>	<p>LPFA’s Environmental Plan is maintained and confirms business will be transacted only with suppliers and contractors who have environmental (and Health & Safety and Equality) policies compatible with LPFA’s. LPFA’s Environmental Policy is designed to and operate environmental best practice throughout the LPFA.</p>

Annexes

i Reporting and Controls

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

EXTERNAL REVIEW

The LPFA has historically been subject to external audit by the District Auditor, appointed by the Audit Commission. They ensured that public funds were properly safeguarded and accounted for, and provide value for money in accordance with the statutory and regulatory requirements. Following the abolition of the Audit Commission the 2012-13 audit has been completed by Grant Thornton. An Annual Governance Report provides their opinion on the financial statements and a value for money conclusion.

INTERNAL REVIEW AND CONTROL

The LPFA has appointed KPMG as internal auditors for 2013-14, 2014-15, and 2015-16, both as a tool of management and with direct reporting to the LPFA's Audit Committee. Their audit reviews take place on a phased basis throughout the financial year and their recommendations are reported to each Audit Committee meetings with progress against each recommendation closely monitored.

ANNUAL REPORT AND ACCOUNTS

The LGPS Administration Regulations 2008 introduced a requirement to produce a 'pension fund annual report' comprising the reports detailed above and the Funding Strategy Statement, the Statement of Investment Principles and the Communications Policy Statement.

The Authority publishes all these documents online www.lpfa.org.uk/What-we-publish. In addition the Statement of Accounts details the LPFA's financial management of the organisation as well as the pension fund.

FRAUD AND IRREGULARITY

In order to combat potential instances of fraud and to reduce the risk of pension overpayments LPFA participates in a range of data initiatives. These are outlined in more detail in the Fraud Control Framework which is available at www.lpfa.org.uk

National Fraud Initiative (NFI)

LPFA will participate in the National Fraud Initiative 2016/17. The timetable released by the Cabinet Office confirms that data is required to be uploaded to the NFI secure web application by October 2016 with results being available from January 2017.

Atmos Data Services

In addition to participating in the NFI exercise the LPFA carries out monthly mortality screening on pensioners and their dependants. This reduces the costs and risks of Impersonation of the Deceased (IOD) fraud and pension overpayments and is a far more effective exercise than the life certificate processes previously adopted.

The use of the ATMOS service in 2015-16 led to 264 deaths being identified which LPFA had not previously been notified of. By being notified early by ATMOS it allows LPFA to suspend pension payments early reducing the incidences of overpayments. The reduction in death overpayments reduces the administrative work required to pursue re payment.

In addition to ATMOS LPFA have recently adopted the tell us once (TUO) service which affords another method of being notified of deaths which helps reduce the risk of death overpayments.

Overseas Pensioners

The Atmos process only picks up on those deaths where the pensioner resided in the UK. In order to achieve the challenge in establishing the existence exercise for all Pensioners who reside overseas, the exercise will incorporate both the issuing of Life certificates to a proportion of the overseas pensioner membership with the remaining being asked to complete the Western Union Overseas existence process.

REPRESENTATION

The LPFA's Board members are appointed by the Mayor. They are all independent members in the sense that they are selected based on their particular skills or background. There are no member or employer representatives. Therefore LPFA uses a range of representative panels and forums to seek the views of stakeholders although these do not have any voting rights.

In line with the new LGPS Governance Regulations 2014, all LGPS administering authorities were to set up a Local Pension Board (LPB). Please see page 6 which provides a note from the Local Pension Board Independent Chair, William Bourne.

FREEDOM OF INFORMATION (FOI) SCHEME

During 2015-16 a total of 65 requests for information were received. These were in respect of private equity investment; investment portfolio and holdings, fossil fuels and pension fund requests regarding the scheme. All of the 65 requests were satisfied within the statutory timescales.

EQUALITIES OBJECTIVES

A comprehensive review of equalities took place during 2014-15 to ensure the effective implementation of the Equality Act 2010. The equality objectives were confirmed in 2014 following consultation with stakeholders.

ENVIRONMENTAL PLAN

Information Security

The LPFA continue to be certified to international standard ISO 27001 and have implemented an Information Security Management System. This is an international standard which allows us to manage, review and act on the any information security risks to our data. The LPFA are committed to preserving the confidentiality, integrity and availability of all the physical and information assets throughout the organisation.

Environmental Management

The LPFA are committed to preserving the confidentiality, integrity and availability of all the physical and information assets throughout the organisation.

EXERCISE OF DISCRETIONS UNDER LGPS

Under the LGPS Administration Regulations 2008, the LPFA was required to produce a written statement of its policy in relation to the exercise of its functions under four specific areas of discretion; these have been published on the website: www.lpfa.org.uk/Employers/EMPLOYER-DISCRETIONS

HEALTH & SAFETY

Officers monitor performance with regard to Health and Safety and report annually to the Board. The report, covers accidents, general fire safety, electrical equipment, display screen equipment, housekeeping and premises, training, and emergency procedures.

COMPLAINTS

If an employee has a complaint, they are advised to contact the LPFA to try and resolve the problem. To view the Complaints Procedure visit www.yourpension.org.uk.

In addition to the Complaints Procedure, under the LGPS Regulations, an employee who is dissatisfied with any decision made in relation to the Scheme has the right to have their complaint reviewed in accordance with our Internal Dispute Resolution Procedure (IDRP).

Should the decision fail to solve a complaint, the employee may, within six months of the date of the decision, apply to the LPFA to have it reconsidered. They may also contact The Pensions Advisory Service (TPAS) or, once the IDRP process has been exhausted, the Pensions Ombudsman.

ii Employers Contributing to the Fund as at 31 March 2016

NUMBER OF EMPLOYERS IN THE FUND

	Active	Ceased	TOTAL
Academy	6	0	6
Admitted Body	62	19	81
Community Admitted Body	2	1	3
Resolution Body	0	1	1
Scheduled Body	67	71	138
Transferee Admitted Body	11	6	17

EMPLOYERS ACTIVELY CONTRIBUTING TO THE FUND

Admitted Bodies

CITY UNIVERSITY
ENGLISH INSTITUTE OF SPORT
London Councils
Old Oak & Park Development Corporation
Sport England
UK SPORTS COUNCIL
BRITISH FILM INSTITUTE
INST ENVIRONMENT HEALTH OFF
THE CITY LITERARY INSTITUTE
The Pioneer Group
Lee Valley Leisure Trust Ltd
CNTR SCHOOL SPEECH & DRAMA (CSSD)
The Guinness Partnership
GEFFRYE MUSEUM TRUST
HORNIMAN MUSEUM
UNIVERSITY OF WESTMINSTER
COMMISSION FOR LOCAL ADMIN
CHARTERED INSTITUTE OF HOUSING
SOUTH BANK UNIVERSITY
G.L.E.LTD
GOLDSMITHS, UNIVERSITY OF LONDON
ROEHAMPTON UNIVERSITY

GALLIONS HOUSING ASSOCiation
PEABODY TRUST
TRUST THAMESMEAD
WALTHAM FOREST CBHA LTD
CON FOR AWDS IN CARE HEALTH & ED (CACHE)
Dulwich College
LONDON METROPOLITAN UNIVERSITY
UNIVERSITY OF GREENWICH
NAT INST ADULT CONT EDUCAT
THE RADIUS TRUST
ASSOCIATION OF COLLEGES
Food Standard Scotland
FOOD STANDARDS AGENCY
MARYWARD SETTLEMENT
BRUNEL UNIVERSITY
TANDRIDGE LEISURE LTD
BUFVC
LONDON ARTSCOM LTD.
POPLAR HARCA
GLL NEXUS
Alleyn’s School
CORAM’S FIELDS
SPORT AND RECREATION ALLIANCE LIMITED
Genesis Housing Association Ltd
ST CHRISTOPHER’S FELLOWSHIP
BROADACRES HOUSING ASSN LTD
UNIVERSITY OF ST MARK & ST JOHN

PROSPECTS SERVICES
Open College Network London Region
MOUNTAIN TRAINING LIMITED
The Froebel Trust
THE ENGLISH & MEDIA CENTRE
S S A F A FORCES HELP
NORTH LONDON HOSPICE GROUP
CAPITA PLC
SHENLEY LEISURE CTR. TRUST LTD
Trinity Laban
CFBT ADVICE & GUIDANCE
CfBT Education Trust
NEWCASTLE COLLEGE (RATHBONE)
KINGSTON UNIV SERVICE CO LTD
EMANUEL SCHOOL
RICS BEV FUND (LIONHEART)
OLD FORD HOUSING ASSOCIATION
FOREST HILL VSA

Community Admitted Bodies

UK Anti Doping Ltd.

Scheduled Bodies

GREATER LONDON AUTHORITY
IMMANUEL C OF E PRIMARY SCH
London Legacy Development Corporation
LONDON PENSIONS FUND AUTHORITY
SACRED HEART SCHOOL
TRANSPORT FOR LONDON
WESTERN RIVERSIDE WASTE AUTHORITY
CORPUS CHRISTI RC PRIMARY S
FRIARS SCHOOL
Lewisham Southwark College
L.B. OF LAMBETH - DUNRAVEN SCHOOL
ST ANDREWS R C SCHOOL
WESTMINSTER KINGSWAY COLLEGE
DURAND ACADEMY
ST JOSEPH JUNIORS
LARETRAITE HIGH SCHOOL
ST THOMAS THE APOSTLE
VALUATION TRIBUNAL SERVICE
BISHOP THOMAS GM SCHOOL
LFEPA
CITY AND ISLINGTON COLLEGE
Ealing, Hammersmith & West London College
ST MICHEALS SCHOOL
TOWER HAMLETS COLLEGE
LA SAINTE UNION CONVENT SCHOOL

CHARLOTTE SHARMAN G.M.PRIMA
THE COMMUNITY COLLEGE HACKNEY
CITY OF WESTMINSTER COLLEGE
LAMBETH COLLEGE
East London Waste Authority
RAINE’S FOUNDATION SCHOOL
University of the Arts London
ST FRANCIS XAVIER
ST MARTIN IN THE FIELD
MORLEY COLLEGE
ST BERNADETTE’S SCHOOL
WEST LONDON WASTE AUTHORITY
VALUATION OFFICE AGENCY
SOUTH THAMES COLLEGE
ST JOSEPH INFANTS
Greenwich Community College
ARCHBISHOP TENISON’S SCHOOL
JULIAN’S PRIMARY SCHOOL
LONDON BOROUGH OF LAMBETH
LONDON NAUTICAL SCHOOL
NOTRE DAME SCHOOL
ST ANNES
ST ANTHONY’S CATHOLIC PRIMA
ST MARYS RC PRIMARY SCHOOL
ST.FRANCESCA CABRINI PRIMAR
SURREY SQUARE PRIMARY SCHOOL
TURNERY SCHOOL
TURNHAM SCHOOL
LEE VALLEY REG PARK AUTH.
LONDON BOROUGH SOUTHWARK
LB OF TOWER HAMLETS
LONDON BOROUGH LAMBETH
L B WANDSWORTH
LONDON BOROUGH CAMDEN
LONDON BOROUGH HACKNEY
LONDON BOROUGH ISLINGTON
L B HAMMERSMITH & FULHAM
LONDON BOROUGH LEWISHAM
Royal Borough of Greenwich
R B KENSINGTON & CHELSEA
LB OF WALTHAM FOREST
CITY OF WESTMINSTER
LONDON BOROUGH ENFIELD
Thurrock Borough Council

Transferee Admitted Bodies

Briggs Marine Contractors Ltd
Babcock Critical Services Ltd.
Babcock Training Limited
Sodexo Ltd
CHURCHILL CONTRACT SERVICES LTD
NSL Limited
SITA UK Ltd

OTHER EMPLOYERS IN THE FUND

Admitted Bodies

Affinity Sutton
Age Concern London
ALL ENGLAND NETBALL ASSN
All Saints Educational Trust
ALLEYNS COLLEGE
AMICUS HORIZON GROUP
ARTS COUNCIL OF ENGLAND
B E C T A
BARNARDOS
BETHNAL GREEN CITY CHALLENGE
BONDWAY HOUSING ASSOCIATION
BRIT AMATEUR GYMNASTIC ASSOC
BRIT INST REC SND(BRIT LIB)
BRITISH ATHLETICS FEDERATIO
BRITISH MOUNTAINEERING COUN
C I L T
CAREER DEVELOPMENT INSTITUTE
CARIS HARINGEY
CHILDREN SCHOOLS & FAMILIES
CNTR FOR ENVIRONMENT STUDY
COLFES GRAMMAR SCHOOL
Consortium of Rural Techs
Cordwainers
Council of National Academic Awards
DIGBY STUART COLLEGE
Divert Trust
DULWICH PICTURE GALLERY
East London Housing Association
Family Mosaic
FAMILY SERVICE UNITS
Futures Charitable Trust
GILBERT PLACE CENTRE
Godolphin & Latymer School
GORSEWAY CARE LTD
GREATER LONDON STAFF ASSOC

GREENWICH YOUNG PEOPLES THT
GUINNESS TRUSTEES LIMITED
HABERDASHER ASKE’S
Homes and Communities Agency
HOUNSLOW WELCARE
Kelly House Bail Hostel
KETTERING COMM. LEISURE LTD
KINGS COLLEGE LONDON
L A S E R
Laser Advisory Council Ltd
Liverpool HAT
LOCAL AUTH MUTUAL INVESTMENT TRUS
London & East Anglia Group
LONDON & EAST ANGLIAN GROUP
LONDON BOROUGH OF SUTTON
LONDON DIOCESAN BOARD
LONDON DIOCESAN FUND
LONDON SINFONIETTA
London South Bank Careers
METHODIST COLLEGES,SCHOOLS
MIDDX ASSOC FOR THE BLIND
MILTON KEYNES COUNCIL
MYRRH LTD
NACRO
NAT.ADV.BODY PUB.SEC.HIGHER ED
National Probation Board
Newlon Housing Trust
NORTH HULL HOUSING ACTION TR.
PENROSE HSG ASS.
PLACES FOR PEOPLE
RADICLE
Royal Institute of Public Admin
RPS Rainer
S London Church Fund & Swk Diocesan
S.K.I.L.L.
SAMUEL LEWIS HOUSING TRUST
SEARCH YOUR CAREERS SERVICE
SENSE
SLCF & Southwark
SOUTH WEST LONDON COLLEGE
Southern Archaeology
SOUTHWARK MEDIATION CENTRE
SPORTS COUNCIL
ST MARYLEBONE HOUSING ASSN
ST PANTILE HOUSE ASS IN CAM
STONEBRIDGE H.A.T
SULGRAVE CHARITABLE TRUST
SUTTON CNTRE FOR INDEP LIVIN

Sutton Performing Arts Network
TENNANT HOUSING TRUST LTD
THAMES CONSERVANCY
The Museum Association
TOWER HAMLETS H A T
U K H T (WALES) LTD
UK Film Council
UNIV ASS CONTEMP EURO STUDI
University of Reading
UNIVERSITY OF SURREY
URBAN LEARNING FOUNDATION

Community Admitted Bodies

British Sports Trust
CASTLE VALE COMMUNITY HOUSING ASSOC
DCLG
The Planning Inspectorate

Resolution Body

London Transport Users Commission
National Crime Intelligence Service

Scheduled Body

ASSOC OF EDUCATION COM
Ave Maria School
Bouygues E&S UK Limited
Broxbourne District Council
BURNTWOOD SCHOOL
CARDINAL VAUGHAN
CFBT Strategies
City of London
Dept. For Constitutional Affairs
DVLA
EARDLEY GRANT MAINTAINED SCHL
ELLIOTT GRANT MAINT. SCHOOL
ENVIRONMENT AGENCY
EPPING FOREST D C
FireBuy Limited
GRAVENEY GRANT MAINT SCHOOL
GREATER LONDON COUNCIL
H.E.F.C.E.
HACKNEY DOWNS SCHOOL
HERTSMERE BOROUGH COUNCIL
HILLBROOK G M SCHOOL
HONEYWELL INFANTS G M SCHOOL

HONEYWELL JUNIOR G M SCHOOL
HOUSING COMP.REGS. (CROMBIE)
ILEA
INNER LNDN PBN & AFTER CARE
Inner London Magistrates Court
JEWISH FREE SCHOOL
L B RICHMOND UPON THAMES
LB.OF KINGSTON ON THAMES
LONDON BOROUGH BARNET
LONDON BOROUGH BEXLEY
LONDON BOROUGH BRENT
LONDON BOROUGH BROMLEY
LONDON BOROUGH EALING
LONDON BOROUGH HARINGEY
LONDON BOROUGH HARROW
LONDON BOROUGH HILLINGDON
LONDON BOROUGH HOUNSLOW
London Borough of Barking & Dagenham
London Borough of Camden
London Borough of Havering
LONDON BOROUGH OF MERTON
London Borough of Newham
London Borough of Redbridge
LONDON METRO UNI (NTH LOND)
LONDON METRO UNIVERSITY
LONDON ORATORY R C SCHOOL
LONDON RESIDUARY BODY
London Thames Gateway
Middlesex Area Magistrates Court
MIDDLESEX AREA PROBATION CT
MOJ SHARED SERVICES
National Council for Voluntary Youth Ser
National Crime Agency
NATIONAL HEALTH SERVICE
NATIONAL OFFENDER MANAGEMENT SERVICE
NATIONAL RIVERS AUTHORITY
NE London Magistrates Court
NLWA
NORTH EAST LONDON PBN CTTEE
Our Lady of Victory Primary School
SALESIAN G M COLLEGE
SE London Magistrates Court
SHOREDITCH COLLEGE
SLOUGH BOROUGH COUNCIL
SOUTH EAST LONDON PBN CTTEE
SOUTH WEST LONDON PBN CTTEE
SOUTHFIELDS G M SCHOOL
SOUTHWARK COLLEGE

ST THOMAS’ SCHOOL
SW London Magistrates Court
Teachers
THAMES WATER UTILITIES LTD
Three Rivers District Council
Thurlow Park School
WEST MIDLANDS PENSION FUND
Willowfield School
Woking Borough Council

Transferee Admitted Body
MITIE MANAGED SERVICES LTD
Serco Limited
SERCO LTD. MARINE SERVICES

iii **Myners’ Principles Compliance Statement**

Please visit our Fund Publications ‘Statement of Investment Principles’ on our corporate website www.lpfa.org.uk/what-we-publish/fund-publications to view our annual assessment against the 6 revised Myners Principles.

iv **Additional requirements from the CIPFA Guide**

‘Preparing the Annual report - Guidance for the Local Government Pension Scheme Funds 2014’

ASSETS AT 31 MARCH 2016	UK £m	Non-UK £m	Global £m	Total £m
Equities	339.61	368.27	1,097.07	1,804.95
Bonds	4.06	29.24	89.56	122.86
Alternatives	2,184.34	0.01	40.59	2,224.94
Other	827.91	-184.70	-658.39	-15.19
Cash and Cash Equivalents	386.17	0.00	0.00	386.17
Total	3,742.09	212.81	568.83	4,523.73

INCOME RECEIVED DURING THE YEAR ENDED 31 MARCH 2016	UK £m	Non-UK £m	Global £m	Total £m
Equities	7.44	7.27	17.25	31.96
Fixed Income	0.25	1.51	2.52	4.28
Alternatives	6.52	0.29	0.07	6.88
Other	0.45	0.00	0.00	0.45
Cash and Cash Equivalents	5.26	-0.02	0.00	5.24
Total	19.92	9.05	19.84	48.81

Annual Report Enquiries

For further information please contact:

Corporate Development Team

tel: 020 7369 6014

email: corporate@localpensionspartnership.org.uk

LPFA Pension Services Team

For general enquiries:

Pension Services Team

tel: 020 7369 6118

text: 020 7369 6119

email: enquiries@localpensionspartnership.org.uk

Pensions Payroll Team

For pensions payroll enquiries:

Pensions Payroll Team

tel: 020 7369 6060

fax: 020 7369 6240

email: pensionspayroll@localpensionspartnership.org.uk

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www.lpfa.org.uk

www.yourpension.org.uk