LPFA
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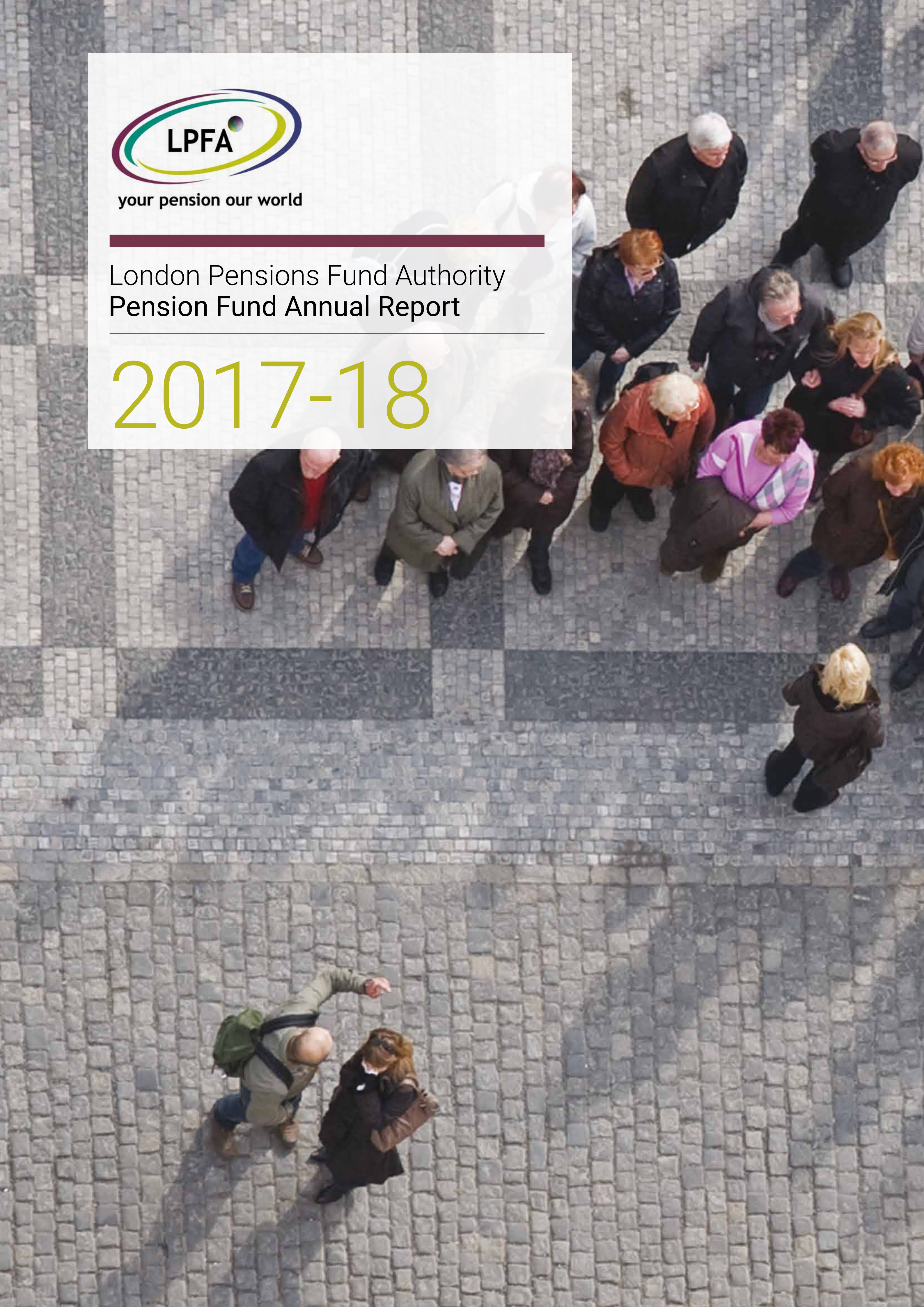
London Pensions Fund Authority
Pension Fund Annual Report

2017-18



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About us

The London Pensions Fund Authority (LPFA) is the largest Local Government Pension provider in London.

The pension fund has £5.6 billion of assets as at 31 March 2018, and is responsible for the pension provision for 18,537 employees, who are working for not-for-profit, charity, private sector and local government employers, and 34,625 pensioners, many of whom worked for the Greater London Council or the Inner London Education Authority.

Highlights of 2017-18

£5.6bn

Pension fund assets as at 31 March 2018

84,466

Total membership

18,537

Employees with pension provisions

142

The number of employers who contributed to the Fund this year

34,625

Number of pensioners and dependants

1. Overview

1.1 Chairman's welcome

It is with pleasure that I present LPFA's Annual Report for 2017-18

➜ LPP has managed to reduce costs significantly while maintaining a consistent level of service.

I am happy to report that we continued to deliver on our commitments during the year. Any thought that LPFA would have less to do following the formation of Local Pensions Partnership Ltd (LPP) has proved to be unfounded.

On that note, I would like to thank Mike Allen, who has retired after 36 years of service in pensions. Mike had been with LPFA since its inception in 1989. Before becoming Managing Director in 2016, Mike had held a number of roles within the business, which granted him invaluable insight into LPFA. During his time as Managing Director, Mike was instrumental in driving LPFA's collaboration with the Lancashire County Council to establish the LPP to manage the assets, monitor liabilities and undertake pension administration on behalf of LPFA and Lancashire County Pension Fund (LCPF). I wish Mike the best of luck in the future and hope he enjoys all that retirement has to offer.

We now have a new Managing Director following Mike's departure, and I would like to welcome Robert Branagh to LPFA. Robert joins us with a wealth of pensions and business knowledge and has an impressive career with over 30 years' experience working in UK pensions in both the private and public sectors. This is an exciting time to join LPFA and the Board and I look forward to working with Robert as LPFA continues to move forward.

The Board and I were delighted to welcome two new Board members during the year – Dr Barbara Weber and Nigel Topping – both with diverse backgrounds and offering a wealth of expertise to LPFA. Barbara has extensive experience in infrastructure investment, which continues to be an investment focus for us. She is the founding partner of B Capital Partners, an investment advisor for institutional investors focused solely on infrastructure. Nigel is the CEO of 'We Mean Business' – a coalition of organisations working on climate change with thousands of the world's most influential businesses and investors. His expertise on climate change issues is invaluable as LPFA focuses its attention on environmental, social and governance (ESG) factors, and responsible investment. It is great to have them both on the team.

The relationship between LPFA and LCPF continues to thrive through our LPP collaboration. Abigail Leech's appointment during the year as LPFA's interim s151 officer is a testament to that. Abigail is also the Head of Fund LCPF and worked at the fund when the pooling arrangements with LPFA were being finalised. She works closely with the Board and LPP to ensure we meet our obligations.

LPP's evolution

I have enjoyed seeing LPP mature over the past two years and in turn, the relationship between LPFA and LCPF evolve. This is reflected in our collaboration on the pooling programme, and I was pleased to see Berkshire Pension Fund (administered by Royal Borough of Windsor and Maidenhead) become LPP's newest investment, asset liability and risk management client. LPP and Berkshire continue to work together to ensure the asset transition runs smoothly. I look forward to seeing this partnership prosper.

Investment highlights

As mentioned above, infrastructure continues to be a significant focus for LPFA as we look to diversify our portfolio and support growth in our communities. GLIL, the infrastructure platform of which we were a founding partner, has expanded with new investments in Clyde Wind Farm, new rolling stock with South West Trains and a significant equity stake in Anglian Water Group.

This year also saw LPFA enter the Private Rented Sector (PRS) housing market as we invested in a 'build to rent' development in Pontoon Dock. Investment in this London housing scheme highlights how pension funds can deliver intergenerational benefits, as the Fund supports housing for London's younger population. Pontoon Dock is part of a £1.2bn property portfolio managed by LPP, which includes core property investments across the UK.

Climate change

Climate change is becoming a systemic risk – one that needs to be part of any investment approach, and one that pension funds need to consider when investing. In 2017, the Board put in place our climate change policy to set out our expectations of our asset managers. An initial review of our investment portfolio, identifying climate change characteristics, has shown we are on track to fully implement our policy by 2020.

I look forward to another busy and successful year as LPFA continues to serve as an example of what can be achieved through partnership and collaboration for the benefit of our members, employers and the wider sector.

Sir Merrick Cockell
LPFA Chairman

➜ This year also saw LPFA enter the Private Rented Sector (PRS) housing market as we invested in a 'build to rent' development in Pontoon Dock. Investment in this London housing scheme highlights how pension funds can deliver intergenerational benefits, as the Fund supports housing for London's younger population.

1. Overview continued

1.2 Report from the Managing Director

→ Over the next year, we will continue to work in partnership with LPP to ensure service quality remains high and our investment outlook remains strong.

I am delighted to join LPFA at an exciting time for both the local government and broader pensions community, and I am eager to get to work with Sir Merrick and the Board. We will be exploring new opportunities to work with employers to ensure we continue to deliver an improved and stable funding level and a sustainable pension for our members.

I am pleased to see the Fund in such a good position; Mike Allen leaves behind a strong legacy on which to build. However, we must remain vigilant and continuously monitor long-term funding requirements, market conditions and cash flow to ensure we maintain the quality and sustainability of the Fund.

We would like to acknowledge your patience and support as we continue to move our communications online. Going digital ensures we can provide you with up-to-date information efficiently and sustainably and allows you to access your details with ease. I am pleased to see around 7,500 active members are now using LPFA's online self-service and I look forward to strengthening our communications with members, employers and wider stakeholders going forward.

However, we recognise this may not be the best medium for all our audiences and will accommodate those who decide to opt out of e-communications.

I'd like to echo Merrick's remarks on the prosperous and evolving relationship with LPP, which is proving mutually beneficial. We will continue to work in partnership with LPP to ensure service quality remains high and our investment outlook remains strong.

The next 12 months are also about expanding our role in the wider Local Government Pension Scheme (LGPS) community, as we collaborate with colleagues in other funds to align our standards of reporting, transparency of fees and overall best practice. Our focus remains on looking for further pooling opportunities and cross-pool initiatives. As Merrick highlighted, GLIL is a prime example of LGPS funds working together for the benefit of members and the wider community.

I trust you'll find our Annual Report informative; it is clear we have a lot to look forward to in 2018.

Robert Branagh

Robert Branagh
LPFA Managing Director

2. Fund administration

2.1 At a glance (as at 31 March 2018)

LPP is a leader in the provision of pension administration services and has continued to deliver the same high service standards to members and employers as LPFA previously achieved.

When LPFA outsourced its operations to LPP, service level agreements (SLAs) were agreed upon and expected deliverables were identified. These deliverables are regularly monitored by the LPFA Managing Director, with oversight from the LPFA Board. As a shareholder, LPFA is entitled to elect a director on the LPP board. Dermot (Skip) McMullan (also an LPFA Board member), has been LPP's Shareholder Director since November 2015. The LPFA Board is regularly updated on LPP's performance.

Total scheme membership

84,466

Cases completed on time

95%

Customer satisfaction

97%

Number of employers

142

2. Fund administration continued

2.2 Membership

LPFA scheme membership over five years

	2017-18	2016-17	2015-16	2014-15	2013-14
Active contributors	**18,537**	17,776	17,264	17,308	17,736
Deferred beneficiaries	**26,911**	26,370	25,257	24,808	25,782
Pensioners and dependants	**34,625**	34,321	33,838	33,580	35,488
Undecided leavers and frozen refunds	**4,393**	3,596	2,620	1,950	1,902
Total membership	**84,466**	82,063	78,979	77,646	80,908

Member and employer online interactions

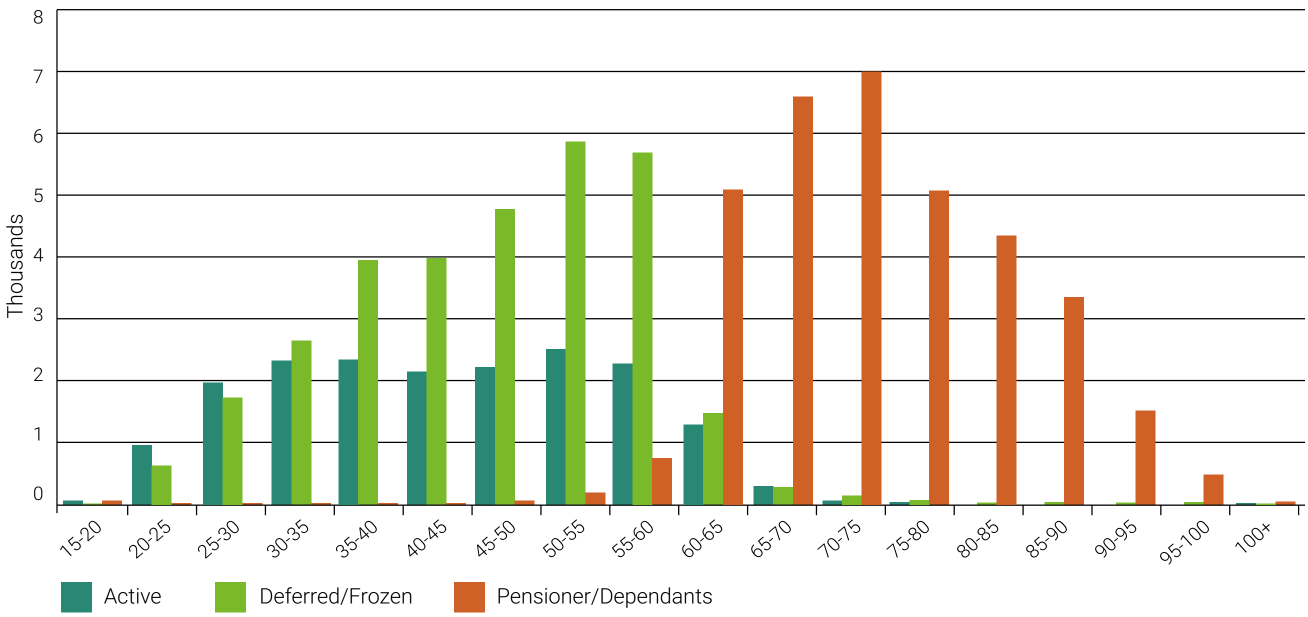
7,461 active members have signed up to member self-service – this represents **40%** of members.

As at 31 March 2018, LPFA held **11,100** active member e-mail addresses. That's **60%** of our active members.

92 of **142** active employers are signed up to our pension administration strategy.

99% of employer forms were submitted online via the Yourfund website.

Age of LPFA scheme members as at 31 March 2018



	Active	Deferred/Frozen	Pensioner/Dependants
Average	43.6 years	46.7 years	74.0 years
Maximum	75.3 years	102.0 years	108.5 years
Minimum	17.0 years	18.5 years	2.8 years

2.3 Workloads and targets

Workloads

The workload has continued to increase following regulatory changes and an increase in member engagement. We are pleased to report that 95% of cases were completed within our expected timescales. The figures below show the number of cases completed during the year and the performance against the targets.

	2017-18 Q1		2017-18 Q2		2017-18 Q3		2017-18 Q4		Total	
	Number	**% on time**	**Number**	**% on time**	**Number**	**% on time**	**Number**	**% on time**	**Number**	**% on time (average)**
Top 10 case types	6,178	100%	6,958	100%	6,491	99%	5,480	81%	25,107	95%
All other case types	3,595	98%	3,238	100%	3,035	98%	2,810	84%	12,678	95%
Total	**9,773**	**99%**	**10,196**	**100%**	**9,526**	**99%**	**8,290**	**83%**	**37,785**	**95%**

LPFA customer satisfaction

LPFA strives to be a market leader in customer service, where the customer is at the centre of the organisation. LPFA's pension administration services are now carried out by LPP, and customer service remains at the forefront of their operation. LPP was accredited the Customer Service Excellence standard in 2017.

LPP has continued to deliver a first-class service on behalf of LPFA, with 95% of cases completed within our expected timescales, and 97% of members satisfied with the overall service.

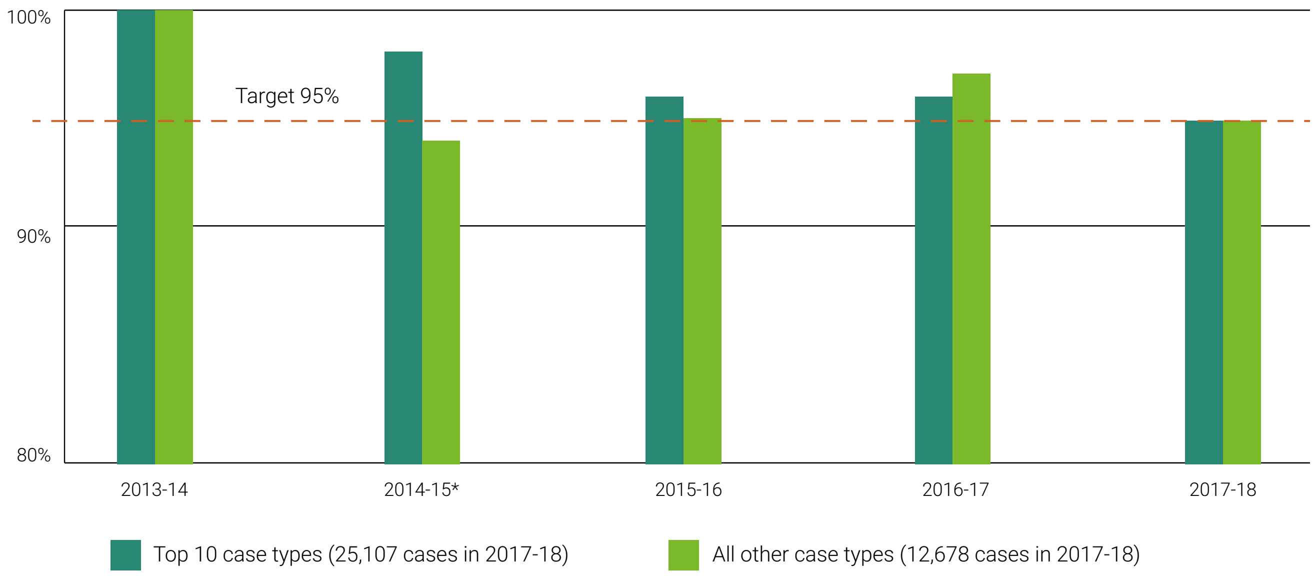
	2017-18	2016-17	2015-16	2014-15	2013-14	Target/ benchmark
% of members satisfied with our overall service	**97%**	98%	98%	97.5%	98%	98%
% of members surveyed	**2.37%**	1.34%	1.62%	1.27%	1.34%	1.39%
Number of complaints received	**61***	35	19	15	25	<25
No. of complaints categorised as Pension Ombudsman cases	**0**	0	0	0	0	0
No. of IDRP cases (Internal Dispute Resolution Procedure)	**5**	11	6	1	2	<6
Staff fund member ratio – staff engaged on LPFA administration only	**1 : 3,778**	1 : 2,820	1 : 2,820	1 : 2,043	1 : 2,697	
Average cases per member of staff	**1,057**	1,811	1,897	1,244	1,464	

* This figure includes complaints related to moving our communications online.

2. Fund administration continued

2.3 Workloads and targets continued

Queries completed on time – yearly comparison



* Of the cases that did not meet the target, 50% were related to Guaranteed Minimum Pension notifications received from HMRC. These cases were received in a bulk delivery and although were not completed by the workflow due date, were completed in time for the pay run.

Top 10 member queries

These indicators demonstrate the approximate time it takes to resolve each query. Members may experience delays while we are waiting on information from employers or the members themselves.

	Average number of days			
	2017-18 Target	**2017-18 Actual**	2016-17 Actual	2015-16 Actual
Admissions	**5**	**14**	12	9
Transfers in	**64**	**73**	72	69
Transfers out	**23**	**27**	40	26
Estimates – individual	**10**	**11**	9	10
Deferred benefits	**23**	**34**	30	21
Deaths	**44**	**80**	51	55
Retirements (immediate)	**53**	**48**	45	47
Retirements (deferred)	**67**	**66**	69	73
Refunds	**28**	**17**	13	15
Estimates – employer	**9**	**13**	10	10

Costs per member

At 31 March 2018 Fund Costs	Per Fund member £
Administration	37
Total	**37**

The cost per member is lower in 2017-18 due to an over-provision of costs in 2016-17 which was reversed in the following year.

At 31 March 2017

Fund Costs	Per Fund member £
Administration	57
Total	**57**

Employer interactions

LPFA Pension 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 LPFA scheme (the "Scheme") and to identify acceptable levels of performance.

The ultimate aim of this strategy is to educate employers to provide accurate and timely data to LPFA which will improve the service provided to Scheme members.

In developing this strategy LPFA's aims are:

- to clarify the roles and responsibilities of LPFA and Scheme employers in administering the LGPS;
- to ensure the services provided by LPFA are equitable and transparent; and
- to assist employers in the effective provision of the necessary data.

The original PAS went live on 1 April 2010, and since then we have seen a significant improvement to the service that we provide to Scheme members. This is a result of efficient data and information flow between LPFA and our employers.

2. Fund administration continued

2.4 Pension payments

Employer contributions

- The Fund collected normal pension contributions from 142 employers in the year, totalling £110m
- Of total normal contributions due, £108.9m (98.9% by value) was collected on time
- 38 employers were late in paying contributions at least once.

The table below provides a further analysis of late payments:

Instances of late payment	No. of employers	Average days delayed	Minimum days delayed	Maximum days delayed	Average value of delayed payment £'000
1	17	17	1	77	29
2	16	10	1	49	8
3	1	65	4	175	1
4	4	15	9	56	15

Contributions are actively monitored by employer risk services.

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.

	2017-18	2016-17	2015-16	2014-15	Pension administration strategy error rate target
Year end error rate	**17.1%**	17.22%	18.62%	27.3%	10%

Amounts due from employers at the year end

Employers contributions – £4,545,000

Employees contributions – £3,438,000

Cessation values – £1,296,216

Pensioners in receipt of enhanced retirement benefits

	Ill health instances	Early retirement	Redundancy/ voluntary early retirement
2013-14	30	10	136
2014-15	25	42	121
2015-16	24	8	130
2016-17	27	12	134
2017-18	19	53	116
Total value for 2017-18	**£209,499.77**	**£745,101.76**	**£1,292,094.17**

Analysis of pension overpayments

	2017-18 £	2016-17 £	2015-16 £	2014-15 £	2013-14 £
Overpayments	**142,820.90**	146,756.47	144,900.68	120,730.87	122,920.49
Collected	**11,558.83**	13,498.36	16,761.46	72,424.94	93,162.00
Written off	**–**	–	–	16,990.58	20,257.53
Outstanding	**131,262.07**	133,258.11	128,139.22	31,315.35	9,500.96

3. Investment review

3.1 Investment performance

2017-18 was a year of stronger, broad-based economic expansion, which saw the world's Gross Domestic Product (GDP) increase at the fastest pace since 2011, and roughly 70% of global economies seeing stronger growth compared to 2016.

The last 12 months

Despite this 'synchronised growth' the acceleration in world GDP stemmed predominantly from firmer growth in several developed economies. The cyclical improvements in Argentina, Brazil, Nigeria and the Russian Federation, as these economies emerged from recession, explains roughly a third of global economic growth between 2016 and 2017.

After a couple of years of monetary policy divergence, with the Federal Reserve Bank (FED) continuing to tighten alongside advanced economies' ongoing accommodative policies, the first steps towards convergence were taken as the Bank of England (BOE) increased interest rates for the first time in almost a decade and the European Central Bank (ECB) scaled back its asset purchase programme.

This year saw a rise in geopolitical risks around the world, from continuing conflicts in Syria and Yemen to rising tensions between the United States (US) and Iran, Russian sanctions, as well as North Korea (amid the latter's nuclear development programme). Furthermore, an ongoing spat between Qatar and other regional countries including Saudi Arabia increased risks in the Middle East, while trade tensions between the US and China raised concerns over the possibility of reciprocal tariffs and other protectionist policies. Despite this backdrop, risk assets performed exceptionally well with global equity indices reaching new highs at the end of 2017. However, after substantially low levels during 2017, in February 2018, we saw a spike in volatility levels affecting equity returns.

In the US, the economy also expanded at a faster pace in 2017 (full-year growth was at 2.3%), operating close to full employment. The labour market remained strong, with an average 180,000 new jobs a month, pushing the unemployment rate down to 4.1% from 4.7%. Despite the tightness in the labour market, wage growth accelerated modestly which, together with the FED's gradual interest rate hikes, kept inflation in check. The trade weighted Dollar was approximately 6% weaker at the end of 2017 compared to 2016 but has since stabilised in the first quarter of 2018 supported by rising rates, stronger growth and an increased supply of government bonds. Additional fiscal spending and the recently enacted tax cuts should further support growth in 2018.

In the UK, the economy continued to slow down (full-year growth was at 1.8%) amid continuing Brexit negotiations, which have weighed on investment and economic activities. Following the 2016 EU referendum, Sterling depreciated sharply leading to inflationary pressures and decreased consumer purchasing. Consumption fared relatively well in the first half of 2017, buoyed by a further reduction in savings and an increase in short-term credit, but was markedly lower in the second half as inflation continued to exceed wage gains. The BOE interest rates rose by 25 basis points in November 2017 for the first time since July 2007, reiterating that only limited and gradual interest rate hikes will follow. Despite this move, monetary conditions have remained broadly accommodative, as the BOE continues with its Quantitative Easing programme and its reinvestments. Sterling rebounded slightly on a trade weighted basis throughout the year, reflecting gains mainly against the Dollar, Swiss Franc and Renminbi, while it was approximately 4% weaker against the Euro, its main trading partner.

In the Eurozone, political risk receded in 2017, although key questions remain regarding the EU's regulatory and fiscal convergence. Growth accelerated to 2.4% as economic indicators reached cyclical highs, investment rebounded, and consumption was solid. The labour markets continued to add new payrolls on a quarterly basis, dragging unemployment to the lowest level since 2008 (8.7%). Headline inflation increased as commodity prices rebounded globally, but core inflation remained subdued. The ECB's asset purchase programme was scaled back to 30 billion Euros a month and announced September 2018 as a likely 'soft end' date. Regardless of when it comes to an end, interest rates are expected to remain at near zero levels for an extended period, and the ECB is expected to continue reinvesting asset purchase proceeds in the medium term.

Across emerging markets, China's rising trade tensions with the U.S. have been under the spotlight. After consolidating his power, President Xi Jinping pledged a new era for the Chinese economy, focusing on rebalancing growth between consumption and investment, further opening the economy and improve the increasing levels of corporate debt. Growth accelerated slightly on a full year basis (6.9%) although it appeared to lose some momentum at the end of the year. Commodity producers such as Brazil, South Africa and Russia emerged from recessions, amid higher commodity prices, which boosted their balance sheets.

Investment summary

As a pension fund, our investment horizon is long term. Our investment strategy is based on the Fund's objectives to balance capital growth with capital preservation and maintain adequate cash flows to cover all liabilities as they fall due. We manage assets within an acceptable level of risk and adhere to the Fund's principles and beliefs*.

The Fund's overall investment return was 4.1% from April 2017 to March 2018. The Fund's use of a liability driven investment (LDI) to hedge the impact of rising inflation contributed positively during the period. Excluding the impact of liability hedges, the Fund return was 1.7% over the year.

Over the year, the Fund underperformed against the RPI+3% benchmark (1.7% vs 6.3%, excluding LDI); this was led by tepid returns from the public equity and total return allocations, while private equity was the main contributor. Sterling's depreciation following the Brexit vote drove up inflation and consequently drove up benchmark returns. Longer-term investment returns have comfortably outperformed our three-year benchmark (7.3% vs 5.7%), with all asset classes except Total Return outperforming their respective benchmarks.

Long-term performance

The funding level as measured on an LGPS actuarial basis is currently showing a surplus of circa 11%. At 31 March 2016 the funding level on an LGPS actuarial basis was 96%. The Fund has generated an annualised investment return of more than 7.7% over a five-year period, achieving our target of a nominal return of circa 6%. The past year also marked a major step towards the implementation of our asset pooling strategy, with assets transited into LPP's private equity, infrastructure, credit and fixed income investment pooling vehicles.

The Board believes that a broadly diversified portfolio, including a meaningful allocation to illiquid assets, will improve risk-adjusted returns over the long term. On that note, the Board has approved an updated strategic asset allocation that will gradually lead to slightly higher allocations to Infrastructure, Property and Credit compared to the previous policy portfolio. This increase will lead to a slight decrease in the overall equity exposure (public and private), which under the previous framework accounted for 55% of the Fund's strategic asset allocation.

We continue to increase our direct UK asset allocation, which includes working with LPP in identifying investment opportunities within the housing sector. We're also continuing to increase our infrastructure allocation through both the GLIL Infrastructure joint venture and other investments within the Local Pensions Partnership Investments Ltd (LPPI) global infrastructure fund. In the latter part of the year, we have funded our strategic allocation to Fixed Income, taking what was a zero allocation to our target weight of 2.5%. Although the current environment is challenging for fixed income assets, with interest rates expected to rise gradually globally, we anticipate that this allocation will provide liquidity and above cash returns at a relatively low cost.

* See the Investment Strategy Statement (ISS)

3. Investment review continued

3.1 Investment performance continued

Fund performance as at 31 March 2018

Period return	Quarterly	1 Year	3 Year	5 Year
Investment return (excluding LDI)	-2.9%	1.7%	7.3%	7.7%
Total return (including LDI)	-1.7%	4.1%	7.8%	6.8%
UK RPI + 3% benchmark	0.8%	6.3%	5.7%	5.3%
Policy Portfolio*	-2.3%	2.5%	6.3%	5.7%

* The Policy Portfolio is an articulation of LPFA investment strategy, which is implemented by LPPI.

Asset allocation as at 31 March 2018

Asset class	Cash exposure (£m)	Risk exposure (£m)	Current AA(%)*	Strategic AA(%)*	Range
Global equities	2,369	2,712	48.8%	47.5%	40%-60%
Fixed income	136	136	2.4%	2.5%	0%-15%
Private equity	579	579	10.4%	7.5%	5%-15%
Infrastructure	293	293	5.3%	7.5%	5%-15%
Alternative credit	280	280	5.0%	7.5%	0%-10%
Property	412	412	7.4%	10.0%	5%-15%
Total return	841	841	15.2%	15.0%	0%-20%
Cash	642	299	5.4%	2.5%	0%-10%
Total*	**5,552**	**5,552**	**100%**	**100%**	

* Total may not add to 100% due to rounding.

Asset allocation as at 31 March 2017

Asset class	Cash exposure (£m)	Risk exposure (£m)	Current AA(%)*	Strategic AA(%)*	Range
Global equities	2,257	2,637	49.4%	47.5%	40-60%
Fixed income	–	–	0.0%	2.5%	0%-15%
Private equity	548	548	10.3%	7.5%	5%-15%
Infrastructure	243	243	4.6%	7.5%	5%-15%
Alternative credit	193	193	3.6%	7.5%	0%-10%
Property	348	348	6.5%	10.0%	5%-15%
Total return	752	752	14.1%	15.0%	0%-20%
Cash	849	469	8.8%	2.5%	0%-10%
BlackRock DDG	150	150	2.8%	–	–
Total*	**5,340**	**5,340**	**100%**	**100%**	

* Total may not add to 100% due to rounding.

Notable changes in the Fund's asset allocation compared to the previous year include a reduction in the overall cash exposure to fund new investments within our illiquid asset classes (infrastructure, credit, property). This has brought these allocations closer to their strategic targets. Additionally, the fund brought into line it's fixed income strategy target allocation by disposing of the BlackRock DDG fund and reinvesting the proceeds in the new fixed income sub fund. Regarding Total Return, the addition of new strategies over the year increased slightly the exposure to this asset class, bringing it in line with its strategic allocation, through both portfolio rebalancing and additional capital deployment.

Public equity

Investment	**Investment Strategy**	**Valuation £m**	**Exposure £m**
LPPI global equities pool	Diversified global equity	2,320.4	2,320.4
Synthetic equity exposure	Equity futures	48.6	391.6
Total		**2,369.0**	**2,712.0**

Total return

	Investment Strategy	**Valuation £m**	**%**
Insight Bonds Plus 400	Fixed income RV	223.8	26.6%
BlackRock FIGA	Fixed income RV	241.5	28.7%
Aeolus Keystone	Insurance	77.9	9.3%
Aeolus Spire	Insurance	47.6	5.7%
Winton Evolution	Trend following	132.0	15.7%
GSA Trend Risk Premia	Trend following	43.3	5.1%
Graham T-Trend Capped Beta	Trend following	32.5	3.9%
Two Sigma Spectrum	Equity market neutral	42.8	5.1%
Total*		**841.4**	**100%**

* Total may not add to 100% due to rounding.

Real Estate

	Investment strategy	**Investment type**	**Valuation £m**	**%**
CBRE GP London	Traditional property & specialist income	Fund	202.8	49.2%
Phaunos Timber	Traditional property & specialist income	Fund	8.2	2.2%
Brookfield Brazil Agriland	Traditional property & specialist income	Fund	19.5	4.7%
Knight Frank	Traditional property & specialist income	Direct	167.4	40.6%
Pontoon Dock	Value-added/opportunistic	Direct	13.4	3.3%
Total	.		**412.2**	**100%**

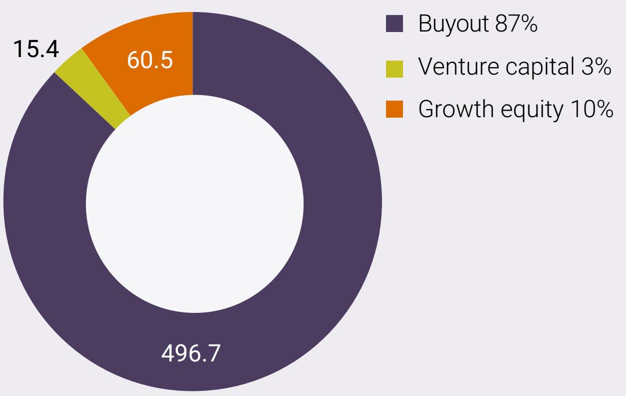
3. Investment review continued

3.1 Investment performance continued

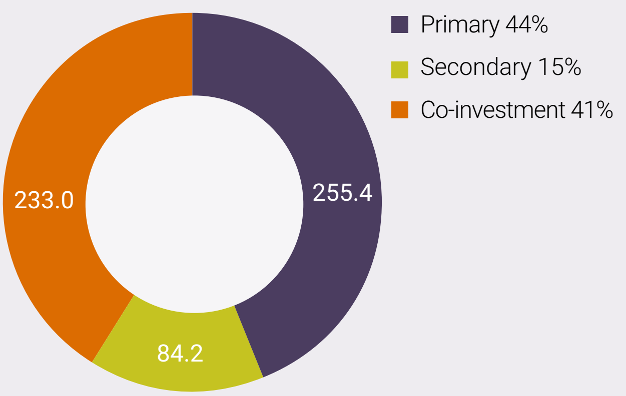
Total value of the Fund as at 31 March 2018: £5.6bn

Private equity

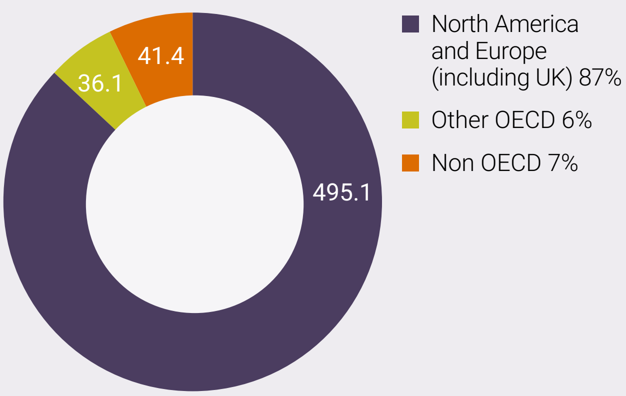
Investment strategy (£m)



Investment type (£m)

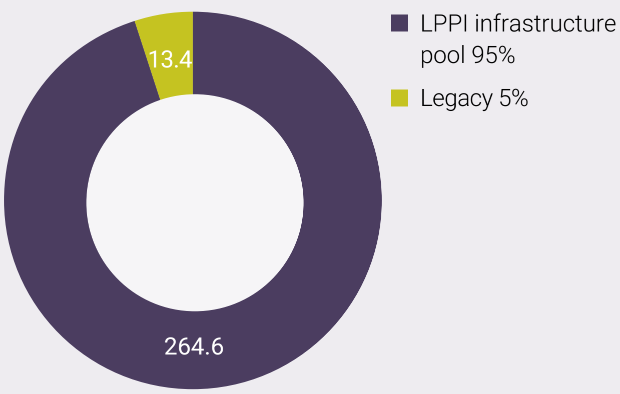


Geographical exposure (£m)

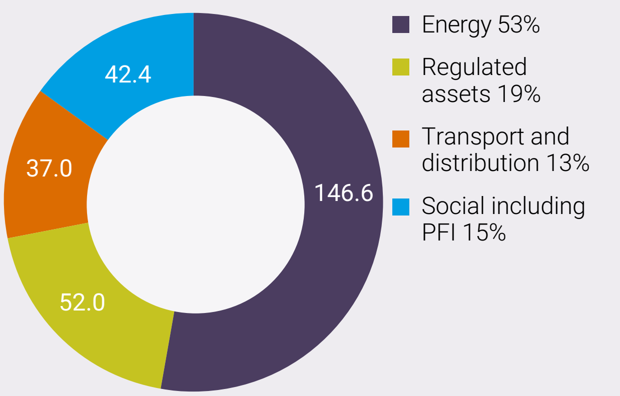


Infrastructure

Infrastructure assets (£m)

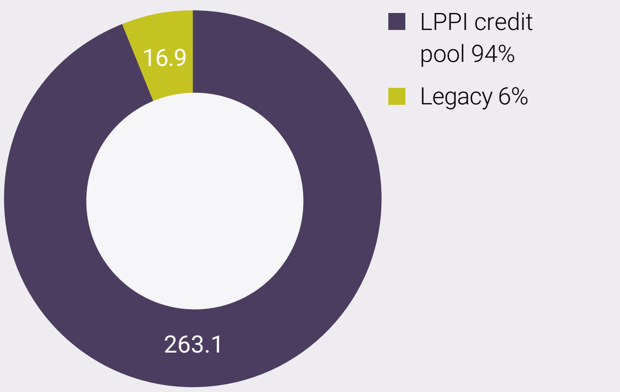


Sector exposures (£m)



Credit

Credit assets (£m)



3.2 Risk management

The management of the Fund is based on the objectives outlined in its Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). The Fund's primary investment and funding objective is to ensure that it has sufficient assets to cover all pension liabilities as they fall due. This is achieved by maximising investment returns within the Fund's agreed risk appetite and maintaining adequate liquidity to meet obligations when they fall due.

The LPFA Audit and Risk Committee (the "Committee") monitors the operation of the Fund's risk management, compliance and internal controls to ensure that risks are appropriately identified and managed, and that they remain within the Fund's risk appetite while pursuing its strategic objectives. Through this, the Committee seeks to provide the Board with assurance about the robustness of the Fund's risk management framework.

Risk services

Under a service level agreement, LPP supports LPFA in identifying, measuring and monitoring the risks in the Fund and reporting these regularly to the Committee. The main risk areas supported by LPP include asset and liability risk, operational risk, investment risk and employer risk.

Asset and liability risk

In support of the Fund's strategic objectives, an asset and liability risk management framework has been established to model the potential behaviour of the Fund's pension liabilities and investment assets. This framework measures how the Fund is likely to perform by simulating a range of possible outcomes over different time horizons and assessing the likelihood of each one. The results are monitored against the investment and funding objectives and the Fund's risk appetite.

This framework was improved during the year to provide further insights into the expected funding level and potential range of future outcomes, potential changes to contribution rates and scheduled investment risk and returns.

Operational risk

The Fund has developed a risk register to monitor its strategic and operational risks. These include risks in relation to internal processes, people and systems, and external risks. The register is used to monitor the internal controls established, manage and mitigate the risks identified, assess the effectiveness of these controls together with any further actions required, and to quantify the potential impact following risk assessments. The register is updated on an ongoing basis and reviewed at each Committee meeting.

During the year, the primary focus of risk services was to ensure the ongoing effective delivery of LPFA's risk management services following the transitioning of assets to LPP and to consolidate its internal risk framework to meet the regulatory requirements from MiFID II and GDPR.

Investment risk

The Fund manages its investment risk through the regular review of its investment performance and risk reports and by holding quarterly Investment Panel meetings with LPPI to oversee any risks associated with the Fund's investment and funding strategies. LPPI advises on the Fund's portfolio policy, cash flow and liquidity requirements to ensure that these are aligned with the Fund's ISS and FSS.

Employer risk

The Fund has 142 active employers and others who have left but still have financial commitments. Employers range from large taxbacked organisations to small charities, and there is an ongoing monitoring of the employers' ability to meet their commitments to the Fund. This is carried out by a continuous review of the employers' covenants and implementing risk mitigation strategies such as the provision of security. Covenant monitoring also entails categorising employers' risk profiles in accordance with the FSS, which ultimately determines the level of contribution they are required to make to the Fund.

The employer landscape is subject to ongoing changes – for example, due to mergers and acquisitions. These corporate events are subject to scrutiny to ensure that any risks identified are adequately mitigated.

3. Investment review continued

3.3 Risk indicators

LPFA's aim is to achieve fully funded status on an actuarial basis within 12 years. We use various metrics to assess the level of risk the Fund is exposed to, both in terms of assets and liabilities.

Assets – Key metrics

Value-at-risk (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 timeframe.

= 1 year VaR (95%): 14.68%

For LPFA's £5.6bn of assets, there is a 95% chance that the loss over the next year will not exceed more than £820m.

Beta: In simple terms 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: 1.05

Liabilities – Key metrics

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

= IE01 (As at 31 March 2018) + £7.0m projection effect – £4.9m Triennial discounting effect = +£2.1m

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 2018) −£6.8m

3.4 Responsible investment

2017-18 has been a year of consolidation following the significant changes which accompanied the launch of LPP and the implementation of new stewardship arrangements.

These were delivered against LPFA's commitment to responsible investment as an integral part of a pooled investment approach under day-to-day management by LPP.

In seeking to maximise the positive potential of dedicated resourcing for Responsible Investment within the partnership, we have continued to evolve a close relationship with LPP as part of agreeing and embedding policies and procedures that direct attention to priority issues and deliver best practice standards.

During the year, we have produced an updated statement of compliance with the UK Stewardship Code (the "Code") to reflect the new stewardship arrangements accompanying the pooling of our assets and to demonstrate how the Fund's stewardship approach complies with the Code's best practice principles. The Financial Reporting Council (the UK's independent regulator responsible for promoting high-quality corporate governance and reporting) has assessed our statement and placed LPFA in the top tier of UK Stewardship Code signatories.

Our statement of compliance with the Stewardship Code complements several other documents in which we have described our commitment, approach and arrangements for Responsible Investment. These include our ISS and the reports we submit annually as an asset owner signatory to the Principles of Responsible Investment (PRI). During the year, we added a 'Meeting Best Practice' section to the Responsible Investment area of our website to bring all these documents together in one place. www.lpfa.org.uk/How-we-invest/responsible-investment/meeting-best-practice.aspx

Collectively our policies and statements confirm our long-standing commitment to being a long-term responsible investor. They describe our approach to integrating ESG considerations into investment decision-making, and our concern for ensuring the ownership rights attached to our investments are being used to promote high standards of corporate governance by investee companies. Our main routes for active ownership are through shareholder voting at company meetings and collaborative engagements. We are members of a range of investor groups including the Local Authority Pension Fund Forum, the Institutional Investor Group on climate change, PRI, CDP (formerly the Carbon Disclosure Project) and Pensions and Lifetime Savings Association (PLSA).

Since we pooled our listed equity investments back in November 2016, LPFA has owned units in a Global Equities Fund (GEF) managed by LPP rather than shares in underlying companies. Shareholder voting for the listed equities within the GEF is controlled centrally by LPP and voting decisions are informed by a Sustainability Voting Policy which ensures that ESG considerations are reflected. Voting details for the GEF are publicly available from the LPFA website within quarterly reports which provide details of every company meeting voted in the period.

In 2017-18, the GEF voted at 279 company meetings encompassing 4,066 resolutions. Voting supported management in 94% of cases and opposed management in 6% of cases.

As part of reviewing our approach and priorities for Responsible Investment, we gave specific attention during the year to developing a clear policy on managing the investment risks the Fund faces from climate change.

3.4 Responsible investment continued

We recognise that climate change poses a systemic risk to pension funds as long-term investors and that this makes it a priority to identify, evaluate, monitor and manage the risks appropriately as part of making the right investment decisions on an informed basis.

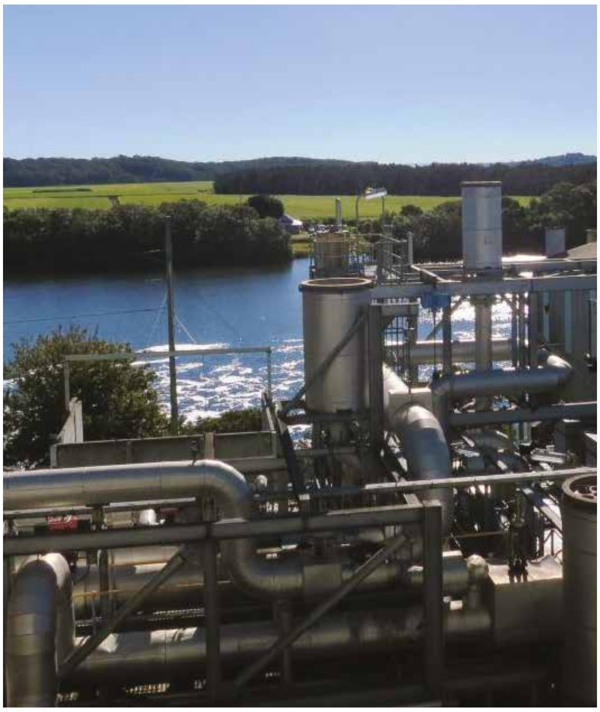
LPFA's Policy on Climate Change recognises that we have a fiduciary duty to act in the best long-term interests of the Fund and its beneficiaries. Our overriding priority is to ensure the long-term viability of the Fund and its ability to pay the benefits due. Our policy sets out our expectations and confirms the requirements and standards we require of LPP and any third party managers selected to oversee our investment portfolio. The policy ensures that risks will be recognised and priced into investment decisions and that, within a defined timescale, our exposure to sectors at significant risk from climate change will become concentrated in companies which are efficiently planning for the physical effects of climate change, and the global transition to a low carbon economy.

We are working closely with the LPPI in reviewing LPFA's Responsible Investment Policy and on the implementation of our policy on climate change as part of monitoring its progress and understanding data-related and other impediments to achieving a clear view of the nature and extent of the Fund's level of current and potential future exposure to climate change. Our evolving approach is being informed by the recommendations of the Financial Standards Board's Taskforce on climate-related Financial Disclosure and by the data and related insights of the Transition Pathway Initiative.

LPFA's Climate Change Policy is available on the website.

Key investments

Pontoon Dock (London) – This is an artist's impression of the housing complex which will have 154 privately rented homes. (An LPFA/Grainger Property).



Cape Byron Power Station (Australia) – A biomass station producing electricity from sugar cane and wood waste (via infrastructure pool).

Clyde Wind Farm (Scotland) – One of the largest onshore wind farms in Europe (via GLIL).

4. Governing the Fund

4.1 Governance highlights

LPFA aims to comply with the highest standards of corporate governance. These are reflected in the framework set out in its Local Code of Corporate Governance (the 'Code').

Governance highlights

Regulations

- MiFID II: LPFA had been opted up to attain elective professional client status following the implementation of MiFID II on 3 January 2018. This means that LPFA has been deemed suitable to continue to invest in a broad range of asset classes. LPPI implements the investments with LPFA responsible for monitoring the performance of those investments and setting the investment strategy.

Local Pensions Partnership Ltd (LPP)

- The terms of the LPP Shareholder Agreement allowed LPFA to review the efficiency of LPP's corporate structure during its second year of operation. During the year, this review had been undertaken by KPMG, and positive findings confirmed on the efficiency of LPP's structure.
- The Managing Director continues to meet with LPP on a quarterly basis to review the service level agreement which governs the relationship with the partnership. During the year, a number of non-material changes were made to the SLA to improve the reporting scope and provide greater assurance to LPFA on the delivery of its outsourced services.
- The LPFA Board receives quarterly performance reports on the progress made by LPP against the agreed key performance indicators.
- During the year, LPFA has attended three shareholder events hosted by LPP in October 2017 and March 2018, to present future budgetary and strategic plans and to discuss current investment topics.
- The LPFA Local Pension Board has now been in place for three years. A report on the activities of the Local Pension Board can be found on page 33.

Environmental, Social and Governance

- LPFA has committed to implementing its Climate Change Policy by 2020. LPFA is working closely with the Greater London Authority (GLA) in this area given the Mayor's manifesto around fossil fuels. It is important to note that the Board has implemented the policy as a mitigating factor to address the risk climate change may pose to the returns of the Fund. The Board receives regular updates on LPPI's delivery against LPFA's Climate Change Policy. Furthermore, the Chairman and Managing Director have held regular meetings with the Mayor's Chief of Staff on climate change.
- Regular meetings have also been held with the GLA to discuss pooling proposals, LPFA's Strategic Policy Statement and its Medium Term Financial Plan (MTFP).

New business

- A strategy away day was held in September 2017 to review LPFA's future strategy in respect of working with LPP. Lancashire representatives also joined the away day to take part in a working party to share experiences on their role as a shareholder of LPP.
- In April 2015, The Greater Manchester Pension Fund and the LPFA formed a joint venture, GLIL Infrastructure LLP (GLIL) to invest directly in infrastructure assets, with a focus on the UK. In 2016, GLIL welcomed new investment partners into the platform: West Yorkshire, Merseyside and Lancashire County Council pension, which provided additional scale for LPFA to access investments it would otherwise have not been able to.

Each year LPFA reviews its governance arrangements to ensure compliance with the Code and the delivery of good governance throughout the organisation. Further details can be found on the website.

4.2 Board, executive team and committees

The LPFA Board

Appointments

The Mayor of London appoints LPFA's Board members following the provisions of SI No. 1815 which require there to be between seven and eleven members. Of that, one half (excluding the Chair) are to be appointed following consultation with representatives of local government in London. The Mayor may also select a Deputy Chairman. During the year, Dermot 'Skip' McMullan was named Deputy Chairman, effective July 2017. Board members are usually appointed for a period of three to four years, with the majority serving two appointment periods. The terms and conditions of appointment are set out in a formal letter which includes the length of term, remuneration, and details of the role and responsibilities.

All Board members are independent Non-Executive post holders. Appointments are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board, including gender. The diverse background of the Board is an asset and helps towards effective deliberations and decision-making.

On 30 June 2017, Dr Barbara Weber and Nigel Topping were appointed to the Board, each on a three-year term. Cllr. Stephen Alambritis' term was extended for a further year to 30 September 2018.

Remuneration and nomination matters

As part of ensuring that the LPFA Board and Committee structure remains efficient and appropriate, it had been decided to terminate the activities of the Remuneration and Nomination Committee and agreed that the whole Board considers remuneration and nomination matters.

The Board aims to ensure that overall levels of remuneration (including salary, benefits and bonuses) are fair and sufficient to attract, retain and motivate people of the right calibre.

Highlights of the Board's work in this area during the year include:

- Review of the Board's composition
- Approval of the Managing Directors objectives for the 2017-18 financial year
- Oversight of the appointment of the new Managing Director
- Review of the remuneration and service terms of Principal Officers
- Noted the remuneration proposals (shareholder reserved matter) and recent developments of the LPP Executive.

The Board members remuneration is available on the LPFA's website.

Training

The LPFA's Board members are required to complete The Pensions Regulator's Trustee Toolkit upon joining the Board and undergo a detailed induction programme.

Each Board member is required by LPFA to complete a competency statement outlining their skills and experience relevant to the appointment and to undergo regular training. The Board members also participate in a mixture of individual and group training sessions, including the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework principles. Furthermore, before Board meetings, time is set aside for training on specific topics linked to the Fund's strategy.

During 2017-18, training sessions and specific additional Board meetings were held on:

- Liability Driven Investment Strategy
- LPFA's Climate Change Policy and implementation by investment managers
- Strategic asset allocation.

The training requirements of Board members are reviewed on an ongoing basis throughout the year, particularly following the Board appraisal process, where tailored programmes are set up.

In September 2017, Board members held a strategy away day, which included consideration of the Board's composition.

Insurance

LPFA maintains directors' and officers' liability insurance which provides cover proportionate to the role of the Board members.

Interests

Conflicts of interest are identified and managed as a matter of transparency and good governance. At the start of each meeting, the Board members declare any conflicts of interest they may have and these are formally recorded in the minutes and the conflicts of interest register.

The register of interests declared by Board members and Principal Officers are available for public inspection on LPFA's website. LPFA also publishes its gifts, hospitality and expenses register for Board members and Principal Officers on a quarterly basis.

4. Governing the Fund continued

4.2 Board, executive team and committees continued

LPFA Principal Officers
Many of LPFA's executive functions have been delegated to LPP, appointed officers at LPFA perform statutory functions, oversee LPP and report on performance.

The Principal Officers ensure that appropriate advice is given to the Board on financial matters and that resources are used efficiently and effectively. They also review the LPFA governance framework, annual business plan and budget, monitor audit recommendations and lead on generating improvements in risk management.

LPFA's s151 Officer: monitors financial processes, liaises with external and internal auditors, and advises the Board on all financial and investment matters, particularly concerning their duties under the Regulations.

LPFA's Monitoring Officer: monitors statutory and regulatory compliance and reports to the Board on any action which in their opinion would be contrary to law. The Monitoring Officer is also responsible for the administration of the Code of Conduct for Board members and managing any conflicts of interest.

LPFA's Managing Director:
oversees the performance of LPP, implementation of strategic programmes and compliance with statutory and regulatory requirements. The Managing Director is the key point of contact with the Greater London Authority.

Officer changes during the year
In the spring of 2017, Emma Strain replaced Ed Williams as Monitoring Officer, and Abigail Leech replaced Chris Perry as s151 Officer in the Autumn of 2017.

Robert Branagh replaced Mike Allen as Managing Director on 31 March 2018. Mike has been a great asset to the set-up of the transformation programme, seeing the delivery of LPP to enable the Fund to deliver benefits of scale and cost reduction in pension fund management. Robert will continue to manage the relationship with LPP, ensuring that the high standards of service delivery are maintained.

Mike Allen
Managing Director
until 31 March 2018

Robert Branagh
Managing Director
from 31 March 2018

Matters reserved
Throughout the year, the Board has operated in accordance with its Matters Reserved, with particular focus placed on achieving its strategic objectives.

The Board's Matters Reserved are set out in LPFA's Constitutional document which is available to view on the website.

Highlights of the work undertaken by the Board during the year	
Reviewed	• Terms of Reference • Quarterly financial position • Investment and pension administrative performance
Approved	• LPFA 2016-17 annual report • LPFA Statement of Accounts • LPFA 2016 Valuation Report • Revised Strategic Policy Statement • The Group Investment Syndicate Strategy • The Liability Driven Investment Strategy • LPFA's 'opt up' to Elective Professional Client Status under MiFID II • The appointment of LPFA's new internal auditor • The LPFA Fraud Control Framework • The Medium Term Financial Plan 2018-21 • The revised Climate Change Policy
Noted	• The updates on LPP governance • The investments in the pipeline and the infrastructure investments with GLIL • Ongoing review of LPFA's Risk Register and structure of its current Risk Framework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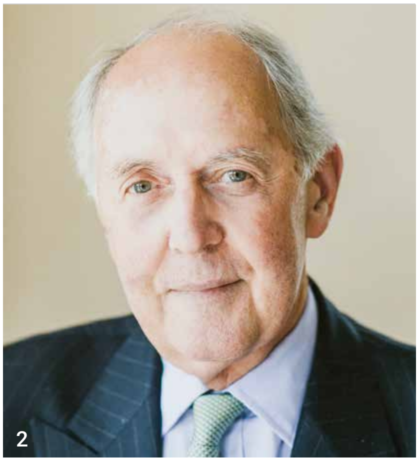
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Current Board members

Full biographies are available to view on our website: www.lpfa.org.uk/who-we-are/board-board-reports.aspx

1. Sir Merrick Cockell
- Chairman

2. Dermot 'Skip' McMullan
- Deputy Chairman
- LPP Shareholder Director
- Member of the Investment Panel

3. Cllr. Stephen Alambritis
- Member of the Audit and Risk Committee

4. Anthony Dalwood
- Chair of the Investment Panel

5. Mike O'Donnell
- Chair of the Audit and Risk Committee

6. Tamlyn Nall
- Member of the Audit and Risk Committee
- Member of the Investment Panel

7. Terence Jagger
- Member of the Audit and Risk Committee

8. Dr Barbara Weber
- Member of the Audit and Risk Committee from June 2018

9. Nigel Topping
- Member of the Audit and Risk Committee from June 2018

4. Governing the Fund continued

4.2 Board, executive team and committees continued

Board member attendance

This financial year, there were a total of 19 Committee and Board meetings, including the Board Strategy away day. An overview of Board members attendance has been provided below:

Board member	Appointment period	Background	Appointed as part of a London Council Consultation Process	Committee membership 2017-18	Board attendance (Excluding the away day)	Attendance at committee meetings
Sir Merrick Cockell	1 October 2010 to 31 December 2018	International Business Public Administration	Yes	n/a	6 out of 6	n/a
Dermot "Skip" McMullan	17 April 2013 to 31 March 2021	Business and Pension Fund Management Investment Management	No	Investment Panel	6 out of 6	5 out of 5
Cllr. Stephen Alambritis	1 October 2010 to 30 September 2017 – extended to 30 September 2018	Public Administration	Yes	Audit and Risk	5 out of 6	5 out of 7
Anthony Dalwood	1 October 2010 to 31 December 2018	Investment Management	No	Investment Panel	6 out of 6	5 out of 5
Mike O'Donnell	1 October 2010 to 31 December 2018	Accountant Public Administration	Yes	Audit and Risk	2 out of 6	4 out of 7
Terence Jagger	1 January 2016 to 31 December 2019	Public Administration Finance	No	Audit and Risk	6 out of 6	6 out of 7
Tamlyn Nall	1 January 2016 to 31 December 2019	Finance	No	Audit and Risk Investment Panel	6 out of 6	6 out of 7 4 out of 5
Dr Barbara Weber	30 June 2017 to 31 July 2021	Investment Management	No	Member of the Audit and Risk Committee from June 2018	5 out of 5	1 Audit and Risk and 1 Investment Panel as part of induction process
Nigel Topping	30 June 2017 to 31 July 2021	Manufacturing Business Climate Change	No	Member of the Audit and Risk Committee from June 2018	5 out of 5	1 Investment Panel as part of induction process

Board strategy 2017-18

The objectives of the organisation are reviewed annually by the Board, and key responsibilities and actions are identified for the ensuing three-year period. LPFA's mission statement, aims and objectives, key programmes and key performance indicators are contained within its Strategic Policy Statement (SPS) and are presented annually to the Mayor of London.

The SPS sets out LPFA's direction following discussions by Board members and Principal Officers at an annual strategy away day during which its vision and future strategy are reviewed and developed. This vision is then translated into the SPS and the MTFP, in addition to the Board's and Principal Officers' objectives.

Strategic objectives

LPFA has three primary strategic objectives addressing:

- Operational efficiency and a robust shareholder role.
- Partnership working and wider collaboration.
- Innovation in investments and liability management.

Operational efficiency and a robust shareholder role

The majority of LPFA's functions have been delegated to the LPP, including asset management, pension administration and risk management. As a shareholder and a client, the LPFA has an essential role in ensuring that LPP remains accountable and provides the necessary assurance to the Authority. Formal agreements are in place between LPFA and LPP to manage the delivery of these functions.

During the period under review, the Authority has continued to use its position as an active shareholder of LPP to ensure that the strategic objectives associated with the partnership are achieved and to facilitate the growth in LGPS collaborations. The Board also monitors the performance of LPP on a quarterly basis.

As mentioned in the Governance Highlights, in line with the shareholder agreement, LPP has conducted a review of its corporate structure to ensure that the governance arrangements in place are appropriate.

Partnership working and wider collaboration

There has been significant progress in discussions with Government representatives on the broader pooling agenda and LPFA continues to seek further pooling opportunities within the LGPS and the wider public sector.

Innovation in investments and liability management

This year, LPFA has successfully:

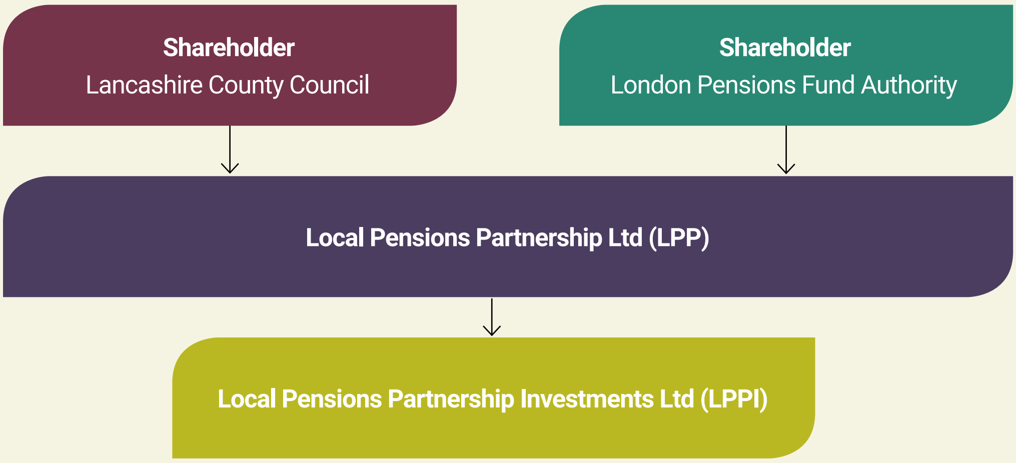
- Monitored the asset allocation to ensure alignment with the Investment Strategy Statement.
- Implemented sophisticated risk monitoring via LPP.
- Increased its focus on ESG factors, which is demonstrated by the implementation of its Climate Change Policy.
- Enhanced engagement and co-operation with other London based funds.

The key actions set out in the SPS are monitored on a quarterly basis by the Board. The full version is available on the website, www.lpfa.org.uk/what-we-publish/governance-strategy.aspx

4. Governing the Fund continued

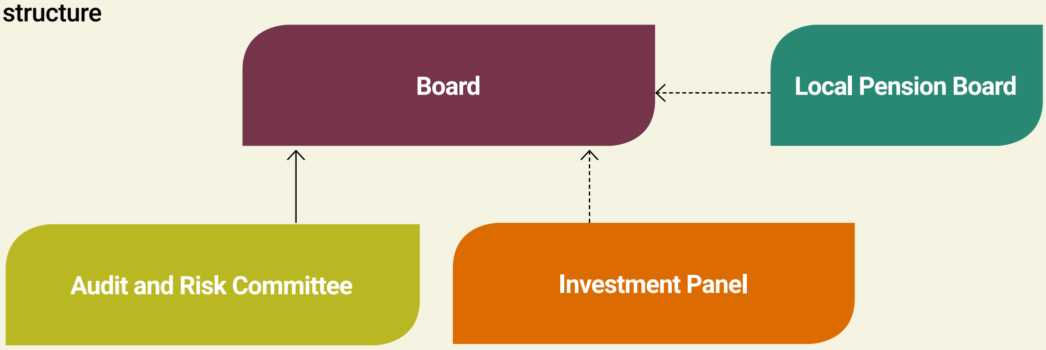
4.2 Board, executive team and committees continued

LPP's corporate structure*



* LPP comprises a holding company, Local Pensions Partnership Ltd, an investment management subsidiary LPPI which is authorised and regulated by the FCA. During 2017-18, operations originally carried out by LPP Administration Ltd were transferred to LPP Ltd, and the company is becoming dormant.

LPFA's corporate structure



Board: the composition of the Board is on page 25 and its Matters Reserved are available on the LPFA website.

Local Pension Board (advisory body): the composition of this board is on page 34, and its terms of reference can be found in the LPFA constitutional document, which is available on the website.

An overview of the activities undertaken by the LPB, as well as training received during the year under review is available on page 34. The LPB meets quarterly, and the attendance at those meetings is also provided on page 34.

Audit and Risk Committee (advisory body): the composition of this Committee and its terms of reference are set out in the constitutional document which is available on the website.

The Audit and Risk Committee (ARC) is empowered to carry out the specific duties set out in its terms of reference. Beyond these delegated powers, the Committee acts as an advisory body with no executive influence, but it is authorised to investigate any activity relating to or compatible with its terms of reference. It is also responsible for ensuring the LPP is carrying out extensive risk management investigations and reporting these to the Committee. A deep dive into operational risk management took place in November 2017. Except where the Committee has been expressly authorised by the Board to make decisions, it will make recommendations for approval by the Board. The Committee further advises the LPFA Board on the following:

- Overall risk appetite and tolerance
- Current risk exposures and future risk strategy
- Risks surrounding any strategic alliances, co-investment processes or joint working, taking external advice where appropriate

The LPFA Constitutional Document is available on the website.

Highlights of the ARC work during the year:	
Reviewed	• The annual report of the internal auditors work for 2016-17 and monitored progress against its recommendations • The LPFA risk register and the effectiveness of its controls • The Medium Term Financial Plan
Approved	• External audit plan for the year ending 2017-18 together with the audit fee and monitored progress against the plan • The ARC annual report to the board on its activities • The Annual Audit Letter • The draft three-year internal audit plan 2017-19 • Terms of Reference • Annual Governance Statement
Recommended to the Board	• The LPFA 2016-17 annual report • The LPFA Statement of Accounts • The Group Investment Syndicate strategy • The appointment of LPFA new internal auditor • The LPFA Fraud Control Framework
Noted	• Updates on LPP governance

Investment Panel (advisory body):
The LPFA also operates an Investment Panel (IP) whose role is to review the performance of the assets and whether these are compliant with the Investment Strategy Statement. The IP also monitors whether investment activities are aligned with the Funding Strategy Statement to ensure that the core risk of not being able to pay pension funds is effectively mitigated. This panel promotes a constructive dialogue on the quality of investments. It is comprised of LPFA Board members, an LPP Shareholder Director and an LPPI representative and meets on a quarterly basis.

Communications with stakeholders
LPFA has established clear channels of communication with all stakeholders on its strategic aims, objectives and performance, with procedures in place to monitor effectiveness. A Communication Policy Statement is available on LPFA's website and our stakeholders include fund members, employers, communities and Local Government, taxpayers, and industry influencers such as the PLSA.

Public Board meetings and other open meetings are held both for members of the scheme and for employers.

Overview of the communication channels used with stakeholders:

- Members of the scheme – newsletters, guides and the website.
- Employers of the scheme – newsletters, guides and the website.
- Greater London Authority – two-way communication is facilitated by regular meetings and the submission of the Strategic Policy Statement for comment.
- Wider pensions community – LPFA has representation on national and local forums: Local Government Pensions Committee (LGPC), Officers Advisory Group to the LGPC, CIPFA Pensions Panel, CLASS Management Team, London Pension Managers Group, and PLSA.
- The Authority also held an annual member forum and an annual employer forum in September and November respectively.

4. Governing the Fund continued

4.3 Risk management

The LPFA Board promotes a culture of risk management throughout the organisation. The LPFA is supported in its risk oversight by the ARC.

The ARC is responsible for monitoring and advising the Board on current risk exposures, ensuring future risk strategies are in place and maintaining a business-wide risk culture. During the year, the Administrative Authority has provided training to its staff on risk management and subscribed to a risk reporting system to assist in the monitoring of its risk profile and the effectiveness of internal controls.

LPFA's risk appetite statement is published on the website.

Insights into the risk management process

In light of the evolving statutory and regulatory landscape, LPFA regularly identifies and mitigates a range of risks arising from the external environment (immediate and longer term). The risk register ensures any new risk, including administrative, management and investment risks, are identified and the correct controls are in place to be managed effectively. This register has been updated to reflect the risks emanating from the outsourced services to LPP. The Committee focuses on both strategic and operational risks and receives quarterly reports on significant risks to the Administrative Authority.

The risk register is regularly monitored by the Managing Director and LPP's Chief Risk Officer to ensure that new risks have been identified and that the controls remain appropriate. The risk register is also scrutinised by the ARC, which will then issue recommendations to the Board, providing an additional layer of assurance to the risk oversight.

The methodology used for the assessment and mitigation of risks has been endorsed by the Chartered Institute of Risk Management.

The register is maintained by risk professionals who devise adequate controls in light of the macro environment in which the scheme is operating, and the Board monitors the adequacy of these controls. The key controls in place are stress tested on a regular basis to ensure that they are sufficiently resilient and that there is adequate room for manoeuvre to ensure the Fund meets its strategic objectives.

The Annual Report from the Audit and Risk Committee is published on the LPFA's website and provides an insight into the work undertaken by the ARC during the 2017-18 financial year. In addition, a monthly solvency report is published on the LPFA's website.

LPFA manages risk in the following ways and is supported by the Committee's provision of assurance to the Board:

Management	Investment Panel	Audit and Risk Committee	Board
Identify and document all risks to which the business is exposed	Review quarterly investment reports	Review the Risk Appetite Statement and ensure that risk exposures are within tolerance	Set the risk strategy of LPFA
Assess the likelihood and impact of all risks	Ensure investments comply with statutory and regulatory requirements	Review the robustness of the risk management framework and the effectiveness of internal controls	Agree the risk appetite
Develop internal controls and processes to manage and mitigate risks	Ensure investments comply with the Investment Strategy Statement	Review the appropriateness and effectiveness of all risk policies and methodologies	Set the risk culture
Monitor all risks on an ongoing basis	Ensure investments are aligned with the Funding Strategy Statement	Challenge management's assessment of the level of risk and review the accuracy of the risk scoring	Approve the risk framework
Report to the Audit and Risk Committee and the Board on risk management	Monitor performance against targets	Monitor progress against actions to mitigate risks	Ensure that strategic decisions are undertaken in line with the risk framework

Risk oversight

The principal risk to the Fund is its inability to pay pensions to members when these fall due. From this overarching risk flows a series of objectives at the administration, management and investment level to ensure that this risk is effectively mitigated.

Third party risks

Employers: Risks emanating from defaulting employers, such as late payment of contributions, are monitored on an ongoing basis by the LPP Employer Risk Services. Proactive discussions and meetings are held with regular reporting to the Managing Director. Furthermore, key employer risks are monitored on an ongoing basis by the ARC. Controls and procedures have been put in place to ensure that the scheme is compliant with the Pension Regulator Code of Practice 14. During 2017-18, no employers were reported to The Pensions Regulator.

Outsourced services to LPP: The LPFA Board has an agreed service level agreement with LPP and exerts influence over LPP as a 50% shareholder. LPFA has an important role in ensuring that LPP remains accountable and provides the necessary assurance to the Authority as engaged shareholders, while the LPFA continues to benefit from these arrangements. LPFA has a Shareholder Director position on the LPP Board.

Furthermore, the risks associated with the outsourced services to LPP have been accurately recorded in the LPFA risk register, and these are subject to ongoing scrutiny by the ARC, as per the process set out above. Regular updates are provided on the performance of LPP at the LPFA Board meetings. LPP had also been awarded the Information Security 27001 accreditation in September 2017.

4. Governing the Fund continued

4.4 LPFA advisors and service providers

EVERSHEDS

Legal advisors

CLIFFORD CHANCE

Legal advisors

Burness Paull

Legal advisors

Deloitte.

Internal audit

Grant Thornton

External audit

Barnett Waddingham
a true partnership approach

Fund actuary

PRUDENTIAL

AVC provider

LLOYDS BANK

Bankers

National Fraud Initiative

Fraud support

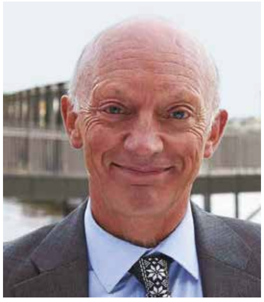
BNY MELLON

Custodian

KPMG

Other independent advisor

4.5 Statement from the Local Pension Board



This is my third report as the Independent Chair of LPFA's Local Pension Board (LPB). Last year, I suggested that in 2017-18 the LPB would, in addition to our regular oversight duties, focus on three areas in particular.

➜ After three years of operation, we believe the LPB has established itself as a valuable part of the Fund's governance.

As LPP had been in operation for a year, we needed to satisfy ourselves that appropriate governance procedures and monitoring were in place. Secondly, we wanted to be sure that changes being made to the administration function to provide a better service did not involve any risk to members' being paid correctly and on time. Finally, we believed we could use our collective experience to help the LPFA engage with its members better.

In this report, I will start by reminding readers of the mechanics of the Board, then explain how we have fulfilled our regular duties of oversight, before going on to comment on each of the three above areas in more detail.

The Board has nine members: four Employer representatives who were chosen to be representative of the Fund's Employers, four Member representatives and myself as the Independent Chair. Bernadette Jansen resigned as an Employer representative during the year, as she had become ineligible to serve. Over the first two and a half years of the Board's existence, she has been an active and thoughtful contributor to the Board's discussions, and I would like to thank her for her contribution. Amy Selmon, of Poplar HARCA, was chosen to replace her after we received five expressions of interest and interviewed three candidates. I am delighted to welcome Amy, who is already bringing significant new perspectives to the Board in her first two meetings. Further vacancies will inevitably occur over time and, when they do, I encourage expressions of interest from suitable parties. While all candidates must meet the knowledge and understanding requirements, I personally place particular importance on the Board's diversity, defined in its broadest sense.

We meet four times a year and convene in smaller working groups to address particular topics. This year we've held three working groups, all to do with our work on engagement.

4. Governing the Fund continued

4.5 Statement from the Local Pension Board continued

The table below shows members attendance at Board meetings.

Board Member	Attendance at meetings 2017-18
William Bourne (Independent Chairman)	4 out of 4
Simon Steptoe (Member Rep)	3 out of 4
Peter Scales (Member Rep)	4 out of 4
Omolayo Sokoya (Member Rep)	3 out of 4
Jamie Ratcliff (Member Rep)	4 out of 4
Sean Brosnan (Employer Rep)	3 out of 4
Frank Smith (Employer Rep)	4 out of 4
Adrian Bloomfield (Employer Rep)	4 out of 4
Bernadette Jansen (Employer Rep)	Term of office ended on 08-06-2017 – attended one meeting during the year
Amy Selmon (Employer Rep)	Appointed on 25-10-2017 – attended two meetings to date

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. We hold a training session ahead of each Board meeting, and during the year covered risk management, data protection, the governance of LPP, and Additional Voluntary Contributions. We aim to make the training relevant to the contents of the meeting which follows. We also conduct a gap analysis of training needs once a year as part of our own annual appraisal, which becomes an agenda item at our next meeting.

Information about the Board, including minutes and public papers, are available on the Pension Fund website. The Board has no internal budget, but costs are defrayed by the LPFA. In this year, these amounted to £1,250.40.

Much of the work in the past year has been on internal changes and developments resulting from the creation of LPP, and I give more details below. However, it has been important that we do not neglect our regular function of monitoring compliance with all the regulations and guidance from the Pensions Regulator, the DCLG (now the MHCLG) and other sources. We agree on a detailed work plan at the beginning of each year to ensure that we cover everything within our remit, and at every meeting we review the assurance statements given to us. In some cases, such as the Key Performance Indicators or notification of any breach of regulations, we review the detail behind the headline statement.

One challenge for the LPB results from the outsourcing of most of the LPFA's functions to LPP, whose staff therefore both create many of the assurance statements which we rely on when we review compliance with regulations and agreed service standards and also may form part of the subject matter.

In this context, we place particular importance on who else has reviewed the assurance statements and also the independent auditor's reports, both internal and external. If we are not content, we will ask to see the detail behind the statements.

This is not the place to list everything we looked at, but I would like to highlight our review of the risk management framework proposed by LPP to the LPFA Board, the Responsible Investment policy, the measures put in place ahead of the introduction of two new European Directives, MiFID II and GDPR, and the updating of the ISS. In all these cases, our role was to review and make suggestions to the Board before they finally approved.

I mentioned last year that we would keep a careful eye on the procedures in place to monitor LPP's performance. LPFA's ability to fulfil its fiduciary duty, and thereby pay pensions in full on time, depends on LPP providing an effective service to it. We highlighted last year that we had concerns that there was insufficient resource dedicated in this area and recommended an independent review. A year later there have been reviews from a legal, compliance and operational perspective, which give us greater confidence. We will continue to monitor this going forward, as good governance is a continual process, and not a one-off project.

We also kept a careful eye on the project to transform how LPP provides administration services to LPFA and its other clients. Our objective here was both to try to ensure that the process of change did not involve any risk to the level of service provided to members in the short term and that in the longer term members would truly benefit from a better service.

We have spent the majority of our time this year providing input into member communication and engagement. During the year, we held three separate working parties to make suggestions to improve the quality of the annual benefit statements, the general communications to and from employers and members, and the website. Whilst we are reliant on others to prioritise and implement changes, the establishment of a member communications hub and its staff's positive reaction to our proposals in our final board meeting of the year leave us confident that members will see a real difference in all three of these areas over the next 12 months.

After three years of operation, we believe LPB has established itself as a valuable part of the Fund's governance. We are using our collective knowledge and experience to try and ensure that members' and employers' interests are not lost in the more complex structures which the creation of LPP has inevitably involved. I will end by recording the Board's thanks to Mike Allen on his retirement. Mike has supported us willingly and ably over the last three years, which has been crucial to our establishment. We look forward to working with his successor as LPFA Managing Director, Robert Branagh, in the future.

William Bourne
Independent Chair of the LPFA
Local Pension Board

5. Pension fund accounts

5.1 Auditor's statement

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

Opinion

The pension fund financial statements of London Pensions Fund Authority (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net Asset Statement and the notes to the financial statements, including a summary of significant accounting policies, of London Pensions Fund Authority Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

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

Who we are reporting to

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.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 31 July 2018.

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

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

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

Ciaran McLaughlin
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

31 July 2018

5.2 Pension fund accounts

Dealings with members, employers and others directly involved in the Fund

	Notes	2017-18 £'000	2016-17 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	6	**180,904**	165,685
Transfers in from other pension funds	7	**165,434**	8,071
		346,338	173,756
Benefits	8	**(245,692)**	(245,749)
Payments to and on account of leavers	9	**(16,828)**	(13,066)
Capital funding cost	11	**–**	187
		262,520	(258,628)
Net additions/(withdrawals) from dealings with members		**83,818**	(84,872)
Management expenses	10	**(47,779)**	(52,743)
Returns on investments			
Investment income	12	**95,158**	48,258
Taxes on income	13	**(44)**	(209)
Profit and loss on disposal of investments and changes in the market value of investments	14a	**185,999**	877,080
Net return on investments		**281,113**	925,129
Net increase in the net assets available for benefits during the year		**317,152**	787,514

5. Pension fund accounts continued

5.2 Pension fund accounts continued

Net assets statement for the year ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Investment assets	14	**5,375,018**	4,987,045
Total net investments		**5,375,018**	4,987,045
Cash balances	17	**176,792**	346,765
Current assets	19	**115,959**	12,541
Current liabilities	20	**(13,495)**	(9,229)
Net assets of the Fund available to fund benefits at the period end		**5,654,274**	5,337,122

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 2018

	2017-18 £'000	2016-17 £'000
Balance at 1 April	**5,337,122**	4,549,608
Movement in net assets available for benefits during the year	**317,152**	787,514
Balance at 31 March	**5,654,274**	5,337,122

5.3 Notes to the pension fund accounts

1. General information

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the 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 outsourced, while custodial arrangements are with the Bank of New York Mellon and fund investment are mainly outsourced to external investment managers (LPPI and other third-party providers) (shown as investment management expenses in the pension fund account) under the guidance of LPFA's Investment Panel.

The pension increase applied in April 2017 was 1% (0% April 2016). This is because the October to September consumer price index in 2016 increased by 1%. This was in accordance with The Pensions Increase (Review) Order 2017.

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

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. LPFA's Actuary is Barnett Waddingham, who have supplied an actuarial statement. This is shown on page 65 and should be read in conjunction with these accounts.

2. Accounting standards issued, but not yet adopted

IFRS 9 Financial instruments – Includes changes to the classification of financial assets and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

IFRS 15 Revenue from contracts with customers – It replaces IAS 11 (Construction contracts) and IAS 18 (Revenue and related interpretations). It provides useful information to users of the financial statements regarding the nature, amount, timing and uncertainty of revenue from contracts as revenue is only recognised as and when the performance obligations of the contract are satisfied.

IFRS 16 Leases – It replaces IAS 17 and requires lessees to recognise both assets and liabilities on the balance sheet, for all leases (now including operating leases).

IAS 7 Statement of cash flows: disclosure initiative – The amendments to IAS 7 improve the information provided by entities about their financing activities.

IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses – This relates to deferred tax assets on debt instruments measured at fair value.

3. Summary of significant accounting policies

General principles

The Statement of Accounts summarises LPFA's transactions for the 2017-18 financial year and its position as at 31 March 2018. 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 detailed in note 27 of the report, and in the actuarial statement. The actuarial statement presents the value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in note 27 of these accounts. The financial statements and accounts have been prepared on a going concern basis.

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 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.

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

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

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

Investment income
All investment income receipts and payments are accounted for on an accruals basis. Income from pooled investment vehicles accumulation units is not paid but is reinvested automatically.

Investment market value changes comprise all realised and unrealised profits/losses during the year. Dividends and interest on quoted investments are accounted for when received or quoted ex-dividend.

Property-related income consists primarily of rental income.

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

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 an exemption is permitted. Tax deducted in some European countries is recovered.

LPFA recovers the full amount of VAT incurred in relation to investment management charges. This was first agreed with HMRC in the 2015-16 financial year.

Benefits
Members can choose whether to take their benefits as a full pension or as a lump sum with a 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 estimated 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 outperformance against an agreed benchmark, for most managers. Fees are either explicit, expensed separately to the LPFA, or implicit, expensed within the fund under management. Where they are implicit an adjustment has been made to the change in market value to separately identify the fees charged. The costs of LPPI's investment team are 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 by the bid price (or, if unavailable, most recent transaction) on the relevant stock market.

Fixed interest securities are recorded at the net market value based on their current yields. Unquoted securities are valued by the fund managers at the year-end following generally accepted guidelines. Unquoted private equities are valued by the investment managers using guidelines of the British Private Equity & Venture Capital Association (BVCA). 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.

Property valuation
Directly held freehold properties are included at open market value as at the year-end. The directly held property was valued at open market value at

31 March 2018 by an independent valuer, GVA Grimely Limited ('GVA'). The Properties have been valued individually on the basis of Fair Value, in accordance with the RICS Valuation – Global Standards 2017. VPGA 1 - Valuations for inclusion in financial statements which adopts the definition of Fair Value adopted by the International Accounting Standards Board (IASB) in IFRS 13. This is an internationally recognised basis and is defined as: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

GVA regards Fair Value as Identical to Market Value, defined within the Global Valuation Standards as:-The estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Foreign currencies

Assets and liabilities in foreign currencies are expressed in Sterling at 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 LPFA in accordance with the Investment Management Agreement and the Investment Strategy Statement, 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.

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 27).

4. Critical accounting estimates and judgement

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 2018 was £1,104m (£1,147m at 31 March 2017). 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 IAS 19 and IAS 26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the Actuarial Statement. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Pension fund information

The last full triennial valuation of the LPFA Fund was carried out as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund. The funding level was 96%. New contribution rates for employers following analysis of the 2016 valuation came into effect from 1 April 2017. The rates are determined for each employer by the actuary to be sufficient to fund the annual cost of benefits and to clear the deficit.

Details of the participating employer bodies for the year ended 31 March 2018 are set out on pages 70-71.

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

Year to 31 March 2018	Year to 31 March 2017		
Pay Range	**Pay Range**	**Contribution Rate**	**50/50 Section**
£0 - £13,700	£0 - £13,600	5.50%	2.75%
£13,701 - £21,400	£13,601 - £21,200	5.80%	2.90%
£21,401 - £34,700	£21,201 - £34,400	6.50%	3.25%
£34,701 - £43,900	£34,401 - £43,500	6.80%	3.40%
£43,901 - £63,100	£43,501 - £60,700	8.50%	4.25%
£61,301 - £86,800	£60,701 - £86,000	9.90%	4.95%
£86,801 - £102,200	£86,001 - £101,200	10.50%	5.25%
£102,201 - £153,300	£101,201 - £151,800	11.40%	5.70%
£153,301 and above	£151,801 and above	12.50%	6.25%

The Fund membership was as follows:

Fund Membership	2017-18	2016-17
Contributors	**18,537**	17,776
Deferred members	**26,911**	26,370
Pensioners and dependants	**34,625**	34,321
Undecided leavers and frozen funds	**4,393**	3,596
Total	**84,466**	82,063

6. Contributions

By Category:

	2017-18 £'000	2016-17 £'000
Employers – normal	**71,051**	77,801
Employers – additional	**30,801**	42,456
Employers – one-off deficit payment	**38,429**	6,826
Cessation valuations	**1,527**	1,945
Members – normal	**39,096**	36,657
Total	**180,904**	165,685

By Authority:

	2017-18 £'000	2016-17 £'000
Scheduled bodies	**58,855**	76,965
Admitted bodies	**120,282**	86,728
Community admission body	**419**	380
Transferee admission body	**1,348**	1,612
Total	**180,904**	165,685

7. Transfers in from other pension funds

	2017-18 £'000	2016-17 £'000
Group transfers	**154,685**	–
Individual transfers	**10,749**	8,071
Total	**165,434**	8,071

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

8. Benefits

By Category:

	2017-18 £'000	2016-17 £'000
Pensions	**212,289**	212,528
Commutation and lump sum retirement benefits	**30,562**	30,662
Lump sum death benefits	**2,841**	2,559
Total	**245,692**	245,749

By Authority:

	2017-18 £'000	2016-17 £'000
Scheduled bodies	**159,098**	162,627
Admitted bodies	**85,111**	81,688
Community admission body	**474**	404
Transferee admission body	**968**	990
Resolution body	**41**	40
Total	**245,692**	245,749

9. Payments to and on account of leavers

	2017-18 £'000	2016-17 £'000
Refunds to members leaving service	**684**	687
Payments for members joining state scheme	**13,132**	(9)
Group transfers	**2,972**	42
Individual transfers	**40**	12,346
Total	**16,828**	13,066

10a. Management expenses

	2017-18 £'000	2016-17 £'000
Investment management	**44,614**	48,005
Administration	**1,806**	2,044
Oversight & governance	**1,359**	2,694
Total	**47,779**	52,743

10b. Investment expenses

	31 March 2017-18 £'000	31 March 2016-17 £'000
Investment fees basic	**39,975**	42,439
Performance fees	**4,167**	4,777
Custodian fees	**181**	494
Transaction fees	**274**	295
Other fees	**17**	–
Total	**44,614**	48,005

The 2016-17 comparatives for management expenses have been restated to include additional fees previously netted off investment value, in line with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016). This restatement has an equal impact on management expenses and the change in the market value of investments. There is no impact on the overall net assets of the scheme.

11. Capital funding

	2017-18 £'000	2016-17 £'000
Capital funding cost	**–**	(187)

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.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

12a. Investment income

	2017-18 £'000	2016-17 £'000
Income from equity	**1,321**	28,627
Income from bonds	**450**	2,230
Private equity and infrastructure income	**42,189**	3,414
Rents from property	**5,338**	1,957
Pooled property Investments	**–**	136
Pooled investments – unit trusts and other managed Funds	**43,486**	8,656
Interest on cash deposits	**2,021**	3,238
Other	**353**	–
Total	**95,158**	48,258

12b. Property income

	2017-18 £'000	2016-17 £'000
Property income	**5,868**	2,252
Property expenses	**(530)**	(295)
Total	**5,338**	1,957

13. Taxes on income

	2017-18 £'000	2016-17 £'000
Withholding tax – Fixed interest securities	**–**	(6)
Withholding tax – Equities	**–**	(23)
Withholding tax – Private equity	**–**	(181)
Withholding tax – Pooled investments	**(44)**	1
Total	**(44)**	(209)

14. Investments

	Market value 31 March 2018 £'000	Market value 31 March 2017 £'000
Investment assets		
Fixed interest securities	**–**	56,649
Equities	**–**	44,647
Liquidity funds	**–**	9,723
Pooled investments		
Fixed interest securities	**601,145**	224,626
Equities	**2,400,971**	2,406,082
Property	**328,293**	253,047
Credit	**267,734**	–
Private equity	**592,989**	800,820
Infrastructure	**510,869**	346,135
Commodity funds	**27,713**	33,183
Managed funds	**408,128**	664,335
Cash instruments	**10,269**	27,431
Direct property	**167,360**	110,020
Derivatives		
Options	**–**	414
Forwards	**–**	2,625
Other investment balances		
Cash held by investment managers	**58,849**	3,255
Investment income due	**81**	3,632
Amounts receivable for sales	**617**	421
Total investment assets	**5,375,018**	4,988,343
Investment liabilities		
Futures	**–**	–
Purchased/written options	**–**	(271)
Amounts payable for purchases	**–**	(1,027)
Total investment liabilities	**–**	1,298
Net investment assets	**5,375,018**	4,987,045

The prior year pooled investments category has been reanalysed to be consistent with the current year and to provide greater detail of the underlying assets. Two categories have been disaggregated: private equity/infrastructure, into its constituent parts; and pooled investments into credit, equities, fixed interest securities and managed funds.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

14a. Investments (continued)

Net Investment Assets

	Market value 31 March 2017 £'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 2018 £'000**
Fixed interest securities	56,649	26,705	(82,316)	(1,038)	**–**
Equities	44,647	986	(42,396)	(3,237)	**–**
Liquidity funds	9,723	–	(9,723)	–	**–**
Pooled investments					
Fixed interest securities	224,626	388,716	(43,000)	30,803	**601,145**
Equities	2,406,802	196,883	(168,581)	(33,413)	**2,400,971**
Credit	–	267,097	(3,067)	3,706	**267,734**
Private equity	800,820	851,781	(1,069,086)	9,474	**592,989**
Infrastructure	346,135	855,274	(670,896)	(19,644)	**510,869**
Property	253,047	126,811	(34,120)	(17,445)	**328,293**
Managed funds	664,337	40,597	(506,496)	209,690	**408,128**
Commodity funds	33,183	13,174	(14,639)	(4,005)	**27,713**
Cash instruments	27,431	25,141	(41,159)	(1,144)	**10,269**
Direct property	110,020	51,737	–	5,603	**167,360**
	4,976,700	2,844,900	(2,685,479)	179,350	**5,315,471**
Derivative contracts					
Forwards	3,921	353,831	(364,525)	6,773	**–**
Options	143	1,673	(1,432)	(384)	**–**
Futures	–	4,791	(5,051)	260	**–**
	4,980,764	3,205,195	(3,056,487)	185,999	**5,315,471**
Cash held by managers	3,255				**58,849**
Amount receivable for sale of investments	421				**617**
Investment income due	3,632				**81**
Amounts payable for purchases	(1,027)				**–**
Net investment assets	4,987,045				**5,375,018**

Some opening balances have been re-analysed following the change of custodian on 31 August 2017. The overall total remains the same as disclosed in the prior year accounts.

14a. Investments (continued)

Net Investment Assets (prior year comparative)

	Market value 31 March 2016 £'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 2017 £'000**
Fixed interest securities	122,855	113,181	(185,613)	6,226	**56,649**
Equities	1,804,946	5,159,057	(7,256,002)	336,653	**44,647**
Liquidity fund	3,354	6,369	–	–	**9,723**
Pooled investments	1,235,608	4,679,425	(2,814,426)	221,867	**3,322,474**
Property	147,423	51,116	(3,760)	58,268	**253,047**
Commodities	23,449	315	–	9,419	**33,183**
Private equity/infrastructure	819,493	167,884	(211,720)	371,298	**1,146,955**
– Futures	(337)	6,679	(4,560)	(1,782)	**–**
Direct property	–	114,206	–	(4,186)	**110,020**
	4,156,791	10,298,232	(10,476,081)	997,756	**4,976,698**
Derivative contracts					
Options	(408)	12,014	(8,742)	(2,721)	**143**
Forwards	(14,442)	226,287	(89,967)	(117,955)	**3,923**
	4,141,941	10,536,533	10,574,790	877,080	**4,980,764**
Other investment balances:					
Cash held by investment managers	44,813				**3,255**
Amount receivable for sales of investments	1,571				**421**
Investment income due	6,142				**3,632**
Amounts payable for purchases of investments	(375)				**(1,027)**
Net investment assets	4,194,092				**4,987,045**

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 £274,000 (2017: £295,000) (see note 10b). In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

14b. Analysis of investments

	31 March 2018 £'000	31 March 2017 £'000
Fixed interest securities		
UK		
Public sector quoted	**–**	491
Corporate quoted	**–**	1,890
Overseas		
Public sector quoted	**–**	11,461
Municipal bonds quoted	**–**	7,596
Corporate quoted	**–**	35,211
Total	**–**	56,649
Equities		
UK		
Quoted	**–**	28,431
Overseas		
Quoted	**–**	16,216
Total	**–**	44,647
Pooled funds – additional analysis		
UK		
Fixed interest securities	**135,852**	224,626
Unit trusts	**–**	260,253
Credit	**267,734**	–
Private equity	**582,261**	800,820
Infrastructure	**430,989**	346,135
Property	**202,799**	201,882
Cash instruments	**10,269**	27,431

14b. Analysis of investments (continued)

Pooled funds – additional analysis (continued)

	31 March 2018 £'000	31 March 2017 £'000
Overseas		
Fixed interest	**465,293**	–
Equities	**2,400,971**	2,406,082
Private equity	**10,728**	–
Infrastructure	**79,880**	–
Property	**125,494**	51,165
Commodity funds	**27,713**	33,183
Unit trusts	**–**	7,265
Managed funds	**408,128**	391,305
Hedge funds	**–**	5,512
Total	**5,148,111**	4,755,659
Direct property	**167,360**	110,020
Liquidity fund (time deposit)	**–**	9,723
Futures*	**–**	2
Forward currency contracts*	**–**	3,921
Options*	**–**	143
Total	**5,315,471**	4,980,764

* Further analysis of futures, forward currency contracts and options is given in note 14c.

14c. Investments

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

There were no outstanding directly held futures contracts at 31 March 2018 (2017: £nil).

Open forward currency contracts

The net position on open forward currency contracts at 31 March 2018 amounts to a loss of £1,130,571 (2017 – gain of £3,923,000). This amount is reflected in the change of market value investments.

14c. Investments (continued)

Purchased/written options

Investment underlying option contract	Expires	Put/ call	Notional holding £'000	**Market value 31 March 2018 £'000**	Notional holding £'000	Market value 31 March 2017 £'000
Assets						
Index linked purchased	One to three months	Call	–	**–**	4	30
Index linked purchased	Three to nine months	Call	–	**–**	4	75
Index linked purchased	One to three months	Put	–	**–**	12	242
Index linked purchased	Three to nine months	Put	–	**–**	2	67
				–		414
Liabilities						
Index linked written	One to three months	Call	–	**–**	(1)	(25)
Index linked written	One to three months	Put	–	**–**	(17)	(204)
Index linked written	Three to nine months	Put	–	**–**	(2)	(42)
			–	**–**	–	(271)
Net purchased/written options			–	**–**	–	143

14d. Investments (continued)

Investments analysed by Fund Manager

	Market value 31 March 2018 £'000	Market value 31 March 2017 £'000
3i Infrastructure	**–**	17,046
Adveq Management AG	**–**	113,114
Aeolus Property	**125,494**	51,164
Apollo Union Street Partners	**–**	102,475
Bank Invest New Energy Solutions	**–**	4,906
BlackRock Co-Investment IV, LP	**–**	19,363
BlackRock Management	**252,266**	369,425
Bridges Ventures	**–**	8,297
Brookfield Howard Asset Management	**19,542**	23,170
Buy & Hold – LPFA In-house	**–**	243
Capital Fund	**–**	609
CBRE Global Investors	**202,799**	202,724
Cleantech Europe	**–**	13,445
Coller Capital	**–**	8,821
Dover Street	**–**	8,358
Foresight Group	**1,720**	4,397
Glennmont Partners	**–**	22,606
GMPF & LPFA Infrastructure LLP	**–**	38,349
Graham Trend	**32,469**	40,596
GSA Trend	**43,316**	46,164
Harbour Vest Partners LCC	**–**	60,319
Hermes Private Equity	**–**	75,979
Impax Asset Management	**3,348**	4,868
Infrared Capital Partners	**4,120**	3,458
Insight Investment Management (Global) Ltd	**712,004**	699,634
Ithaca	**–**	8,090
JP Morgan	**–**	9,723
Knight Frank	**167,360**	110,020

14d. Investments (continued)

Investments analysed by Fund Manager (continued)

	Market value 31 March 2018 £'000	Market value 31 March 2017 £'000
LGT Capital Partners Ltd	**–**	48,418
LPPI Global Equities	**2,320,391**	2,276,213
LPPI Credit	**263,069**	–
LPPI Infrastructure	**279,626**	–
LPPI Private Equity	**578,913**	–
LPPI Phaunos	**8,171**	–
LPPI Fixed Income	**135,852**	–
M&G Investment Management Ltd	**4,665**	60,049
Meridiam Infrastructure	**–**	49,766
Montana Capital Partners LP	**–**	20,046
Naxicap	**–**	19,664
Pantheon Ventures (UK) LLP	**–**	90,859
Permira Europe V, LP	**–**	45,894
Phaunos Timber Fund Ltd	**–**	10,012
Pontoon Dock	**13,410**	424
Record Currency Management	**–**	3,776
Red Kite Mine Finance	**10,729**	11,783
Robeco Alternative Investments	**–**	9,743
Semperian PPP Investment Partners	**–**	99,459
Standard Chartered	**4,095**	4,729
The Energy & Minerals Group Fund III, LP	**–**	34,662
Winton-EVO	**132,024**	126,765
Zouk Capital LPP	**–**	1,139
Zouk Solar	**88**	–
	5,315,471	4,980,764
Cash held by investment managers	**58,849**	3,255
Amounts receivable for sales	**617**	421
Investment income due	**81**	3.632
Amounts payable for purchases	**–**	(1,027)
Total	**5,375,018**	4,987,045

14d. Investments (continued)

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

Security

	Market value 31 March 2018 £'000	**% of total fund**	Market value 31 March 2017 £'000	% of total fund
LPPI global equity fund	**2,320,391**	**43.7**	2,276,213	45.7
LPPI PE investments (No. 1) LP	**578,913**	**10.9**	–	–
Insight LDI solutions plus bonds plus FD (Fund) CLS (Class) 'S' SHS (Shares)	**407,593**	**7.7**	267,334	5.4
Insight liability driven investment (LDI) solutions plus LDI active '1' FD (Fund)	**–**	**–**	317,053	6.4
Total	**3,306,897**	**62.3**	2,860,600	57.5

15. Securities lending

The securities lending programme ended in September 2016, prior to the asset transition and launch of the Authorised Contractual Scheme (ACS) in November 2016.

Securities lending was governed by an agreement between the LPFA and the custodian. All loans were collateralised and subject to daily valuation and calling of collateral. Cash was not accepted as collateral and a maximum of 35% of securities in the fund were available for lending. The Fund held no collateral at 31 March 2018 (2017: £nil) in equities and government issued debt.

16. Financial instruments

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

Category

Financial assets – fair value through profit and loss	**Market value 31 March 2018 £'000**	Market value 31 March 2017 £'000
Fixed interest securities	**–**	56,649
Equities	**–**	44,647
Liquidity funds	**–**	9,723
Pooled investments		
Equities	**2,400,971**	2,406,082
Credit	**267,734**	–
Private equity	**592,989**	800,820
Infrastructure	**510,869**	346,135
Property	**328,293**	253,047
Managed	**408,128**	664,337
Commodities	**27,713**	33,183
Fixed interest securities	**601,145**	224,626
Cash instruments	**10,269**	27,431
Derivatives		
Forward currency contracts	**–**	3,923
Purchased/written options	**–**	414
	5,148,111	4,871,017
Derivatives		
Purchase/written options	**–**	(271)
	–	(271)
Total	**5,148,111**	4,870,746

16. Financial instruments (continued)

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

Category

Financial assets – fair value through profit and loss (continued)	**Market value 31 March 2018 £'000**	Market value 31 March 2017 £'000
Finance assets – loans and receivables		
Cash held by investment managers	**58,849**	3,255
Investment income due	**81**	3,632
Amounts receivable for sales	**617**	421
Cash balances	**176,792**	346,765
Current assets – Note 19	**115,959**	12,541
Total – loans and receivables	**352,298**	366,614
Finance liabilities – at amortised cost		
Amounts payable for purchase	**–**	(1,027)
Current liabilities – Note 20	**(13,495)**	(9,229)
Total – loans and receivables	**(13,495)**	(10,256)
Grand total	**5,486,913**	5,227,104

16. Financial instruments (continued)

Fair value levels

Value at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	**3,278,721**	**1,024,353**	**1,012,797**	**5,315,871**
Net financial assets	**3,278,721**	**1,024,353**	**1,012,797**	**5,315,871**

Reconciliation of level 3 assets

	Market value 1 April 2017 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	**Market value 1 April 2018 £000**
Level 3	933,430	**846,644**	**(797,286)**	**30,009**	**1,012,797**

Value at 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	2,549,421	1,497,913	933,430	4,980,764
Net financial assets	2,549,421	1,497,913	933,430	4,980,764

The fair value levels of certain investment funds we reclassified following an exercise to review the inputs into asset valuations. This resulted in the 2017 figures being restated for the movement of pooled vehicles amounting to £2,489,738,000 into level 1 as the underlying assets of the pools are listed equities. One fund valued at £2,276,213,000 moved from level 2 to level 1, and three funds valued at £213,525,000 moved from level 3 to level 1.

Market risk – sensitivity analysis

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

The expected volatility over a one-year time horizon is used as one risk measure for the Fund and is measured as a one standard deviation movement in the returns for each of the major asset classes in which the Fund is invested. The expected volatility provides a measure of the potential largest change in the value of the Fund in around two thirds of the time. The total fund volatility considers the expected interactions between the different asset classes, based on underlying volatilities and correlations of the assets.

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

16. Financial instruments (continued)

Asset class

	2018 1 Year expected volatility	**2018 % of fund**	2017 1 Year expected volatility	2017 % of fund
Global equities	**19.3**	**49.0**	18.7	51.5
Private equity	**24.0**	**10.3**	26.5	10.1
Property	**20.7**	**7.5**	23.2	5.9
Fixed income	**3.3**	**2.5**	10.0	1.0
Infrastructure	**17.3**	**5.0**	15.5	5.1*
Credit	**8.4**	**5.1**	4.9	3.6
Total return	**4.6**	**15.2**	4.9	14.4
Cash and LDI	**0.0**	**5.4**	0.1	8.4
Total fund volatility	**11.9**	**100.0**	15.1	100.0

* Includes Commodity

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 short-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 2018 was £5,654m (2017: £5,337m) and the expected volatility was 11.9% (2017: 15.1%). Given these figures, we would expect that in roughly two thirds of outcomes the value of the Fund would lie between £6,327m (2017: £6,604m) and £4,981m (2017: £4,545m) in 12 months' time, expressed in today's equivalent present value.

Asset class

	Market Value (m)	Interest rate sensitivity PV01 (£m)	Impact of yield shift (£m)	
			- 100 bps	+ 100 bps
Insight – as at 31 March 2018	313	0.829	(82.9)	82.9
Insight – as at 31 March 2017	313	0.829	(82.9)	82.9
BlackRock – as at 31 March 2018	–	–	–	–
BlackRock – as at 31 March 2017	–	–	–	–

16. Financial instruments (continued)

Currency risk

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

Currency risk sensitivity analysis

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

The expected standard deviation of the Fund's significant currency exposure is based on 12-month market implied volatilities as at 31 March 2018. The following table summarise the Fund's currency exposure and expected 12-month volatility by currency as at 31 March 2018 and as at the previous period end:

Currency	Value at 31 March 2018 (£m)	Implied volatility %	Value at 31 March 2017 (£m)	Implied volatility %
USD	1,436	8.6	812	9.4
JPY	55	10.3	(28)	11.1
EUR	440	7.2	88	8.7
CAD	–	–	42	9.2
CHF	121	7.8	87	8.2
AUD	–	–	25	10.0

Credit risk

Credit risk is the risk that the issuer or counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The main credit risk within the Fund arises mainly from investments in fixed income securities within the pooled funds, where the issuer may default or is unable to pay its obligation when due. The Fund seeks to minimise its credit risk by the selection of high quality counterparties, brokers and financial institutions.

Credit risk also arises with LPFA deposits held with banks and financial institution. During 2013-14 the LPFA joined a Group Investment Syndicate (GIS), operated by the Greater London Authority (GLA), under the supervision of the participants; the GLA, the London Fire Commissioner, 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's.

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

The LPFA believes it has managed its exposure to credit risk, and has had no experience of default and uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2018 was £57.5m (2017: £340.8m).

16. Financial instruments (continued)

Liquidity risk

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

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

The LPFA defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2018, the value of illiquid assets (private equity, infrastructure, credit and real estate) was £1,543m, which represented 27.9% of the total LPFA assets (31 March 2017: £1,312m which represented 24.7% of the total LPFA assets).

All financial liabilities at 31 March 2018 are due within one year.

17. Cash balances

	31 March 2018 £'000	31 March 2017 £'000
Short-term deposits	**176,792**	346,765
Pooled deposits placed by investment managers	**58,849**	3,254
Total	**235,641**	350,019

18. AVC investments

	Market value 31 March 2018 £'000	Market value 31 March 2017 £'000
Prudential	**12,464**	12,960

AVC contributions of £1.73m (2017: £1.87m) were paid directly to Prudential during the year.

5. Pension fund accounts continued

5.3 Notes to the pension fund accounts continued

19. Current assets

	31 March 2018 £'000	31 March 2017 £'000
Contributions due – employees	**3,438**	1,786
Contributions due – employers	**4,545**	7,224
Sundry debtors and prepayments	**107,781**	4,955
Central government bodies	**1,040**	–
Impairment allowance for bad and doubtful debts	**(845)**	(1,424)
Total	**115,959**	12,541

20. Current liabilities

	31 March 2018 £'000	31 March 2017 £'000
Sundry creditors	**13,474**	9,688
Benefits payable	**21**	81
Total	**13,495**	9,769

The 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. LPFA has prepared this note in accordance with its interpretation and understanding of IAS 24 and its applicability to the public sector using current advice and guidance. 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 £287k (2017: £480k) during the year. Cllr. Stephen Alambritis (Board member) is the Leader of London Borough of Merton. The London Borough of Merton paid no contributions during the year (2017: 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 £4,526k during the year (2017: £4,774k). 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. LPFA entered a joint venture with Lancashire County Council and incorporated LPP and its subsidiaries on 19 October 2015. LPP is a related party of LPFA. The 50% share of LPP is consolidated using the equity method of accounting.

22. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled £614.8m [2017: £1,013.7m] based on:

Currency	Commitment	Exchange Rate	£
USD	518,633,029	1.404	369,318,619
CHF	7,030,000	1.337	5,259,614
EUR	233,733,224	1.139	205,124,328
GBP	35,063,681	1.000	35,063,681
Total			**614,766,242**

These commitments relate to outstanding call payments due on unquoted Limited Partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are both irregular in size and timing over a period of between four and six years from the date of each original commitment.

23. Total minimum lease payments for collection

Commitment	2017-18	2016-17
< 1 years	**945,051**	201,558
1 to 5 years	**3,405,204**	2,912,400
> 5 years	**5,617,800**	3,937,400
Total	**9,968,055**	7,051,358

The minimum lease payments relate to rent receivable on properties owned by the Fund. There are no contingent rents as all rents are fixed until the next rent review (generally on 5 year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index.

24. Post balance sheet events

There were no material events after the balance sheet date.

25. Investment Strategy Statement

A copy of the statement can be obtained by contacting LPFA at 169 Union Street, London, SE1 0LL or via the website: www.lpfa.org.uk

26. Participating employers

A list of the employer bodies of the Pension Fund is set out on pages 70-71.

27. 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 2016, 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 2018 for the Fund was £8,083m (2017: £7,978m). The net liability for the Fund at 31 March 2018 was £2,552m (2017: £2,674m).

Key assumptions used

Life expectancy from age 65 (years)	31 March 2018	31 March 2017
Retiring today		
Males	**21.4**	21.3
Females	**24.3**	24.2
Retiring in 20 years		
Males	**23.8**	23.6
Females	**26.6**	26.5

- 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 2018 % p.a.	31 March 2017 % p.a.
RPI increases	**3.35**	3.50
CPI increases	**2.35**	2.60
Salary increases	**3.85**	4.10
Pension increases	**2.35**	2.60
Discount rate	**2.55**	2.70

These assumptions are set with reference to market conditions at 31 March 2018.

5.4 Actuarial statement

Introduction

The last full triennial valuation of the London Pensions Fund Authority was carried out as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2017. The next formal valuation will be carried out as at 31 March 2019, with new contribution rates set from 1 April 2020.

This statement gives an update on the likely progression of the funding position to 31 March 2018 and comments on the main factors that have led to a change since the full valuation as at 31 March 2016.

The results for the Fund at 31 March 2016 were as follows:

- The Fund as a whole had a funding level of 96% i.e. the assets were 96% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponds to a deficit of £183m which is lower than the deficit at the previous valuation in 2013
- 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 employers with a strong covenant 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 a maximum of 14 years
- The contributions for less secure employers were set using more prudent discount rate assumptions and with a shorter maximum individual deficit recovery period than the more secure employers. If these employers were expected to leave the Fund shortly, then contributions were set which target a fully funded position on a minimum risk basis when they leave the Fund.

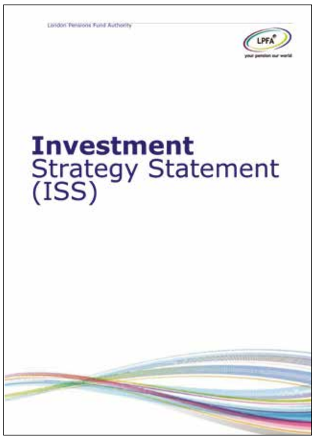
Updated position

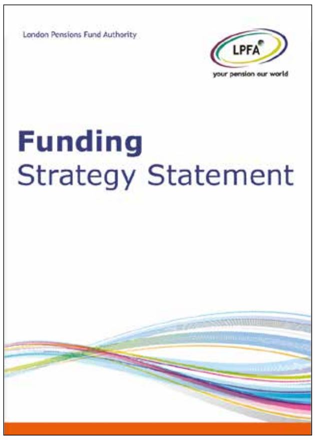
Using an approach consistent with the 2016 valuation, the funding position at 31 March 2018 is projected to have improved, primarily due to strong Fund asset returns and payment of deficit contributions.

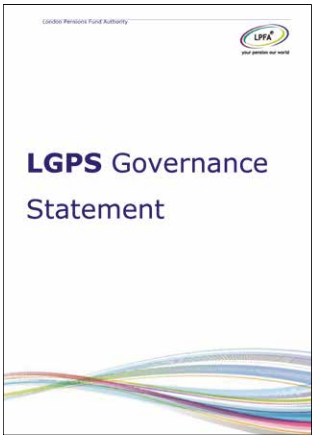
Graeme D Muir FFA
Partner, Barnett Waddingham LLP

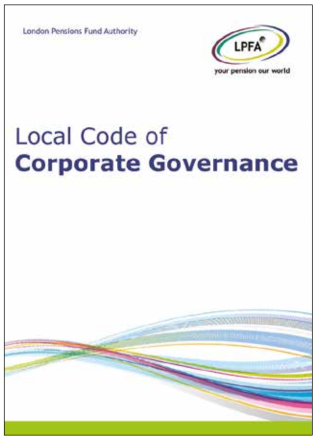
6. Public policy statements

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









Investment Strategy Statement (ISS)

The Investment Strategy Statement (formerly known as the Statement of Investment Principles) provides an overview of the responsibilities, process and conduct in the management of the LPFA pension fund investments.

Funding Strategy Statement (FSS)

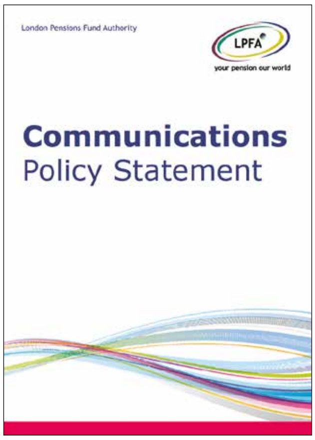
The purpose of this statement is to establish a clear and transparent fund specific strategy which identifies how employers' pension liabilities are best met in future years, to keep their contribution rates as constant as possible and to take a prudent longer-term view of funding those liabilities.

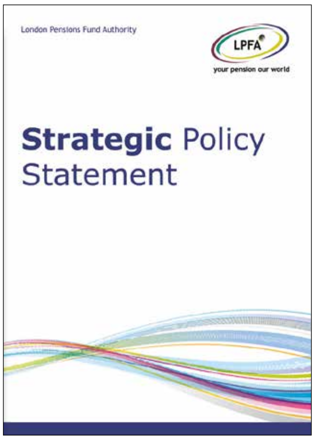
LGPS Governance Statement

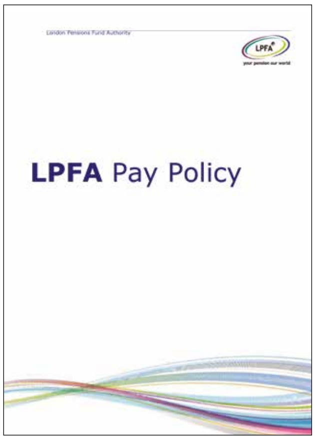
The LGPS Governance Statement sets out how the administration of the Fund is governed. Each administering authority is required to publish a governance statement and explain their compliance with a set of best practice principles issued by The Department of Communities and Local Government.

Local Code of Corporate Governance

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.







Communications Policy Statement

This describes how LPFA provides information relating to the Scheme, and the frequency, format and method of distribution to members, representatives, employers and potential members of the Scheme.

Strategic Policy Statement

The Strategic Policy Statement was submitted to the Mayor of London setting out LPFA's objectives and plans over the three year period from April 2018 to March 2021 in accordance with section 402 of the Greater London Authority Act 1999.

LPFA Pay Policy

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.

Environmental Policy

This policy is designed to operate environmental best practice throughout LPFA. LPFA's Environmental Plan ensures business will be transacted only with suppliers and contractors who have environmental policies compatible with LPFA's.

6. Annexes

i Reporting and controls

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

External review

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 provided value for money in accordance with the statutory and regulatory requirements. The Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis. PSAA will oversee the Audit Commissions audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017-18. An Annual Governance Report provides their opinion on the financial statements and a value for money conclusion for 2017-18. LPFA's external auditor is Grant Thornton.

Internal review and control

Deloitte LLP was appointed as LPFA's internal auditors in November 2017 for three years. They report to LPFA's Audit and Risk Committee.

Their audit reviews take place on a phased basis throughout the financial year and their recommendations are reported to each Audit and Risk Committee meeting with progress against each recommendation closely monitored by the Committee.

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 FSS, the ISS and the Communications Policy Statement. The Authority publishes all these documents online at www.lpfa.org.uk/What-we-publish

Fraud control

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

LPFA's Fraud Control Framework is reviewed annually by the Audit & Risk Committee and serves to increase awareness amongst stakeholders of actions taken to mitigate the risk of fraud.

National Fraud Initiative (NFI)

LPFA participated in the National Fraud Initiative in 2017-18. The results were reported to the Audit & Risk Committee and to the Board.

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 reduction in death overpayments reduces the amount of administrative work. In addition to ATMOS, LPFA has adopted the Tell Us Once (TUO) service which provides another method of being notified of deaths to help reduce the risk of death overpayments.

Overseas pensioners

ATMOS only picks up on those deaths where the pensioner resided in the UK. To establish the existence of pensioners who reside overseas, Life Certificates are issued to a select few, with the remaining being asked to complete the Western Union Overseas existence process.

Code of best practice for members

This Code is enforced under the Authority's power of self-regulation and sets out the rules relating to disclosure of personal interests and related-party transactions. It incorporates the seven Nolan Principles of Conduct and is further underpinned by local guidance on gifts and hospitality for Board members.

The registers of interests declared by Board members and Principal Officers are available for public inspection and are regularly reviewed by the Audit and Risk Committee.

Quality of data

LPFA has various processes in place to ensure LPP examine the quality of the data it uses and maintains. These include a central electronic performance reporting system integrated with quality checks; employers' data cleansing exercise and monthly returns; online member service that reduces the risk of human error; and data monitoring against The Pensions Regulator Record-Keeping Guidance 2010 on Common and Conditional Data. The Pensions Regulator has also issued Code of Practice 14 which requires LPFA to maintain certain standards of data management, risk management processes and communication with members and employers.

Information Security

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

Freedom of Information (FOI) scheme

LPFA operates a Freedom of Information Scheme with information published on its website. Requests for information can also be made by contacting the Fund.

Equalities objectives

LPFA operates an equality and diversity policy, which has been updated following the transition of assets to LPP.

Exercise of discretions under LGPS

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

Health & Safety

Officers monitor performance regarding health and safety and report annually to the Board. This report covers accidents, general fire safety, electrical equipment, display screen equipment, housekeeping and premises, training, and emergency procedures.

Internal Dispute Resolution Procedure (IDRP)

If an employee has a complaint, they are advised to contact LPFA in writing either by post or email to try and resolve the problem. In addition to the complaints procedure (www.yourpension.org.uk), 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 LPFA's Internal Dispute Resolution Procedure.

This document is a public policy statement which is available on LPFA's website under 'What we publish'. It sets out the channels available for internal and external stakeholders wishing to raise an issue, and the timescale in which LPFA is expected to provide a full reply. All complaints are reported to the LPB and the Board quarterly.

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.

6. Annexes continued

ii Employers contributing to the Fund as at 31 March 2018

Number of employers in the Fund

	Total
Academies	7
Admitted Bodies	60
Resolution Body	1
Scheduled Bodies	74
Grand Total	**142**

Employers actively contributing to the Fund

Academies

Durand Academy
Dunraven School
St Martin-in-the-Fields High School
Corpus Christi School
Sacred Heart School
St Michael's RC School
Orchard Hill College Academy Trust

Admitted Bodies

Shenley Leisure Centre Trust Ltd
Geffrye Museum Trust Ltd.
Horniman Museum & Gardens
Forest Hill and Sydenham Voluntary Service Association
Lee Valley Leisure Trust Limited
British Film Institute
Mountain Training limited
St Christopher's Fellowship
The Froebel Trust
Coram's Fields
S.S.A.F.A. Forces Help
Chartered Institute of Housing
Chartered Institute of Environmental Health
N.L.W.I.
Rathbone Training
N.L. Hospice Group
Mary Ward Settlement
The English & Media Centre
Nexus Community
CfBT Education Trust
BUVFC
Lionheart (RICS Benevolent Fund)
Tandridge Leisure Ltd
Peabody Trust
Broadacres Housing Association Limited
Guinness Partnership Limited
The Pioneer Group
Poplar Harca
Genesis Housing Group
Ibstock Place School
Alleyns School
Dulwich College
Local Pensions Partnership
Local Pensions Partnership Investments
London Councils
Old Oak & Park Royal Development Corporation
NSL Limited
Computacenter
Compass Group
Churchill Contract Services Ltd
Babcock Training Limited
Babcock Critical Services Ltd
SITA UK Ltd
UK Anti-Doping
Briggs Marine Contractors Ltd
Association of Colleges
Lee valley Regional Park Authority
Valuation Tribunal Service
United Kingdom Sport
Sport England
The English Institute of Sport
Sport and Recreation Alliance Limited
Greater London Enterprise Limited
Bouygues E&S Ltd
Prospects Services
Food Standards Agency
Food Standards Scotland
Open College Network London Region
SDP Regeneration Services 2 Ltd
Kingston University Service Company Ltd

Scheduled bodies

Brunel University
City University
University of St Mark & St John
London Artscom Ltd
Goldsmith College
London Metropolitan University
University of Westminster
South Bank University
University of Greenwich
The Royal Central School of Speech & Drama
Roehampton University
University of Arts London
Trinity Laban
Turnham Primary GMS School
Bishop Thomas Grant School
St Francesca Cabrini Primary School
Archbishop Tenison's Church of England GMS
Charlotte Sharman Foundation Primary School
Julian's Primary School
Notre Dame School
St Andrews RC Primary School
St Bernadette's School
St Anne's RC Primary School
St Bede's GM Infant & Nursery School
Friars School
St Anthony's School
St Joseph RC Infant School
St Joseph RC Junior School
St Thomas the Apostle College
Immanuel & St Andrew C of E Primary School
Surrey Square Primary School
Turney School
St Mary's RC Primary School
Radius Trust Limited
La Retraite RC Girl's School
London Nautical School
La Sainte Union Convent School
Raines Foundation School
Bromley College
Morley College
Lambeth College
Lewisham and Southwark College
City Literary Institute
Hammersmith and West London College
Hackney Community College
City and Islington College
City of Westminster College
Greenwich Community College
New City College
South Thames College
St Francis Xavier 6th Form College
Westminster Kingsway College
London Pensions Fund Authority
Valuation Office Agency
Greater London Authority
London Legacy Development Corporation
London Fire & Emergency Planning Authority
East London Waste Authority
West London Waste Authority
West Riverside Waste Authority
Comm for Local Administration in England
L.B. of Camden
L.B. of Enfield
L.B. of Greenwich
L.B. of Hackney
L.B. of Hammersmith & Fulham
L.B. of Islington
R.B. of Kensington & Chelsea
L.B. of Lambeth
L.B. of Lewisham
L.B. of Southwark
L.B. of Tower Hamlets
L.B. of Wandsworth
City of Westminster

Resolution Body

Transport for London

iii Additional requirements from the CIPFA guide

Preparing the annual report – Guidance for the Local Government Pension Scheme Funds 2014

Assets at 31 March 2018	UK £'000	Europe (Ex UK) £'000	Global (Ex Europe) £'000	Total £'000
Pooled investments				
Equities	2,303,809		97,162	2,400,971
Credit	267,734			267,734
Fixed interest securities	135,852	241,463	223,831	601,145
Private equity	506,476		86,513	592,989
Infrastructure	506,774		4,095	510,869
Property	218,846		109,447	328,293
Commodities			27,713	27,713
Managed	535	407,593		408,128
Cash instruments	10,269			10,269
Property	167,360			167,360
Cash	26,383		32,466	58,849
Other	698			698
Total	**4,144,735**	**649,056**	**581,227**	**5,375,018**

Income received during the year ended 31 March 2018	UK £'000	Europe (Ex UK) £'000	Global (Ex Europe) £'000	Total £'000
Income from equity	2,038	190	(907)	1,321
Income from bonds	30	96	324	450
Private equity and infrastructure income	42,189			42,189
Rents from property	5,338			5,338
Pooled property investments	(2)			(2)
Pooled Investments – Unit trusts and other managed funds	43,360	69	59	43,488
Property expenditure				
Interest on cash deposits	1,745	66	210	2,021
Other			353	353
Total	**94,698**	**421**	**39**	**95,158**

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Annual Report enquiries
For further information please contact:

LPP Corporate Services
T: 020 7369 6014
E: corporate@localpensionspartnership.org.uk

General enquiries
Pension Services Team
T: 020 7369 6118
E: enquiries@localpensionspartnership.org.uk

Pensions Payroll Team
For pensions payroll enquiries:
Pensions Payroll Team
T: 020 7369 6060
E: pensionspayroll@localpensionspartnership.org.uk

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

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

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

To opt out of electronic communications, please write to us directly at: LPFA, 169 Union Street, London, SE1 0LL

http://axise.yourpension.org.uk
Our member self-service facility which allows members to access information about their pensions securely online.

www.yourpension.org.uk
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
The secure online portal for employers. Employers can submit online forms, data or carry out data matching facilities.