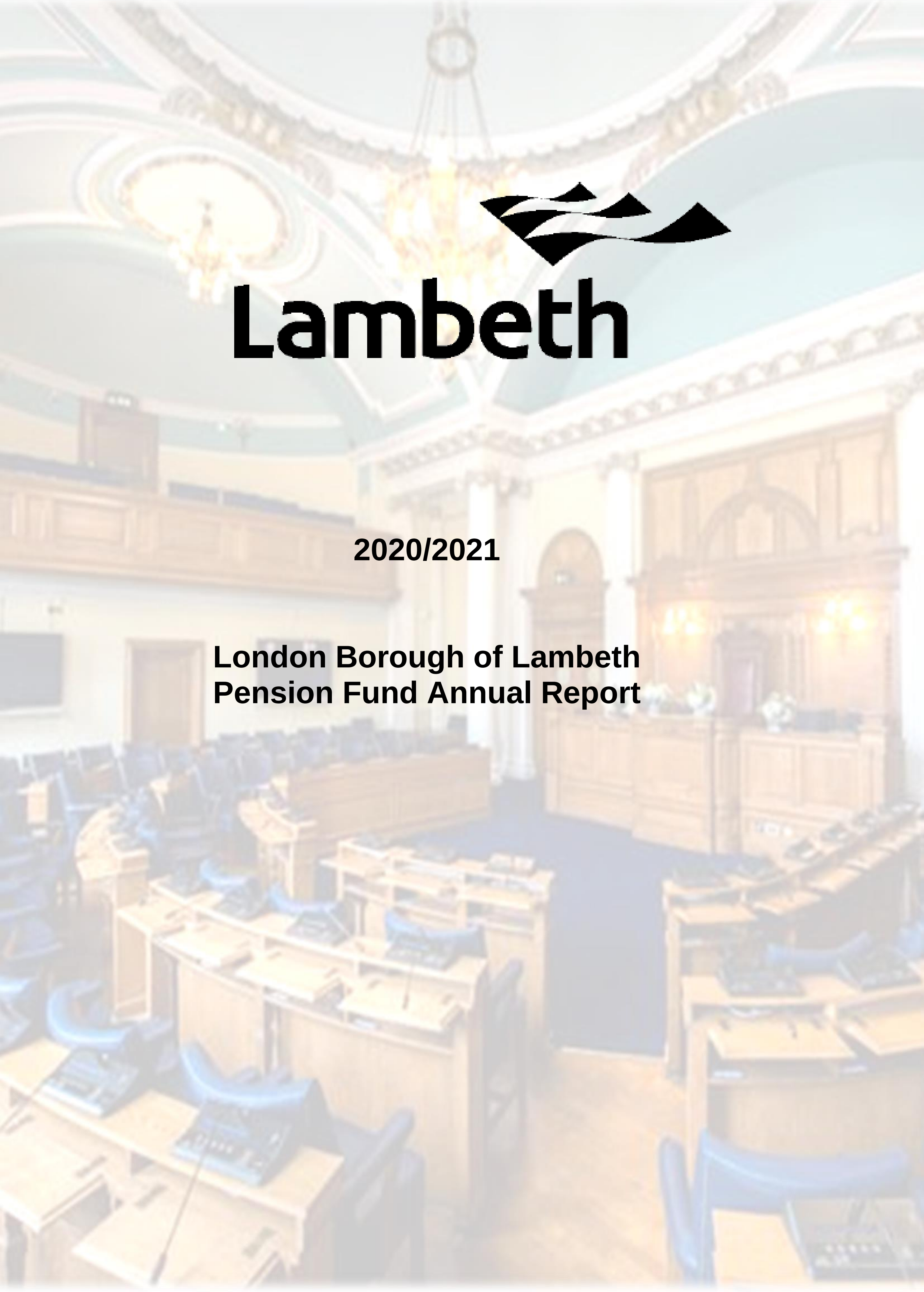

Lambeth

2020/2021

London Borough of Lambeth Pension Fund Annual Report

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Appendices

Scheme Management and Advisors

Administering Authority:	London Borough of Lambeth
Administrator:	Christina Thompson Director of Finance and Property

Council Officers:

Hamant Bharadia	Assistant Director of Finance
Robert Browning	Head of Treasury and Pensions
Saul Omuco	Deputy Head of Treasury and Pensions
Senimetu Yakubu	Deputy Head of Treasury and Pensions
Sarah Hargraves	Governance and Compliance Manager
Linda D'Souza	Head of Payroll and Pensions
Linda Osborne	Pensions Manager

Bank:	National Westminster Bank Plc
Legal Advisors:	Council Lawyers

Fund Managers:

Adam Street Partnership	Aviva Investors
Insight Investment Management	Invesco Perpetual
Churchill Asset Management	M and G Group
RREEF	PAAMCO
Permira Credit	Northern Trust
London CIV	

AVC Providers:

Clerical Medical
Prudential
Utmost Life & Pensions (Closed to new applicants)

Advisor:	Mercer Ltd.
Custodian:	Northern Trust
Governance:	Aon
Actuary:	Hymans Robertson LLP
Auditor:	MAZARS LLP, UK

Report from the Pensions Committee Chair

As Chair of the Lambeth Pensions Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2020/21. The last twelve months have presented unique challenges following the outbreak of COVD-19, giving rise to global lockdowns, unprecedented financial support packages, and ongoing uncertainty around the nature and pace of economic recovery. Despite a turbulent end to 2019/20 which saw in-year Fund growth disappear in a matter of days and an overall reduction in the Fund's value, 2020/21 has seen a strong recovery in the financial markets and a significant increase in the value of the Fund.

Investment Strategy Review

Following the triennial valuation in 2019 where the funding level improved to 83% from 80% in 2016 the Lambeth Pension Fund adopted best practice (similar to that of the private sector) by being one of only a handful of Local Government Pension Scheme (LGPS) Funds to review its investment strategy alongside the Triennial Valuation. A revised investment strategy was adopted by the Committee in March 2020, and officers of the Fund have worked with the Fund's actuary and investment advisor throughout 2020/21 to implement the changes approved in that strategy, which build on the Fund's previous success. The key changes that have been implemented to date are as follows:

1. Terminate the London CIV Diversified Growth mandate with Ruffer
2. Terminate the London CIV Diversified Growth mandate with Pyrford
3. Invest the proceeds from 1. and 2. into a London CIV Multi Asset Credit mandate with CQS
4. Terminate the Diversified Growth mandate with Aviva
5. Invest the proceeds from 4. into a Multi Asset Credit mandate outside of the London CIV
6. Invest £40m of Money Market Funds with a new Multi Asset Credit manager
7. Commit 7% of the Fund to additional Private Debt investment.

Fund Performance

The value of the Lambeth Pension Fund increased during the year by £361m to a net asset value of £1,788m as at 31 March 2021, driven in large part by above-benchmark increases in the value of the Fund's global and emerging market equities and multi asset credit mandate. The Fund's assets earned a return of approximately 27% over the year ending 31 March 2021 against a benchmark of approximately 19%, an extremely strong performance on the back of last year's return of -0.7%. The investment management costs of the Fund as a percentage of assets under management over the past year is 0.43%, a reasonable cost considering the fund is 100% actively managed.

London Collective Investment Vehicle (CIV)

In line with government guidance on asset pooling within the Local Government Pension Scheme, the Lambeth Pension Fund committed to, and is a shareholder of, the London CIV. As well as the cost savings that come from pooling assets at scale, the creation and ongoing operation of the CIV has also helped to foster and improve collaboration between London boroughs in developing mandates that meet the respective Funds' objectives. Currently the Fund has around £1,141m, or 64% of Fund assets, managed via the CIV. It is the Fund's intention to continue to follow government guidance and to consider investing through the CIV in the first instance for all new investments, and to work with the CIV in developing new mandates that meet the objectives of the Fund's investment strategy.

Governance

A Pensions Committee was created with full decision-making powers in April 2015. The Committee is all-encompassing and has responsibility for all Fund matters including governance, investments, funding, accounting, employer and scheme member engagement, communications, and administration. Best practice within the LGPS is to have a diverse Committee; the Lambeth Fund has already moved to meet these requirements and draws its membership from "interested parties" as follows:

- Five elected councillor members (plus two substitutes)
- One employee representative (who is a member of the Fund)
- One trade union representative
- One pensioner representative (who is a member of the Fund)

All training needs are regularly assessed and delivered in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework. As part of the governance and oversight of the Pension Fund, a regular review and update to the Fund's policies and procedures and governance framework is essential to ensure compliance with latest legislation, guidance, and best practice. The Fund last commissioned an independent review of its governance arrangements in 2018 and, having completed an action plan to make improvements, will seek to commission a follow-up review by the end of 2021/22 financial year.

The Pensions Act 2013 also requires a mandatory Pension Board to be in place. The role of the Board is to review the diligence of decision-making but not the decisions themselves, and to assist the administering authority in securing compliance with regulations relating to the governance and administration of the scheme. Cllr Bray, the Chair of the Pensions Board, has reported on the activities of the Board separately within the report.

Responsible Investing

The Fund continues to focus on and embed responsible investment principles into all activities of scheme management, and as a responsible asset owner monitors and maintains oversight of its investment managers in relation to Environmental, Social and Corporate Governance (ESG) issues and the exercising of voting rights and overall stewardship obligations. This includes the regular monitoring and scoring of managers' ESG credentials and the steps taken to improve those scores, using research information from our investment consultants.

The Fund will continue to develop its ESG policies and approach to responsible investment into 2021/22. At its March 2021 meeting, the Committee considered the results of the Fund's first carbon footprint exercise which will serve as a reference point in setting formal climate change and decarbonisation targets; it also agreed to adopt best practice climate disclosure reporting as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). In addition, the Committee agreed to formally adopt the principles of the UK Stewardship Code by becoming one of the first signatories to the new 2020 code, and officers are engaged in preparing the Fund's statement of compliance in line with prescribed submission deadlines.

Training is regularly provided for Members and officers centred on responsible investment, with further training expected in 2021/22 as work continues towards meeting the Fund's responsible investment objectives.

As of 31 March 2021, the Fund has no direct exposure to fossil fuels and has reduced its exposure to indirect fossil fuels to around 1% (one of the lowest in the LGPS). Members and officers continue to engage with investment managers, the London CIV, and through other member bodies and national forums on the issues of responsible investment.

Employers to the Fund

The Fund continues to proactively engage with its employers. Meetings with employers have focussed on maintaining steady contribution rates, and in the forthcoming year will turn towards the upcoming triennial valuation.

Publicity

Over the year Members and officers have represented the Fund at various events, and actively engaged with representative bodies and regulators in relation to legislative developments within the LGPS as and when they arise.

Outlook

For local authority pension schemes the outlook over the short term is uncertain, particularly in relation to any ongoing impact from COVID-19 over both the short and longer-term. The Fund remains cash negative and so over the longer term there remains a need for prudence, given not only continuing growth in liabilities and an unpredictable investment environment but ongoing government reviews of the pension and investment regulatory framework. However, Lambeth is well placed to meet these challenges.

The Fund's primary objective remains the payment of pension benefits as and when they fall due, but with a renewed focus on income generation and managing cash flows. With the implementation of the revised investment strategy now complete, the Fund will proactively monitor the performance of those changes and undertake any rebalancing within the Fund as required.

I look forward to continuing the good work with all our stakeholders; they have put in a huge effort in 2020/21 especially with the challenges of COVID-19, the investment strategy review and most importantly a renewed focus on responsible investing. So, thanks are due to members of the Pensions Committee and Board, both councillors and lay members, officers of the council, and our advisors. All have had to adapt significantly to keep the Fund running smoothly and have approached their responsibilities with a sense of purpose; I am the confident the Fund is well placed to meet the challenges it will face in the coming years.

Cllr. Anna Birley
Chair – Lambeth Pensions Committee

Report from the Pensions Board Chair

As the Chair of the Lambeth Pensions Board I am very pleased to talk about the Board and its sixth year in operation.

Structure and Attendance

The Board was established in accordance with Section 5 of the Public Service Pensions Act 2013 and under regulation 106 of the Local Government Pension Scheme Regulations 2013, holding its first meeting on the 08 July 2015. The Board consists of three representatives of the scheme employers, and three representing scheme members. The employer representatives are serving Lambeth councillors and the scheme member representatives consist of a) one person nominated by the Unions as an employee representative b) one pensioner representative currently in receipt of a pension from Lambeth's Pension Fund and c) one staff member representative who is also a member of the Lambeth Pension Fund.

Details on the Pension Board's current representatives are held on the council's website at the following link:
https://moderngov.lambeth.gov.uk/mgCommitteeDetails.aspx?ID=733

The Board met on three occasions during the year ending 31 March 2021; all meetings were quorate.

Functions and Operation of the Board

The two primary functions of a Local Pension Board are to assist the Administering Authority to:

- Ensure effective and efficient governance and administration of the Local Government Pension Scheme Regulations 2013 (LGPS); and,
- Ensure compliance with relevant laws and regulation.

It therefore has a monitoring remit, rather than being a decision-making body; it could be seen as being a critical friend. As such, the general approach of the Board is to seek assurances with evidence from the Fund that it is meeting its objectives.

The Board is effectively helping to manage the reputational risk of the Fund and Administering Authority, which are under considerable scrutiny from several stakeholders as well as the two main oversight bodies: The Pensions Regulator (TPR) and the Ministry of Housing, Communities and Local Government (MHCLG).

The Board operates under its own Terms of Reference which were approved at its inception and included in the council's Constitution. The Board recognises the need to prioritise and identify items for detailed discussion as opposed to those for awareness or noting, and prioritises its time accordingly.

Scheme Documents

During the last year the Board reviewed scheme policies and a range of key documents covering the items captured in the work plan below.

Training

Each Board member must be conversant with the details of the scheme, which translates as having a good working knowledge. The Fund offers several training opportunities for Board members on an ongoing basis.

Assessment of training needs and how they are met is a standing item on the Board's agenda; both formal and informal training is considered.

Work Plan

In considering the work of the Board to ensure the continued good governance of the scheme, the following key areas have been highlighted and members will prioritise reviews based on information received from quarterly compliance updates.

- Meeting legislative requirements on pooling
- Improving data quality
- Ensuring strength in employer covenants
- Admission and cessation of employers to the scheme
- Statement of Accounts
- Administration
- Audit and Risk Management
- Governance
- Training

All Pension Board papers and minutes are held on the council's website at the following link: http://moderngov.lambeth.gov.uk/ieListMeetings.aspx?CommitteeId=733

As the Chair of the Lambeth Pension Board I would like to thank my Board member colleagues who are committed to volunteering their time and energies towards the role. I would also like to express my thanks to the Pensions Committee and the council's officers for their commitment and hard work in maintaining all administrative aspects of the Fund.

Cllr. Linda Bray
Chair – Lambeth Pensions Board

Risk Management

The Fund recognises that the primary long-term risk it faces is that its assets fall short of its liabilities such that there are insufficient resources to pay promised pension benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances; the aim is to optimise the likelihood that pensions and other benefits can be paid as and when they fall due.

The Fund recognises that there are a number of risks that must be considered and managed to ensure it can meet its primary objective of providing benefits to its members. These risks have been grouped under investment, financial, demographic, and regulatory risks, and have been identified and addressed in the Fund's Investment Strategy Statement and Funding Strategy Statement.

The Investment Strategy Statement addresses the financial risks to the Fund, in particular the risk that the Fund's assets do not perform in line with the actuary's expected rate of return. In considering its investment strategy the Fund must bear in mind the balance between risk and return which in practice will mean targeting the highest possible return whilst minimising downside risk, within agreed parameters.

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of investment risk. There are a number of such risks to consider within the Fund as set out below:

Solvency Risk and Mismatching Risk

These risks are measured through a qualitative and quantitative assessment of the expected growth of the assets relative to the liabilities and are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk Including the London CIV

This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' investment objectives, relative to the investment policy. It is measured by monitoring the deviation of actual returns relative to the target, as well as other factors supporting the managers' investment processes, and by monitoring and replacing any managers where concerns exist over their ability to deliver the investment mandate.

The aim of the investment strategy and management structure is to manage the level of risk necessary to achieve the benchmark return reflected in the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safekeep the Fund's assets on behalf of the Fund.

Liquidity Risk

This is monitored according to the level of cash required by the Fund over a specified period and is managed by holding an appropriate amount of readily realisable investments. The majority of the Fund's assets are invested in liquid assets which are readily realisable, whilst investments in illiquid assets include those in property, private equity, and private debt.

Corporate Governance Risk

This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance. It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Committee from time to time and take into account the financial interests of the shareholders or partners, which should ultimately be to the Fund's advantage.

Legislative Risk

This is the risk that legislative changes will require action from the Committee in order to comply with any such changes. The Committee acknowledge that this risk is unavoidable but will seek to promptly address any legislative changes to ensure the Fund remains compliant.

Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund seeks to manage this risk through its strategic asset allocation which ensures diversification of investments across a range of asset classes and markets that have a low correlation with each other, as well as diversification of managers. Market risk comprises of interest rate, inflation, and currency risk.

Financial Risks

Action is taken to review performance against the investment strategy on a regular basis in accordance with LGPS regulations. The Fund's financial management framework is the same as that of Lambeth Council. Council officers monitor the budget, which is set annually as part of the three-year forward-looking service plan. The financial accounting system is integrated with the council's, and the segregation of duties and control structure is agreed with, and annually reviewed by, Internal Audit. A key financial risk is the non-payment of contributions by employers. The regulations provide for sanctions to be issued for late payments, and processes are in place to ensure that contributions are reconciled regularly.

Administration Risks

The administration risks relate mainly to the obligation to administer the Fund and pay benefits accurately and on time as agreed with employers or under statute. The main areas of risk are non-payment or late payment of members' benefits, incorrect calculation of benefits, breach of Data Protection Regulations, and failure to comply with Freedom of Information requests. Such risks can lead to adverse publicity, loss of reputation and ultimately statutory fines. These are addressed in the Fund's Business Continuity Plan.

Investment Strategy

The introduction of LGPS asset pooling has changed the way Funds make investment decisions; Lambeth's investment strategy is now geared towards pooling its assets with the London Collective Investment Vehicle (CIV) and as at 31 March 2021 approximately 64% of the Fund's assets had been pooled.

Following the 2019 triennial valuation the Fund introduced a new approach to setting its investment strategy, aligning it with the funding strategy and contribution plan and basing all three on a sophisticated model but crucially applying a practical, qualitative (human) overlay.

Contribution rates and the investment strategy were considered in tandem, balancing risk with the need for stability in terms of certainty with regard to contribution rates; as a result the council, being the largest employer in the Fund (99% of the total Fund), achieved more certainty going forward. The cash flow position was also considered at the same time via an in-house assessment of future cash flows.

As a mature Fund, and to provide sufficient protection against inflation and interest rate risk, the Fund implemented a Liability Driven Investment strategy (LDI) in late 2016. The strategy was approved by the Pensions Committee back in 2010 as part of a strategy review at the time, but its implementation was delayed due to unfavourable market conditions; this strategy is managed by Insight Investment.

Further changes to the investment strategy were approved in March 2020 and have been implemented throughout the year. These include the termination of the Fund's diversified growth strategies, further investment into multi-asset credit (including the appointment of a new manager, M&G), and additional commitment to private debt. As at 31 March 2021 the Fund invests its assets through ten external managers (four via the London CIV) across seven different asset classes.

The Fund holds asset managers accountable for decisions on asset allocation within the mandates under which they operate, and managers are challenged robustly and formally by the Pensions Committee on any proposed changes to asset allocations. Managers' performance is reviewed at each Committee meeting in discussion with the investment advisor and officers, and they are also called to Committee meetings where necessary. Officers meet managers regularly and advice is taken from the investment advisor on matters relating to manager arrangements and performance.

During 2020/21, the Fund's net asset value increased by approximately £361m, driven by a £353m unrealised gain from an increase in the market value of assets. The table below provides a breakdown of the Fund's investments by asset manager as at 31 March 2021 against the current benchmark asset allocations per the investment strategy and the actual year-end allocations (with prior year comparator); further information on the investment strategy can be found in the Investment Strategy Statement (see Appendix 2)

Manager	Market Value 31 March 2021 (£m)	Benchmark Allocation (%)	Actual Allocation 31 March 2021 (%)	Actual Allocation 31 March 2020 (%)
Adams Street	72.5	5.0	4.1	4.7
Invesco	159.1	15.0	8.9	12.1
Insight - LDI	222.4	15.0	12.4	15.4
London CIV - Baillie Gifford	406.3	30.0	22.7	18.2
London CIV - RBC	313.7		17.5	14.7
London CIV - JP Morgan	191.4	10.0	10.7	8.7
London CIV - CQS	229.3	12.0	12.8	12.8
M and G Group	122.8		6.9	0.0
Churchill Asset Management	23.8	12.0	1.3	1.2
PERMIRA	22.4		1.3	0.5
Cash and Net Current Assets	18.5	1.0	1.0	1.7
Insight MMF	5.0	-	0.3	4.2
PAAMCO	0.4	-	0.0	0.0
London CIV	0.2	-	0.0	0.0
Aviva	0.0	-	0.0	5.6
Total	1,769.3	100.0	100.0	100.0

Environmental, Social and Governance (ESG)

Best management practice includes assessing, reporting, and addressing material risks associated with corporate governance and environmental and social issues. Companies should have regard to the environmental and social impacts of their activities in all their decisions, as approaches that aim for positive environmental and societal outcomes are usually also good for businesses in the long run. Where the Fund considers that disclosure on these risks is inadequate, the Fund will generally support requests for improved disclosure from its investment managers.

Paragraph 7(2)(e) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to set out how social, environmental, and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of assets

- The London Borough of Lambeth Pension Fund is a long-term active investor that takes a serious approach to fostering stewardship; the Fund believes that sound corporate governance contributes to long-term value for its members. The Fund's Investment Strategy Statement sets out in greater detail the Funds' philosophy on corporate governance and its approach to voting on behalf of members.

- Voting rights give shareholders both the opportunity and responsibility to participate in the stewardship of companies, and the Fund's policy on exercising voting rights is explained in section six of the Fund's Investment Strategy Statement.

- The Fund requires its investment managers to integrate all material financial factors, including environmental, social, corporate governance and ethical considerations into the decision-making process for all Fund investments. It expects its managers to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

- The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to integrate material ESG factors into its investment analyses and undertake appropriate monitoring of current investments for any ESG issues which could present a material financial risk to the long-term performance of the Fund.

- The Fund is a member of the Local Authority Pension Fund Forum, a membership group of LGPS funds that promotes and campaigns on high standards of corporate governance and sustainable investment, through which the Fund can engage and collaborate on such issues.

Financial Performance

In 2020/21 the value of the Fund increased by approximately £361m (25%) to stand at £1,788m at 31 March 2021 (£1,427m at 31 March 2020). The Fund's investments in global equities, including emerging market equities, as well as multi-asset credit performed well over benchmark, whilst the property and private debt mandates both failed to meet expected performance levels.

Net of fees, the Fund performance in 2020/21 was approximately 8.3% over benchmark and was also over benchmark in the three- and five-year periods, at 1.8% and 1.4% respectively as shown in the below table.

Asset Class	1 Year Performance		3 Year Performance		5 Year Performance	
	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
Global Equity	53.6	39.0	20.9	13.4	20.1	14.5
Emerging Markets Equity	53.5	42.3	6.6	7.1	-	-
Property	(7.3)	8.0	(0.4)	8.0	3.9	8.0
UK Private Rented Sector Property	1.4	0.7	-	-	-	-
Multi-Asset Credit	24.8	4.3	-	-	-	-
Private Debt	(0.6)	4.3	-	-	-	-
LDI	0.9	0.9	(6.0)	(6.0)	-	-
Total (excluding - Private Equity)	**27.0**	**18.7**	**9.6**	**7.8**	**9.7**	**8.3**

As at 31 March 2021 the Fund had approximately £1,141m pooled through the London CIV, achieving an estimated annual fee saving £1,048k.

Cash Flows

The Fund's cash flows from dealing with members showed a net outflow in the year of £11.5m; the Fund received £57.7m in contributions and transfers in but paid out £69.2m in benefits and transfers out. Total income received by the Fund, including investment income, was £85.8m whilst total expenditure incurred, including management expenses, was £78.5m.

	2020-21 £000	2019-20 £000
Income	85,774	79,102
Expenditure	(78,508)	(72,127)
Surplus for the year	**7,266**	**6,975**

The Fund's contribution income is largely used to pay retirement benefits. In 2020/21 following the triennial valuation undertaken as at 31 March 2019 there was a small increase in the deficit contribution paid by the council to the Fund of £0.5m pa. Within the year there has been an increase in benefits paid, and it is projected that in the long run this trend will contribute to an increase in the gross pension liability; this is due to the enhanced redundancy offer made by the council in 2016/17.

During the year the Fund used cash distributions from its property investments (approximately £4.3m) and part of its private equity distributions to meet its cash flow needs; the remainder of the investment income received was reinvested back into the relevant Fund assets.

The table below provides a further breakdown of the Fund's cash flows in 2020/21.

Cash Movement	**£000**
Contribution's receivable:	
from employers	43,476
from employees	10,227
from employees transferring from other pension funds	3,982
Income earned on investments	28,089
Total inflow	**85,774**
Benefits payable:	
Pension payments	(50,107)
Lump Sum payments due when people retire	(8,078)
Lump Sum death benefits	(1,065)
Payments to and on account of leavers:	
Refunds to employees who leave the scheme	(283)
Payments where employees transfer to other funds	(9,676)
Tax paid on Investment Income	0
Management expenses	(9,298)
Total outflow	**(78,508)**
Net cash flow	**7,266**

Triennial Valuation

The funding level as at 31 March 2019, the most recent triennial valuation, was 82% as detailed in the table below, a slight improvement from 80% as at 31 March 2016 and a result of beneficial market movement. There was also a small increase in the funding deficit from £287m to £307m over the same period; Fund liabilities increased due to a reduction in future expected investment returns and a decrease in the real yield from gilts, although this was partially offset by lower-than-expected pay and benefit growth.

	Valuation Date	
	31 March 2016	**31 March 2019**
Past Service Liabilities	**(£)**	**(£)**
Employees	341	397
Deferred Pensioners	423	543
Pensioners	664	807
Total Liabilities	1,429	1,746
Assets	1,142	1,439
Surplus/(Deficit)	(287)	(307)
Funding Level	80%	82%

Assets

As part of the 2019 triennial valuation the Fund carried out a review of its investment strategy to understand how assets are positioned to meet the Fund's objective to be fully funded within twenty years, and a revised investment strategy was derived to help reduce pressure on employer contribution rates, especially for the council as the administering authority and largest employer in the Fund (responsible for 99% of the Fund's liabilities).

In 2020/21 the Fund continued to implement changes to the asset classes held within the portfolio, and will monitor the Fund's resultant performance and estimated funding position in the build-up to the next formal valuation as at 31 March 2022.

Liabilities

In order to place a current value on future benefit payments made from the Fund, an assumption about future investment returns is required in order to discount future benefit payments back to the valuation date.

In setting the discount rate the Fund is determining the extent to which it relies on future investment returns required to meet benefit payments in excess of the assets already held at the valuation date. It must incorporate a degree of prudence and is set with reference to the Fund's current and expected future investment strategy and, in particular, how this strategy is expected to outperform the returns from government bonds over the long term.

The Fund's actuary estimates that as at 31 March 2021 the funding deficit stands at £101m and the overall funding level at 94.5%.

Member Contributions

In 2020/21 all non-Lambeth Council employers paid their pension contributions by the due date, with no interest therefore chargeable for late payment. For several years the council has participated in the National Fraud Initiative (NFI); where overpayments have been identified, for example where a pensioner has died, action has been taken to arrange recovery in line with Fund policies.

Administrative Performance

The Lambeth Pension Fund has an in-house team to manage its administration function. The team of eight staff provides pensions services and manages the records of almost 21,000 scheme members across 24 active employers as at 31 March 2021. Key achievements of the team in 2020/21 included the continued processing of member benefits during the COVID-19 pandemic, ensuring that employer membership and cashflow data was provided to the Fund in a timely manner, and retendering the pensions ICT contract in time for a start date of April 2021.

Performance Against LGPC Targets 2020/21

The table below details the key administration performance indicators used for the year.

Performance indicator (from point at which all required information has been received)	**LGPC Target**	**Achieved %**
Letter detailing transfer *in* quote	10 days	81.0
Letter detailing transfer *out* quote	10 days	83.0
Process and pay refund	5 days	96.0
Letter notifying estimate of retirement benefits	10 days	82.0
Process and pay lump sum retirement grant	5 days	77.0
Calculate and notify deferred benefits	10 days	84.0

Five-Year Analysis of Membership Data

The table below shows the movement in Fund membership over a five-year period. The increase in pensioner members is largely due to retirements from active membership and deferred pensions becoming due for payment.

Description	**Mar-21**	**Mar-20**	**Mar-19**	**Mar-18**	**Mar-17**
Active	5,013	4,946	5,660	5,386	5,586
Deferred pensioner	8,460	8,410	8,337	8,257	8,285
Pensioner	7,455	7,686	7,444	7,235	7,071
Total	**20,928**	**21,042**	**21,441**	**20,878**	**20,942**

Key documents for the Fund, including the discretionary policy statement, can be found on the Fund website https://www.lgpslambeth.org.

The Fund's Internal Dispute Resolution Procedure (IDRP) is based on standard guidance for all Local Government Pension Scheme (LGPS) funds. Stage 1 cases are reviewed by the Director of Human Resources & Organisational Development, and Stage 2 cases by the Director of Legal Services & Human Resources. In the financial year 2020/21 there were two cases reviewed.

The table below provides a membership breakdown of the Fund's employers as at 31 March 2021.

Employer	Active	Deferred	Pensioner
Lambeth Council	4,551	8,160	7,374
Angell Town RMO	10	0	0
Blenhein Gardens	3	4	4
City Height E-ACT	31	14	0
Elfrida Rathbone Society	2	0	0
Evelyn Grace	41	51	3
ExcelCare	1	5	7
Great North Wood - Rosendale	60	27	7
Great North Wood - Elmgreen	69	18	4
Harris Academy	6	0	0
Hyde Housing	0	8	21
Kings College London	4	0	0
Lambeth Academy	29	69	9
Mears Ltd	4	0	6
Metra Housing	0	5	1
ML Community Enterprise	0	3	1
Oasis Academy – Johanna	17	13	0
Oasis Academy – South Bank	31	16	0
Parallel Learning Trust	37	29	10
Research Machines	1	0	0
SDBE -Christchurch	10	8	0
SDBE – St Leonards	26	1	1
SDBE – St Luke’s	13	0	1
Southbank Engineering	9	2	0
Stockwell Academy	35	24	6
Trinity Academy	20	3	0
Veolia	3	0	0
	5,013	**8,460**	**7,455**

Actuarial Report on the Fund

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Lambeth Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present Value of Promised Retirement Benefits

Year ended	31 March 2021	31 March 2020
Active members (£m)	782	500
Deferred members (£m)	795	585
Pensioners (£m)	927	800
Total (£m)	**2,504**	**1,885**

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2020. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2021 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £469m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £35m.

Financial Assumptions

Year ended (% p.a.)	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.35%	2.40%
Discount Rate	2.00%	2.30%

Longevity Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	23.9 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.1 years	25.7 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	219
0.5% p.a. increase in the Salary Increase Rate	1%	15
0.5% p.a. decrease in the Real Discount Rate	10%	239

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1-year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional Notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: -

30 April 2021

Steven Law FFA

For and on behalf of Hymans Robertson LLP

Governance Compliance Statement

Introduction

The requirement for a governance compliance statement is provided for by Regulation 55 of the Local Government Pension Scheme Regulations 2013, which states that the administering authority of a Fund must prepare a written statement setting out where the authority delegates its function, or part of its functions under the Regulations to a committee, a sub-committee, or an officer of the authority.

At the London Borough of Lambeth Pension Fund the Pensions Committee, 'the Committee', is the designated body for discharging the council's functions in relation to the scheme. It is the main decision-making body of the Fund, with responsibility for all Fund matters including governance, investments, funding, accounting, employer and scheme member engagement, communications, and administration.

The Public Service Pensions Act 2013 also required mandatory local pension boards to be in place. The role of the Pensions Board, 'the Board', is to review the diligence of decision-making but not the decision itself.

Both the Committee and Board came into effect on 1 April 2015 and, in line with other council committees, member appointments are reviewed annually but appointed in line with the guidelines set out in their terms of reference.

Both the Committee and the Board have a responsibility to work within, and ensure compliance to, a range of pensions legislation and guidance (referred to henceforth as 'the Regulations') which includes, but is not limited to:

- The Public Service Pensions Act 2013;
- The Local Government Pension Scheme Regulations 2013;
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; and
- The Pension Regulator's Code of Practice No 14: Governance and Administration of Public Service Pension Schemes.

Delegation of Functions

Subject to the council's scheme of delegation to officers, responsibility for the proper operation of the Fund in accordance with all relevant regulations and best practice lies with the Pensions Committee. In addition, and in accordance with the Regulations, the Fund has established a local Pensions Board for the purposes of assisting the administering authority (Lambeth Council) in the governance and administration of the scheme; the Board operates independently of the Pensions Committee.

The Committee is advised by the Strategic Director of Finance and Investment and her officers as delegated, together with the Fund's investment consultants.

The Strategic Director of Finance and Investment is responsible for ensuring that the in-house team provides adequate support to both the Committee and the Board. In between Committee meetings the Fund's managers report to officers on investment performance and the implementation of the investment strategy.

The Fund's procedures are subject to audit and scrutiny by both the council's internal audit team and its external auditor.

This delegation of functions complies with the current guidance issued by the Secretary of State.

Pensions Committee

Terms of Reference

The full terms of reference for the Pensions Committee are set out in the council's Constitution; what follows is a summary of those terms. The Committee is responsible for ensuring that the Fund is properly operated in accordance with all relevant legislation and best practice as advised by the Pensions Regulator, the Local Government Pension Scheme (LGPS), Scheme Advisory Board (SAB), the Ministry of Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Finance and Accountancy (CIPFA), including both financial and administration matters. This will include, but is not limited to:

a. benefits administration;
b. managing the discretions policies;
c. resolving internal dispute;
d. communications with members;
e. communication and engagement with employers;
f. monitoring risks;
g. record keeping;
h. publishing of scheme information as required;
i. approving the Fund's Pension Fund Annual Report and Financial Statements and to consider any reports produced by the Strategic Director of Finance and Investment in accordance with the duty to make arrangements for the proper administration of the financial affairs of the Fund;
j. participating in the London Collective Investment Vehicle (CIV) in accordance with the requirements placed on administering authorities in relation to the pooling of LGPS assets;

k. carrying out the duties set out in the Regulations in relation to the actuarial valuations of the Fund and in relation to any other decisions about the amount employers need to pay; and
l. assessing the covenant of Fund employers and ensuring that employer contributions are set accordingly.

The Committee will determine the Fund's overall investment strategy in accordance with the Regulations, ensuring that the Fund is invested in suitable types of investments and is sufficiently diversified having regard to its investment objectives. These include:

a. determining the Investment Strategy Statement;
b. ensuring adequate monitoring and compliance with the overall investment strategy and the Investment Strategy Statement.
c. appointing investment managers and any external service providers and advisors felt to be necessary;
d. maintaining effective arrangements for reviewing on a regular basis investment manager performance against established benchmarks and being satisfied as to manager expertise and the quality of their internal systems; and
e. ensuring compliance to pooling requirements through the London CIV, reviewing CIV performance against established benchmarks on a regular basis, and being satisfied as to the CIV's expertise and the quality of their internal systems.

The Committee will work closely with the Board to ensure the scheme is administered efficiently and effectively and will share with the Board reports and documents to enable the Board to achieve and meet its remit. The Committee will receive updates from each Board meeting and as the Board deems necessary. In support of this working relationship any member of the Committee may attend Board meetings and Board members may also attend Committee meetings.

As part of good scheme governance, the Committee will work with, receive, and consider reports and requests for information from the Board. The Board is not a decision-making body and it will be for the Committee to ensure that the appropriate actions are undertaken as required.

The Committee will also ensure that the Fund works with the relevant admitted bodies as required and that a discretions policy is properly maintained and administered.

Frequency of Meetings

The Committee meets at least quarterly, with additional convened as and when required. The details of forthcoming meetings, as well as minutes and papers from previous meetings, are available on the council's website at the following link: https://moderngov.lambeth.gov.uk/ieListMeetings.aspx?CommitteeId=734.

Committee meetings are held in the Town Hall, Brixton, or remotely by electronic, digital or virtual means via the internet or conference call and are open to members of the public.

Representatives

The Committee draws its membership from "interested parties" as follows:

- Five elected councillor members (plus two substitutes);
- One employee representative (who is a member of the Fund);
- One trade union representative; and
- One pensioner representative (who is a member of the Fund).

All members of the Committee have voting rights and there is no requirement for it to be politically balanced. Provision is made for all members to undergo regular and relevant training to meet the requirement for them to be familiar with the rules of the Fund and all relevant legislation.

Pensions Board

Terms of Reference

The full terms of reference for the Pensions Board are set out in the council's Constitution; what follows is a summary of those terms. The core function of the Board is to assist the administering authority in securing compliance with the Regulations and any other legislation relating to the governance and administration of the Fund, which it can achieve through several means including, but not limited to:

a. the regular review of compliance monitoring reports, including reports and decisions made under Regulations by the Committee;
b. the review of management, administrative and governance policies and procedures to ensure they remain compliant with Regulations;
c. the review of risk management policies and the Fund's ongoing approach to identifying and monitoring risk; and
d. requesting information from, and making recommendations to, the Committee with regards matters that impact the administration and governance of the Fund.

The Board is not a negotiating body and will recognise its shared interests and objectives with the Committee; it is not responsible for making operational or investment decisions concerning the Fund.

Frequency of Meetings

The Board will meet at least twice per year but may choose to meet more often as required. The details of forthcoming meetings, as well as minutes and papers from previous meetings, are available on the council's website at the following link: https://moderngov.lambeth.gov.uk/ieListMeetings.aspx?CommitteeId=733.

Board meetings are held in the Town Hall, Brixton, or remotely by electronic, digital or virtual means via the internet or conference call and are open to members of the public.

Representatives

The Board draws its membership from “interested parties” as follows:

- Three elected councillor members serving as employer representatives;
- One employee representative (who is a member of the Fund);
- One trade union representative; and
- One pensioner representative (who is a member of the Fund).

All members of the Board have voting rights and no member serving on the Board can also serve on the Committee (and vice versa). Provision is made for all members to undergo regular and relevant training to meet the requirement for them to be conversant with, or have a working knowledge of, the scheme regulations and policies, as well as relevant pensions legislation and guidance, in order to effectively carry out their duties.

Statement of Compliance to Guidance

Regulation 55(1)(c) of the Local Government Pension Scheme Regulations 2013 requires the administering authority to report on the extent to which those bodies with delegated authority to carry out the functions of the scheme comply with statutory guidance. Where compliance does not meet the required standard, there is a requirement to set out the reasons for non-compliance.

Principle A – Structure

a) The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.

b) That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant				Fully Compliant
a)					√
b)				√	
c)					√
d)			√		

The Pension Fund Committee comprises representatives of the main employer, Lambeth Council (over 95% of the scheme membership); there is no representation of other employers or their members, although there is a representative of active scheme members, pensioner members and a trade union representative who all have voting rights. The Pension Board includes a representative of active scheme members and pensioner members and the views of the Board are reported to the Committee. Board members can attend Committee meetings, though have no formal seat on the Committee.

Principle B – Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
   - employing authorities (including non-scheme employers, e.g., admitted bodies);
   - scheme members (including deferred and pensioner scheme members),
   - where appropriate, independent professional observers, and
   - expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.

	Not Compliant				Fully Compliant
a)					√
b)					√

The Pensions Committee and Board comprises representatives of the main employer, Lambeth Council, representation for scheme members and trade union representation. There are no independent advisors on the Committee or Board. All are treated equally in terms of access requirements

Principle C – Selection and Role of Lay Members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant				**Fully Compliant**
a)					√
b)					√

Principle D – Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant				**Fully Compliant**
a)					√

Principle E – Training/Facility Time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

	Not Compliant				**Fully Compliant**
a)					√
b)					√
c)					√

The Policy requires that the Pensions Committee and Board are aware of the six areas of knowledge and skills relating to the LGPS which CIPFA has identified as the core technical requirements for those involved in decision making. They are frequently advised of training opportunities and are advised of facility time and the reimbursement of expenses. An annual training programme is provided to members and a formal training log is maintained for recording development.

Principle F – Meetings (Frequency/Quorum)

a) That an administering authority's main committee or committees meet at least quarterly.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

	Not Compliant				**Fully Compliant**
a)					√
b)					√
c)					√

Principle G – Access

a) That subject to any rules in the council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Not Compliant				**Fully Compliant**
a)					√

Principle H – Scope

a) That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements.

	Not Compliant				**Fully Compliant**
a)					√

Principle I – Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant				**Fully Compliant**
a)					√

Statement of Accounts 2020/21

Fund Account and Net Assets Statement

FUND ACCOUNT	Notes	2020/21 £000	RESTATED 2019/20 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(53,703)	(49,271)
Transfers in from other pension funds	8	(3,982)	(3,025)
Sub-Total		(57,685)	(52,296)
Benefits	9	59,251	57,125
Payments to and on account of leavers	10	9,959	5,748
Sub-Total		69,210	62,873
Net (additions)/withdrawals from dealing with		11,526	10,577
Management expenses	11	9,298	9,254
Net additions/withdrawals including fund		20,823	19,832
Returns on investments:			
Investment Income	12	(28,089)	(26,806)
Tax on Income	13a	0	16
Profit and loss on disposal of investments and changes in the market value of investments	14a	(353,247)	19,169
Net return on investments		(381,336)	(7,621)
Net decrease /(increase)in the net assets available for benefits during the year		(360,513)	12,211
Opening net assets of the scheme		(1,427,234)	(1,439,444)
Closing net assets of the scheme		(1,787,746)	(1,427,234)

The 2019/20 Fund Account has been restated to increase the value of management expenses from £2,423m to £9,254m, and reduce the loss on disposal of assets/change in market value of investments from £26,000m to £19,169m. Further detail is provided in the Notes to the Accounts. This is a reclassification, and hence had no impact on the closing net assets of the scheme at 31 March 2020.

	2019/20 £000	Change	RESTATED 2019/20 £000
Return on Investments	33,837	(6,831)	26,806

	2019/20 £000	Change	RESTATED 2019/20 £000
Change in Market Value	26,000	(6,831)	19,169

NET ASSETS STATEMENT	Notes	2020-21 £000	2019-20 £000
Investment Assets	14	**1,769,263**	1,403,086
Cash Deposits	14	**0**	0
Total Investment Assets		**1,769,263**	1,403,086
Current Assets	20	**18,484**	24,161
Current Liabilities	21	**0**	(13)
Net assets of the fund available to fund benefits at the period end.		**1,787,746**	1,427,234

Notes to the Accounts

The accompanying notes form an integral part of the financial statements.

Note 1: Description of the Fund

The Lambeth Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by London Borough of Lambeth Council. The council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lambeth Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

1) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

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

It is a contributory defined benefit pension scheme administered by Lambeth Council to provide pensions and other benefits for pensionable employees of the council and a range of other scheduled and admitted bodies within the borough.

The Fund is overseen by the Lambeth Pensions Committee, a statutory committee of Lambeth Council with authority to discharge the council's functions in relation to the pension fund.

2) Membership

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

Organisations participating in the Lambeth Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund via an admission agreement. Admitted bodies include voluntary and charitable bodies or private contractors undertaking an outsourced local authority function.

There are 24 employer organisations within the Fund including Lambeth council itself, as detailed below.

Lambeth Pension Fund	31-Mar-21	31-Mar-20
Number of employers with active members	**24**	25
Number of employees in scheme:		
Lambeth council	**4,551**	4,488
Other employers	**462**	458
Total	**5,013**	4,946
Number of deferred pensioners:		
Lambeth council	**8,160**	7,606
Other employers	**300**	80
Total	**8,460**	7,686
Number of pensioners:		
Lambeth council	**7,374**	8,164
Other employers	**81**	246
Total	**7,455**	8,410
Total number of members in pension scheme	**20,928**	21,042

3) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Regulations and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 0% to 51.4% of pensionable pay.

4) Benefits

For each year of LGPS membership built up between 1 April 2008 and 31 March 2014 Fund members receive a pension based on 1/60th of their final pay summarised below.

	Service pre 1 April 2008	Service post 1 April 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sums. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Lambeth Pension Fund scheme handbook available from Lambeth Town Hall or on the LGPS website at the following link: https://www.lgpslambeth.org/media/4851/full-scheme-guide-2019.pdf.

Note 2: Basis of Preparation

The statement of accounts summarises the Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year.

The Code requires the disclosure of any accounting standards issued but not yet adopted; no such accounting standards have been identified for 2020/21.

The Pension Fund Accounts have been prepared on a going concern basis.

Note 3: Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

Employer contributions are based on the percentage rate recommended by the scheme actuary. Employee contributions are based on the Regulations and range from 5.5% to 12.5% of pensionable pay.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary, or on receipt if earlier than the due date.

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

b) Transfers to and from other schemes

Individual transfers in/out are accounted for on a cash basis when received/paid, which is normally when the member liability is accepted or discharged (see notes 8 and 10).

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accrual's basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using normal accruals accounting. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

Changes in the net market value of investments (including property funds) are recognised as income and comprise of realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Code does not require any breakdown of costs relating to administration, oversight and governance, and managing investments. However, in the interests of greater transparency, the Fund discloses its total pension fund management expenses in note 11 in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

Administration expenses include those related to activities performed to administer benefits to members, interactions with scheme employers, and staffing and IT costs. All administration expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged directly to the Fund as well as a proportion of staff costs relating to the investment management team. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance costs

Oversight and governance expenses include costs relating to the selection, appointment and monitoring of external fund managers, investment advisory services, any costs of compliance to salutatory reporting, legal and audit costs. All oversight and governance expenses are accounted for on an accruals basis and charged directly to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external fund managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of those investments change.

Investment management expenses deducted at source (which would have been netted off investment income or asset sales) are accounted for by grossing up investment sales; this has the effect of increasing the change in value of investments reported in the Fund Account and the investment reconciliation table in Note 14a, though the closing value of investments as reported in the Net Assets Statement is unaffected. This treatment is in line with CIPFA Guidance 'Accounting for Local Government Pension Scheme Management Expenses 2016'.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the Fund Account. In 2020/21 there are no fees included in the accounts based on such estimates (2019/20: £0.1m).

Net Assets Statement

g) Financial assets

Investments are shown at fair value, as at the reporting date. Debtors and cash are accounted for at amortised cost. A financial 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 of the asset are recognised in the Fund Account.

The value of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting or, where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

Unquoted securities typically include private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in private equity funds and unquoted listed partnerships are valued based on comparable valuations of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines.

iv) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income that is reinvested in the fund, net of applicable withholding tax.

h) Foreign currency transactions

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

j) Cash and cash equivalents

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

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 19).

m) Additional voluntary contributions

Lambeth Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential, Equitable Life, and Clerical Medical as its AVC providers.

AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVC contributors receive an annual statement detailing the value of their contributions and any movements in the year.

AVCs are not included in the statement of accounts in accordance with the Regulations but are disclosed separately in the notes to the accounts (note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in notes 24 and 25.

Note 4: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many variables. Common judgements used include comparing revenue or earnings multiples to public comparable entities and prices of recent transactions. Valuations are also adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment, and the fact that comparable public companies are not identical to the companies being valued.

Unquoted private equities are valued by the investment managers using guidelines set out by the British Private Equity and Venture Capital Association. The value of unquoted private equities at 31 March 2021 was £72.5m (31 March 2020: £67.4m).

Pension fund liability

The net pension fund liability is recalculated 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. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the value of assets and liabilities reported at the balance sheet date as well as the amounts reported for revenue and expenses incurred during the year. Estimates and assumptions consider historical experience, current trends, and other relevant factors; however, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the financial statements at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on several complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £228m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £210m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £75.1m to £125.2m.
Private equity (Note 14)	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2021 is £72.5m.	The total (called) private equity investment in the financial statements is £72.5m. There is a risk that this investment may be under- or overstated in the accounts by up to £17m as a result of market volatility i.e., interest rate, inflation rate. Private Equity is illiquid for holding until its maturity of 12 years.

Pooled property funds (Note 15)	The pension fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments (as detailed in note 15). Due to the outbreak of Covid-19 that has impacted global markets, our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight can be applied to previous market evidence to inform opinions of value.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 14.1% i.e. an increase or decrease of £22.4m, on carrying values of £159m.
Hedge fund of funds (Note 14)	Fund of funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £0.4m. There is a risk that the investment may be under or overstated in the accounts. The Investment Advisor reports a tolerance of +/- 6.8% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £0.03m.

Note 6: Events after the Reporting Date

There have been no events since 31 March 2021, up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 7: Contributions Receivable

Category	2020/21 £000	2019/20 £000
Employees	**10,227**	9,544
Employers:		
Normal contributions	**30,976**	27,727
Deficit recovery contributions	**12,500**	12,000
Augmentation contributions	**0**	0
Total employer contributions	**43,476**	39,727
Total contributions receivable	**53,703**	49,271

Type of employer	2020/21 £000	2019/20 £000
Administering authority	**49,849**	45,677
Scheduled bodies	**3,341**	2,823
Admitted bodies	**341**	645
Community admission bodies	**106**	77
Transferee admission bodies	**66**	48
Total	**53,703**	49,271

Note 8: Transfers In from Other Pension Funds

Category	2020/21 £000	2019/20 £000
Individual transfer	**3,982**	3,025
Total	**3,982**	3,025

Note 9: Benefits Payable

Category	2020/21 £000	2019/20 £000
Pensions	**50,107**	48,254
Commutation & lump sum retirement benefits	**8,078**	7,946
Lump sum death benefits	**1,065**	925
Total	**59,251**	57,125

Authority	2020/21 £000	2019/20 £000
Administering authority	**59,199**	56,588
Scheduled bodies	**6**	309
Admitted bodies	**46**	176
Community admission bodies	**0**	52
Total	**59,251**	57,125

Note 10: Payments to and on Account of Leavers

	2020/21 £000	2019/20 £000
Refunds to members leaving service	**283**	347
Individual transfers	**9,676**	5,401
Total	**9,959**	5,748

Note 11: Management Expenses

	2020/21 £000	RESTATED 2019/20 £000
Administration costs	**1,122**	1,275
Investment management expenses	**7,699**	7,463
Oversight and governance costs	**477**	517
Total	**9,298**	9,254

	AS PREVIOUSLY STATED 2019/20 £000	Change	RESTATED 2019/20 £000
Administration costs	1,422	(147)	1,275
Investment management expenses	1,002	6,461	7,463
Oversight and governance costs	0	517	517
Total	2,423	6,831	9,254

The expenses for 2019/20 have been adjusted between categories due to incorrect categorisation. In addition, investment management expenses deducted at source have now been included in the disclosed total for investment management expenses, having previously been excluded. In 2020/21 the Fund paid £1.1m in staffing costs. This disclosure is as per CIPFA guidance, and further details concerning key management personnel are included within the Annual Report.

Note 11a: Investment Management Expenses

2020/21	Total £000	Management fees £000	Transaction costs £000
Bonds	**200**	200	0
Equities	**0**	0	0
Pooled investments	**4,202**	4,202	0
Pooled property investments	**1,239**	1,239	0
Private equity	**544**	544	0
Multi Asset Credit	**1,257**	1,257	0
Private Debt	**226**	226	0
Subtotal	**7,668**	7,668	0
Custody Costs	**31**		
Total	**7,699**		

RESTATED 2019/20	Total £000	Management fees £000	Transaction costs £000
Bonds	629	629	0
Equities	0	0	0
Pooled investments	4,353	4,353	0
Pooled property investments	1,301	1,301	0
Private equity	633	633	0
Multi Asset Credit	404	404	0
Private Debt	141	141	0
Subtotal	7,460	7,460	0
Custody Costs	3		
Total	7,463		

This analysis of the costs of managing the Lambeth Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The total management expenses incurred (deducted in the daily pricing of the individual portfolios) for the year were £7.3m (2019-20 £7.3m) of which only £0.094m was invoiced and the remainder deducted at source by fund managers.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. This is reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (note 14a).

Note 12: Investment Income

Category	2020/21 £000	2019/20 £000
Fixed interest securities	3	7,057
Private equity income	9,536	6,399
Pooled property investments	4,271	5,318
Pooled investments - unit trust and other managed funds	4,589	7,137
MAC Fund	7,738	175
Private Debt	1,940	684
Interest on cash deposits	0	1
Other	11	35
Total	28,089	26,806

Note 13a: Taxes on Income

	2020/21 £000	2019/20 £000
Tax – equities	0	16
Total	0	16

Note 13b: External Audit Costs

	2020/21 £000	2019/20 £000
Payable in respect of external audit	19	19
Total	19	19

Note 14: Investment Assets

	2020/21 £000	2019/20 £000
Bonds		
Fixed interest securities	222,409	220,332
Equities		
Pooled investments	916,792	735,168
Other investments		
Pooled property investments	159,115	172,433
Private equity	72,508	67,464
Multi Asset Credit	352,080	183,060
Private Debt	46,175	24,446
Subtotal	629,878	447,404
London CIV	150	150
Cash instruments	34	33
Subtotal	184	182
Total investment assets	1,769,263	1,403,086

Note 14a: Reconciliation of Movements in Investments

	Market value 1 April 2020	Purchases during the year	Transfers - IN	Sales during the year	Transfers - OUT	Change in cash	Change in market value	Market value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	**220,331**	**13,126**	**0**	**(13,125)**	**0**	**0**	**2,164**	**222,409**
Pooled investments	**735,168**	**4,454**	**0**	**(139,577)**	**0**	**0**	**316,748**	**916,792**
Pooled property investments	**172,433**	**0**	**0**	**(1,475)**	**0**	**0**	**(11,843)**	**159,115**
Private equity	**67,464**	**492**	**0**	**(544)**	**0**	**0**	**5,095**	**72,508**
Multi Asset Credit	**183,060**	**127,538**	**0**	**(1,257)**	**0**	**0**	**42,738**	**352,080**
Private Debt	**24,446**	**24,491**	**0**	**(226)**	**0**	**0**	**(2,536)**	**46,175**
London CIV	**150**	**0**	**0**	**0**	**0**	**0**	**0**	**150**
Cash Instruments	**33**	**0**	**56**	**0**	**0**	**(55)**	**0**	**34**
Subtotal	**1,403,086**	**170,101**	**56**	**(156,293)**	**0**	**(55)**	**352,366**	**1,769,263**
Unrealised gain/(loss) in currency							**880**	**880**
Total	**1,403,086**	**170,101**	**56**	**(156,293)**	**0**	**(55)**	**353,247**	**1,770,143**

	Market value 1 April 2019	Purchases during the year	Transfers - IN	Sales during the year	Transfers - OUT	Change in cash	Change in market value	Market value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	294,476	190,259	0	(258,203)	0	0	(6,202)	220,332
Pooled investments	809,251	411,843	0	(468,634)	0	0	(17,293)	735,168
Pooled property investments	145,273	26,532	0	0	0	0	628	172,433
Private equity	61,023	34	0	0	0	0	6,407	67,464
Multi Asset Credit	76,119	117,656	0	0	0	0	(10,715)	183,060
Private Debt	3,802	19,470	0	0	0	0	1,175	24,446
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	0	0	50	0	0	(17)	0	33
Investment Manager Cash	34	0	0	0	(34)	0	0	0
Total	**1,390,129**	**765,794**	**50**	**(726,837)**	**(34)**	**(17)**	**(26,000)**	**1,403,086**

RESTATED	Market value 1 April 2019	Purchases during the year	Transfers - IN	Sales during the year	Transfers - OUT	Change in cash	Change in market value	Market value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	294,476	190,259	0	(258,203)	0	0	(6,202)	220,332
Pooled investments	809,251	411,843	0	(472,987)	0	0	(12,940)	735,168
Pooled property investments	145,273	26,532	0	(1,301)	0	0	1,928	172,433
Private equity	61,023	34	0	(633)	0	0	7,040	67,464
Multi Asset Credit	76,119	117,656	0	(404)	0	0	(10,312)	183,060
Private Debt	3,802	19,470	0	(141)	0	0	1,316	24,446
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	0	0	50	0	0	(17)	0	33
Investment Manager Cash	34	0	0	0	(34)	0	0	0
Total	**1,390,129**	**765,794**	**50**	**(733,667)**	**(34)**	**(17)**	**(19,169)**	**1,403,086**

The 2019/20 figures have been restated to create additional sales during the year and therefore increase the change in market value against those assets where management fees were deducted at source; the effect of this grossing up is to strip out the impact of investment management fees deducted at source. The closing value of investments, and the Net Assets Statement, remain unchanged.

Note 14b: Analysis of Investments

	31-Mar-21 £000	31-Mar-20 £000
Bonds		
UK		
Corporate quoted	**222,409**	220,332
Pooled funds - additional analysis		
Overseas		
Unit trusts quoted	**916,405**	734,513
Hedge fund of funds unquoted	**387**	655
Pooled property investments UK unquoted	**42,719**	42,100
Pooled property investments Overseas unquoted	**116,396**	130,333
Private equity unquoted	**72,508**	67,464
Multi Asset Credit Overseas quoted	**352,080**	183,060
Private Debt Overseas quoted	**46,175**	24,446
London CIV	**150**	150
Cash Instrument	**34**	33
Total investment assets	**1,769,263**	1,403,086

Note 14c: Investments Analysed by Fund Manager

	Market Value 31 March 2021 £000	% of Fund	Market Value 31 March 2020 £000	% of Fund
Adam Street	72,508	4.1	67,464	4.8
Aviva	0	0.0	79,520	5.7
Invesco	159,074	9.0	172,153	12.3
Insight	222,441	12.6	220,363	15.7
London CIV	150	0.0	150	0.0
London CIV - BG Global Equity	406,304	23.0	259,990	18.5
London CIV - JP Morgan	191,447	10.8	124,802	8.9
London CIV - MAC	229,293	13.0	183,060	13.1
Insight MMF	5,000	0.3	60,000	4.3
M and G Group	122,787	6.9	0	0.0
London CIV - RBC	313,654	17.7	210,200	15.0
PAAMCO	387	0.0	655	0.0
RREEF	43	0.0	283	0.0
Churchill Asset Management	23,807	1.3	17,139	1.2
Permira	22,368	1.3	7,307	0.5
Total	1,769,263	100	1,403,086	100

The following investments represent over 5% of the net assets of the fund.

	Market Value 31 March 2021 £000	% of Fund	Market Value 31 March 2020 £000	% of Fund
Aviva	0	0.0	79,520	5.7
Invesco	159,074	9.0	172,153	12.3
Insight	222,441	12.6	220,363	15.7
London CIV - BG Global Equity	406,304	23.0	259,990	18.5
London CIV - JP Morgan	191,447	10.8	124,802	8.9
London CIV - MAC	229,293	13.0	183,060	13.1
London CIV - RBC	313,654	17.7	210,200	15.0
M and G Group	122,787	6.9	0	0.0

Note 15: Fair Value – Basis of Valuation

The basis of valuation for each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts.
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts.
Unquoted equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash

	Capital Valuation Guidelines	flows, or by variances between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the potential impact on the closing value of investments held at 31 March 2021.

	Valuation range (+/-)	Value at 31 Mar-21 £000	Value on increase £000	Value on decrease £000
Pooled investments – Hedge funds	**6.8%**	**387**	**413**	**361**
Pooled investments – Property Funds	**14.1%**	**159,115**	**181,550**	**136,680**
Private equity	**24.0%**	**72,508**	**89,910**	**55,106**
Total		**232,010**	**271,873**	**192,146**

Note 15a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

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

Level 3

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

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021	Quoted Market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	**222,409**	**0**	**0**	**222,409**
Pooled investments	**1,314,810**	**0**	**387**	**1,315,197**
Pooled property investments	**0**	**0**	**159,115**	**159,115**
Private equity	**0**	**0**	**72,508**	**72,508**
Cash deposits	**34**	**0**	**0**	**34**
Total	**1,537,253**	**0**	**232,010**	**1,769,263**

Values at 31 March 2020	Quoted Market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	220,331	0	0	220,331
Pooled investments	942,169	0	655	942,824
Pooled property investments	0	0	172,433	172,433
Private equity	0	0	67,464	67,464
Cash deposits	32	0	0	32
Total	1,162,533	0	240,553	1,403,086

Property pooled funds continue to be included at level 3 as a result of the market valuation uncertainty that have been added to the fund valuations.

Note 15b: Reconciliation of Fair Value Measurements within Level 3

	Market value 1 Apr 2020 £000	Transfer into level 3 £000	Transfer out of level 3 £000	Purchases £000	Sales £000	Unrealised gain (loss) £000	Realised gain (loss) £000	Market Value 31 March 2021 £000
Hedge Fund of Funds	**655**	**0**	**0**	**0**	**0**	**(268)**	**0**	**387**
Private equity	**67,464**	**0**	**0**	**492**	**(544)**	**5,095**	**0**	**72,508**
Pooled property investments	**172,435**	**0**	**0**	**0**	**(1,475)**	**(13,318)**	**0**	**159,117**
	240,554	**0**	**0**	**492**	**(2,019)**	**(8,491)**	**0**	**232,012**

	Market value 1 Apr 2019 £000	Transfer into level 3 £000	Transfer out of level 3 £000	Purchases £000	Sales £000	Unrealised gain (loss) £000	Realised gain (loss) £000	Market Value 31 March 2020 £000
Hedge Fund of Funds	2,997	0	0	0	(390)	(1,952)	0	655
Private equity	61,023	0	0	34	0	6,407	0	67,464
Pooled property investments	145,273	0	0	0	0	27,163	0	172,435
	209,293	0	0	34	(390)	31,618	0	240,554

Note 16a: Classification of Financial Instruments

	2020/21			2019/20		
	Fair value through profit & loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit & loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets:						
Fixed interest securities	**222,409**	**0**	**0**	220,332	0	0
Pooled investments	**916,792**	**0**	**0**	735,168	0	0
Pooled property investments	**159,115**	**0**	**0**	172,433	0	0
Private equity	**72,508**	**0**	**0**	67,464	0	0
Multi Asset Credit	**352,080**	**0**	**0**	183,060	0	0
Private Debt	**46,175**	**0**	**0**	24,446	0	0
London CIV	**150**	**0**	**0**	150	0	0
Cash instruments	**34**	**0**	**0**	33	0	0
Debtors	**0**	**600**	**0**	0	571	0
Cash and cash equivalents	**0**	**17,714**	**0**	0	23,590	0
Financial Liabilities:						
Creditors	**0**	**0**	**170**	0	0	(13)
Total	**1,769,263**	**18,314**	**170**	1,403,086	24,161	(13)

Note 16b: Net Gains and Losses on Financial Instruments

	31-Mar-21 £000	31-Mar-20 £000
Financial Assets:		
Fair Value through profit and loss	**352,367**	(19,169)
Measured at amortised cost	**0**	0
Financial Liabilities:		
Measured at amortised cost	**880**	0
Total	**353,247**	(19,169)

The fair value through profit and loss recorded in 19/20 has been restated from (£26,000m) to (£19,169m) to reflect the grossing up of investment sales and correctly account for investment management fees deducted at source, as explained in Note 3f).

Note 17: Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

a) Market risk

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

The objective of the Fund's risk management strategy is to identify, manage, and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

1. The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
2. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review; this analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movement %
Bonds - LDI	14.7%
Emerging Market Equities	26.5%
Sustainable Equities	17.8%
Private Debt	10.6%
Global Equities	17.8%
Pooled Property Investments	14.1%
Private Equity	24.0%
Multi Asset Credit	9.4%
Hedge Funds	6.8%
Money Market Fund	0.0%
Cash - GBP	0.0%

Had the market price of the Fund's investments increased/decreased in line with the above percentage movements, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is also shown below).

Asset type	Value at 31 Mar 21	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Bonds - LDI	**222,441**	**32,699**	**255,139**	**189,742**
Emerging Market Equities	**191,447**	**50,734**	**242,181**	**140,714**
Private Debt	**46,175**	**4,895**	**51,070**	**41,281**
Global Equities	**719,958**	**128,152**	**848,110**	**591,805**
Pooled Property Investments	**159,117**	**22,435**	**181,552**	**136,681**
Private Equity	**72,508**	**17,402**	**89,910**	**55,106**
Multi Asset Credit	**352,080**	**33,096**	**385,175**	**318,984**
Hedge Funds	**387**	**26**	**413**	**361**
Money Market Fund	**5,000**	**0**	**5,000**	**5,000**
London CIV	**150**	**0**	**150**	**150**
Total	**1,769,263**	**289,439**	**2,058,701**	**1,479,824**

Asset type	Value at 31 Mar 20	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Bonds - LDI	220,362	30,851	251,213	189,511
Emerging Market Equities	124,802	38,065	162,867	86,738
Private Debt	24,446	2,249	26,695	22,197
Global Equities	470,190	107,674	577,864	362,517
Pooled Property Investments	172,435	24,486	196,921	147,949
Private Equity	67,464	24,624	92,089	42,840
Multi Asset Credit	183,060	15,560	198,621	167,500
Diversified Growth	79,520	9,463	88,982	70,057
Hedge Funds	655	50	706	605
Money Market Fund	60,000	0	60,000	60,000
London CIV	150	0	150	150
Total	**1,403,086**	**253,022**	**1,656,108**	**1,150,064**

Interest rate risk

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

The Fund’s interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund’s risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis points movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis point change in interest rates.

Assets exposed to interest rate risk	Value at 31 Mar 21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	17,714	0	17,714	17,714
Fixed interest securities	222,409	2,224	224,633	220,185
Total	**240,123**	**2,224**	**242,347**	**237,899**

Assets exposed to interest rate risk	Value at 31 Mar 20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	23,590	0	23,590	23,590
Fixed interest securities	220,331	2,203	222,535	218,128
Total	**243,921**	**2,203**	**246,125**	**241,718**

Income exposed to interest rate risk	Amount Receivable 2020/21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	0	0	0	0
Fixed interest securities	3	0	3	3
Total	**3**	**0**	**3**	**3**

Income exposed to interest rate risk	Amount Receivable 2019/20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	1	0	1	1
Fixed interest securities	7,057	71	7,127	6,986
Total	**7,058**	**71**	**7,128**	**6,987**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not influence the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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 on financial instruments that are denominated in any currency other than the functional currency of the fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund’s currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund’s risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the Fund advisor’s analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would increase / decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value at 31 Mar 21	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	**72,508**	**7,251**	**79,758**	**65,257**
Overseas unit trusts	**116,396**	**11,640**	**128,035**	**104,756**
Total	**188,903**	**18,890**	**207,794**	**170,013**

Assets exposed to currency risk	Value at 31 Mar 20	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	67,464	6,746	74,211	60,718
Overseas unit trusts	130,153	13,015	143,168	117,137
Total	**197,617**	**19,762**	**217,379**	**177,855**

b) Credit risk

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

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £17.7m (31 March 2020: £23.6m). This was held with the following institutions.

	Rating	31 Mar 21	31 Mar 20
		£000	£000
Money Market Funds:			
Northern Trust - Liquidity Fund	**AAA**	24	19
Bank Deposits and Current Account:			
Royal Bank of Scotland	**A+**	**17,714**	23,590
Total		**17,738**	**23,609**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure it maintains adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet pensioner payroll costs, and cash to meet investment commitments; the Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert into cash. As at 31 March 2021 the value of liquid assets was £1,714.6m, which represented 95.9% of total Fund assets (31 March 2020: £1,358.6m, which represented 95.2% of total Fund assets).

The Fund's Investment Management team prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

The key risk is that the Fund will be obligated to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 18: Funding Arrangements

In line with the Regulations the Fund's actuary undertakes a funding valuation every three years for setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 17 years and to provide stability in employer contribution rates by spreading any increases in rates over a reasonable period. Solvency is achieved when the funds held, future expected investment returns, and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation the Fund was assessed as 82% funded (80% at the March 2016 valuation). This corresponded to a deficit of £307m (2016 valuation: £287m) at that time.

Contribution increases will be phased in over the three-year period from April 2020 to 31 March 2023 for scheme employers. The common contribution rate (i.e. the rate that all employers in the Fund pay) is 19.4% until the next triennial valuation in 2023.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from scheme. The principal assumptions were as follows:

Longevity assumptions

The post-retirement mortality tables are the S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% pa. The assumptions used for the 2019 valuation of assumed life expectancy from age 65 is shown below, together with the latest assumptions.

	31-Mar-21	31-Mar-19
Retiring today		
Males	**21.5**	21.3
Females	**23.9**	23.5
Retiring in 20 years		
Males	**23.1**	22.7
Females	**25.7**	25.0

Commutation assumption

It was assumed that future retirees will take 25% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 63% of the maximum for post-April 2008 service.

Note 19: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers, and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

To assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 18). The actuary has also valued ill health and death benefits in line with the IAS 19.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2021 was £2,504m (31 March 2020: £1,885m). The fair value of the scheme assets was estimated to be £1,747m (31 March 2020: £1,382m), and the net liability was therefore implied to be £758m (31 March 2020: £504m).

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	**2020/21 %**	**2019/20 %**
Pension increase rate	**2.85**	1.90
Salary increase rate	**3.35**	2.40
Discount rate	**2.00**	2.30

Note 20: Current Assets

	31-Mar-21 £000	**31-Mar-20 £000**
Sundry debtors	**770**	571
Cash balances	**17,714**	23,590
Total	**18,484**	24,161

Note 21: Current Liabilities

	31-Mar-21 £000	**31-Mar-20 £000**
Sundry creditors	**0**	13
Total	**0**	13

Note 22: Additional Voluntary Contributions

	31-Mar-21* £000	**31-Mar-20 £000**
Prudential	2,304	2,627
Utmost Life & Pensions	467	490
Clerical Medical	168	172
Total	2,939	3,289

*Estimated; the actual values were not available at the time of preparing the draft statement of accounts.

Note 23: Related Party Transactions

Lambeth Council administers the Lambeth Pension Fund. Consequently, there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £1.12m (2019/20: £1.27m) in relation to the administration of the fund and these costs were reimbursed by the Fund. The Council is also the single largest employer of members of the pension fund and contributed £40.0m to the fund in 2020/21 (2019/20: £36.0m). All monies owing to and due from the fund were paid in year.

Governance

There are no elected Members of the Pensions Committee in receipt of pension benefits from the Lambeth Pension Fund, but one pensioner representative is in receipt of pension benefits from the Lambeth Pension Fund. In addition, Pensions Committee staff representative S SivaAnanthan is an active member of the pension fund. Also, one Pensions Board staff representative G Williamson is an active member of the pension fund.

Members of the Pensions Committee are required to declare interests at each meeting.

Note 24: Contingent Liabilities and Contractual Commitments

The total investment commitments as at 31 March 2021 are £212.2m and the outstanding undrawn commitments are £36.9m (31 March 2020: total commitment £222.9m and outstanding was £63.7m).

These commitments relate to outstanding call payments due on the Private Equity, Pooled Property & Private Debt mandates of the portfolio. The amounts ‘called’ by these fund managers are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Note 25: Contingent Assets

Admitted body employers in the Lambeth Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

Funding Strategy Statement

The Funding Strategy Statement (FSS) of the London Borough of Lambeth Pension Fund is a statutory requirement and has been prepared by the administering authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment advisor.

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS is a summary of the Fund's approach to funding its liabilities, and focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities. It sets out how the administering authority has balanced the conflicting aims of:

- Affordability of employer contributions;
- Transparency of processes;
- Stability of employers' contributions; and
- Prudence in the funding basis.

Following the 2019 triennial valuation the FSS was reviewed and updated; the most recent version was prepared as at March 2020.

The full version of the FSS is appended to this report as Appendix 1, and is also available on the Fund's website at the following link:

https://www.lgpslambeth.org/lambeth-pension-fund/about-us/forms-and-publications/

Investment Strategy Statement

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State.

The ISS is a document that replaces, and largely replicates, the Statement of Investment Principles. Administering Authorities will be required to prepare and maintain an ISS documenting how the investment strategy for the Fund is determined and implemented. The ISS must include:

a) A requirement to invest money in a wide variety of investments;
b) The authority's assessment of the suitability of particular investments and types of investments;
c) The authority's approach to risk, including the ways in which risks are to be assessed and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
e) The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Lambeth published its latest ISS in February 2020; the document will be regularly reviewed and updated at least every three years.

The ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Policy Statement
- The Pension Fund Annual Report and Accounts
- Actuarial Valuation

The full version of the ISS is appended to this report as Appendix 2, and is also available on the Fund's website at the following link:

https://www.lgpslambeth.org/lambeth-pension-fund/about-us/forms-and-publications/

Communications Policy Statement

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires the council, as the administering authority, to prepare, maintain, and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.

It must also set out the authority's policy on:

a) The provision of information and publicity about the scheme to members, representatives of members and scheme employers;
b) The format, frequency, and method of distributing such information or publicity; and
c) The promotion of the scheme to prospective members and their employers.

The Fund's Communications Policy Statement sets out the processes by which these objectives are achieved. The most accurate and up-to-date information is usually communicated in one of two ways;

- The Fund's dedicated website; this contains all relevant information on joining the scheme, who runs the scheme, and the latest policies and procedures that govern it. The website can be found at the following link: https://www.lgpslambeth.org.

- Annual Benefit Statements; these are sent out to all active and deferred members and provide details of accrued pension benefits and prospective benefits at retirement. The Fund will continue to improve and update the statements to ensure the information provided is accurate, clear and understandable.

The full version of the statement is appended to this report as Appendix 3, and is also available on the Fund's website at the following link:

https://www.lgpslambeth.org/lambeth-pension-fund/about-us/forms-and-publications/

Fund Contact Details:

Pension Administration
Lambeth Pension Services
2nd Floor, Lambeth Town Hall
2 Brixton Hill
Brixton
London SW2 1RW

Telephone: 0207 926 9572
Email: pensions@lambeth.gov.uk

Investment Management
Treasury and Pensions
2nd Floor, Lambeth Town Hall
2 Brixton Hill
Brixton
London SW2 1RW

Telephone: 0207 926 0576
Email: pensionfund@lambeth.gov.uk

Additional Compliance Statement

The purpose of this Compliance Statement is to disclose additional information required by law, but which is not considered to be of such significance to members.

Taxation

The Fund is approved under the Income and Corporation Taxes Act 1988. Although exempt from UK income and capital gains taxes, the Fund is unable to recover the tax credit on UK dividends.

Transfer Values

Transfer values for Members leaving pensionable service during the year were calculated in accordance with the Pension Schemes Act 1993, (as amended by the Pensions Act 1995). No transfer values were reduced because of under-funding. The rules of the Fund have always provided that deferred pensioners may transfer the value of their benefits to another approved scheme at any time before any benefits have been paid from the Fund.

Pension Increases

Pensions are increased in accordance with the pension increase (Review) Order 2009 Statutory Instrument 2009 No 692.

Statement of Responsibilities

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (usually that officer is the Section 151 officer, or the Chief Financial Officer);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Government Accounting, as updated annually.

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting in the UK 2020/21;
- Maintained proper accounting records which are up-to-date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts are a true and fair reflection of the financial position of the London Borough of Lambeth Pension Fund as at 31 March 2021.

Christina Thompson

Chief Financial Officer (S151 Officer)

Independent Auditor's Statement

Independent auditor's report to the members of the London Borough of Lambeth on the pension fund financial statements published with the Lambeth Pension Fund Annual Report

Report on the financial statements

Opinion on the financial statements of the London Borough of Lambeth Pension Fund

We have audited the financial statements of London Borough of Lambeth Pension Fund ('the Pension Fund') for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of London Borough of Lambeth Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pooled property fund assets

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's pooled property fund assets as at 31 March 2021. As disclosed at Note 5, these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the Director of Finance and Property’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;

- the Director of Finance and Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Property is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Property for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Property is also responsible for such internal control as the Director of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance and Property is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of the London Borough of Lambeth, as a body and as administering authority for the Lambeth Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the London Borough of Lambeth 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 members of the London Borough of Lambeth, as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel

For and on behalf of Mazars LLP

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Date: 5 January 2022