



2019/2020

**London Borough of Lambeth Pension
Fund Statement of Accounts**

Despite the challenging global economic outlook, the fund's investment strategy minimised downside risk to the fund. Fund assets decreased by 0.9% and had net assets of £1,427.2m as at 31 March 2020 with 82% funded at the latest valuation.

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1. Statement of Investment Principles
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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
Andrien Meyers	Head of Treasury and Pensions
Saul Omuco	Deputy Head of Treasury and Pensions
Senimetu Yakubu	Deputy Head of Treasury and Pensions
Saril Prakash	Trainee Accountant
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	MFS Investment Management
RREEF	PAAMCO
Permira Debt Manager	Northern Trust
London CIV	State Street
AVC Providers:	
Clerical Medical	Equitable Life (Closed to new applicants)
Prudential	
Adviser:	Mercer Ltd.
Custodian:	Northern Trust State Street Global Advisors
Governance:	Aon
Actuary:	Hymans Robertson
Auditor:	MAZARS LLP, UK

Report from the Pension Committee Chair



As Chair of the Lambeth Pension Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2019/20. I take over the reins from Councillor Iain Simpson who successfully led our Committee through two valuations, during which time the health of the Pension Fund has significantly improved; the Committee, Officers and all stakeholders of the Fund thank him for his leadership over this time.

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. Officers of the Fund worked with the Fund's actuary and investment adviser to develop recommendations, which were subsequently adopted by the Committee. These modify the existing strategy and build on its success. The Fund has now implemented all recommendations from its 2017 Investment Strategy and has already started work on implementing its 2020 strategy. Below are the key changes that have been implemented to date:

1. Termination of Corporate Bonds, Diversified Growth Funds and Hedge Funds
 - Investment into Liability Driven Investments
 - Investment into Multi Asset Credit
 - Investment into Private Debt
2. Termination of Global Equity and investment into Sustainable Equity
3. Termination of UK Equity and investment into Emerging Market Equity
4. Rebalancing of overweight positions into UK PRS Infrastructure Housing

Fund Performance: The value of the Lambeth Pension Fund decreased during the year by £12m to a net asset value of £1,427m as at 31 March 2020, this could have been a far worse position given the impact of COVID-19 during the last quarter to March 2020. In what is now turning out to be a very turbulent end to 2019/20 the Lambeth Fund like most LGPS Funds recorded a return of -6.3% for the final quarter and -0.7% for the full year; there is some comfort in that these returns compared favourably against the benchmark of -6.9% for the final quarter and -1.2% for the year. The investment management costs of the Fund as a percentage of assets under management over the past year is 0.51%, a reasonable cost considering the fund is 100% actively managed.

London Collective Investment Vehicle (CIV): As part of working collaboratively with other LGPS Funds, the Lambeth Pension Fund signed up to the London CIV. The Pension Fund Committee agreed to work collaboratively with its London neighbours, and

approved this arrangement. Currently the Fund has around £780m, or 55% of its investment, managed via the CIV. It is the Fund's intention to follow Government Regulation and use the CIV as its first point of call for all investments. During the year the Fund made investments into the LCIV's Multi Asset Credit, Emerging Market Equities and Sustainable Equities Funds

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)

Further all training needs were assessed in accordance with CIPFA knowledge and skills framework and delivered.

As part of the governance and oversight of the Pension Fund, a regular review and update to the governance framework, policies and procedures is essential to ensure that it is compliant with latest legislation, regulations and good practice. The Fund undertook an in-depth review of its governance arrangements in 2017/18. Key areas of focus were on Administration and asset pooling. The Fund completed the recommendations of the review in 2019/20.

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 decision itself, a Board was created for that purpose. Cllr Bray has reported separately on this within the report.

Responsible Investing: The Fund continues to focus on responsible investment. In addition to giving the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations through the statement of investment principles/Investment Strategy Statement, the Fund is one of the few funds that ranks the managers with whom it invests on their ethical credentials as well as on their investment returns, using research information from investment consultants.

Training for Members and Officers were centred on responsible investing, with further work to progress in 2020/21.

As of 31 March 2020, 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).

During the year the Fund made a commitment to continue the reduction in its fossil fuel exposure and are actively engaging with the LCIV and London Boroughs to progress divestment even further. I am proud to say that the Fund was the seed investor in the LCIV's Sustainable Equity Fund, which it helped shape and further engaged with other London Boroughs to commit to this cause. Finally, the Fund engaged positively on responsible investment issues in the year, via the Local Authority Pension Fund Forum and other national forums.

Employers to the Fund: The Fund continues to pro-actively engage with its employers. As this was the year of the triennial valuation there were an increased number of meetings with employers where the focus has been on maintaining steady contribution rates.

Publicity: Over the year members and officers have represented the Fund at various conferences; notably key talks given and panel appearances at the LGC Investments, the PLSA and the Local Authority Pension Fund Forum. Further, the Fund has engaged with various Central Government bodies to discuss and work collaboratively on the government proposal of pooling all 89 LGPS funds into eight investment pools.

The outlook over the short term is fairly uncertain, particularly with the recent impact of COVID-19. Further over the longer term there remains some concern, given not only continuing growth in liabilities and a difficult investment environment, but ongoing government reviews of the pension and investment regulatory framework. However, Lambeth is well placed to meet these challenges.

The Fund has now completed its 2019 triennial valuation and 2020 investment strategy review with the continued primary objective of paying benefits, but with a renewed focus on income generation and maintaining a manageable cash flow. The Fund will implement these changes over the next year or so.

I look forward to my term as Chair and continuing the good work with all our stakeholders; they have put in huge effort in 2019/20 especially with the triennial valuation, the investment strategy review and most importantly a renewed focus on responsible investing. So, thanks are due to members of the Pension Committee and Board, both councillors and lay members, officers of the Council, and our advisers. All have approached their responsibilities in recent years with a serious- and open-minded sense of purpose which ensured that the Fund is better placed than some to face these continuing uncertainties.

Cllr. Anna Birley
Chair – Lambeth Pension Committee

Pension Board Chair's Report



As the Chair of the Lambeth Pension Board I am very pleased to talk about the Board and its fourth 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 person who is receiving a pension from Lambeth's Pension Fund as a pensioner representative 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. <https://moderngov.lambeth.gov.uk/mgCommitteeDetails.aspx?ID=733>

The Board met on three occasions during the year ending 31 March 2020. Two meetings were quorate and one inquorate, the latter which proceeded on an informal basis.

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 by a number of stakeholders as well as the two main oversight bodies: the Pensions Regulator and the Ministry of Housing, Communities and Local Government (MHCLG).

The Board operates under Terms of Reference which were approved at its inception and are appended here again. The Board recognises the need to prioritise and differentiates in its agenda between items for detailed discussion, and 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 below captured in the work plan.

Training

Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. The Fund has offered a number of training opportunities for Board members where possible.

Assessment of training needs, and how they are met, will be a standing item on the Board's agenda. Both formal and informal (cascade) training will be 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 gleaned from quarterly compliance updates.

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

All the Pension Board papers and minutes are held on the Council's website

<http://moderngov.lambeth.gov.uk/ieListMeetings.aspx?Committeeld=733>

There will be a degree of flexibility to allow for any additional reviews by either the Scheme Advisory Board or the Pensions Regulator.

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 Pension Committee and the Council's Officers, for their commitment and hard work in maintaining all the administrative aspects of the Fund.

Cllr. Linda Bray

Chair – Lambeth Pension Board

Risk Management

The Fund recognises that its primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

The Fund recognises that there are a number of risks that need to be factored into managing the fund and ensuring it can meet its primary objective of providing benefits to its members.

The risks can be categorised as investment, financial, demographic and regulatory risks. These risks have been identified and addressed in the Fund's Investment Strategy Statement and the Funding Strategy Statement.

The Investment Strategy Statement address the financial risks for the Fund, in particular the risk of the performance of the Fund's assets not achieving the actuary's expected rate of return.

In considering the Fund's investment strategy, it must bear in mind this balance between risk and return. In practice, the investment strategy objective will be to achieve 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 risk. There are a number of investment risks to consider within an investment fund and some of the key risks are considered below:

Solvency Risk and Mismatching Risk

These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. These 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' objectives, relative to the investment policy. It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.

The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target which reflects 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 safe keep the assets on behalf of the Fund.

Liquidity Risk

This is monitored according to the level of cash flows required by the Fund over a specified period. It is managed by holding an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds which are readily realisable. As a result, the investments in less liquid asset classes such as property, hedge funds, private equity and infrastructure are limited.

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, which should ultimately be to the Fund's advantage.

Legislative Risk

This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation. The Committee acknowledge that this risk is unavoidable but will seek to address any required changes to comply with changes in legislation.

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 the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers. Market risk comprises of interest rate risk, 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 a sanction for

late payments, and processes are in place to ensure that contributions are reconciled regularly.

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 or incorrect calculation of benefits, breach of Data Protection Regulations and failure to comply with Freedom of Information Act requests or Disclosure of Information requirements. Such risks can lead to adverse publicity, loss of reputation and ultimately statutory fines. These are addressed in the Business Continuity Plan.

Investment Policy

Following the government intention of LGPS pooling the way the LGPS funds make the investment decision has changed. This changes the way Lambeth approaches its investment strategy.

Following the 2019 Triennial valuation the fund introduced a new approach in which it sets its investment strategy at the same time as considering its funding strategy and contribution plan, basing all three on a sophisticated model but crucially applying a practical, qualitative (human) overlay.

Contribution rates and investment strategy were considered in tandem; balancing risk with the need for stability, in terms of certainty with regard to contribution rates. The Council as the largest employer in the Fund (99% of the total Fund) achieved more stability. The cash flow position was also considered at the same time where an in-house exercise was carried out to assess the need for cash.

Being a mature fund and to be better prepared to meet its liability and have sufficient protection on inflation and interest rate the fund implemented its LDI strategy in late 2016. The strategy was approved by the committee back in 2010 as part strategy review at that time. Due to the unfavourable market conditions the strategy wasn't implemented then but is now in place. This strategy is managed by Insight investment Ltd

In the year the fund added two and terminated three investment managers. JP Morgan and Royal Banks Canada (RBC) were added while Ruffer and PyrFord were terminated all through the London CIV. In addition, one external manager (MFS) was terminated. The Fund, therefore, invests its assets through eight external Fund managers in seven different asset classes. During 2019/20, the Fund's net asset value decreased by £12.9m and the loss on investments was £26.0m. The table below shows the planned asset allocation along with the actual asset allocation for the beginning and end of the financial year.

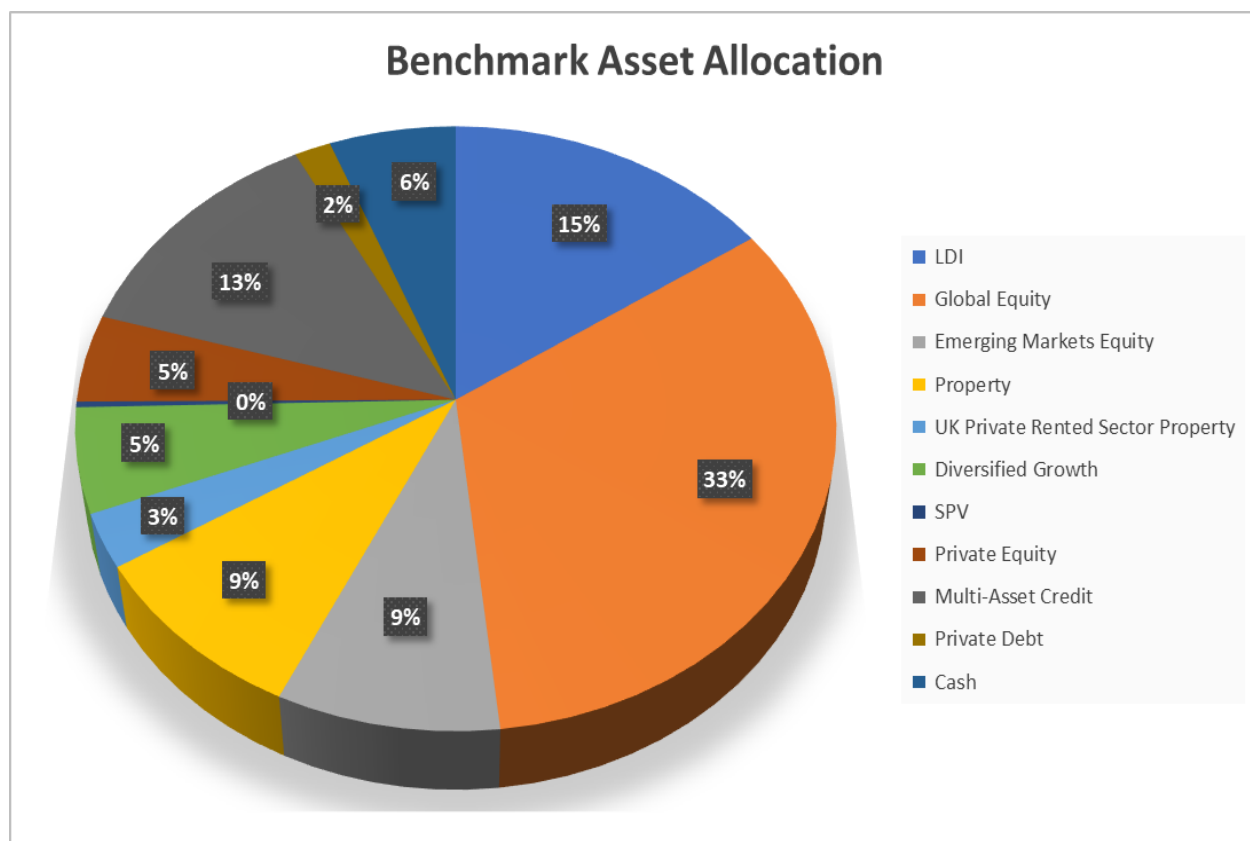
	2020		2019	
Manager	Value (£m)	Actual (%)	Value (£m)	Actual (%)
Adams Street	67.5	4.7	61.0	4.3
Aviva	79.5	5.6	78.6	5.5
LCIV (Baillie Gifford)	260.0	18.2	263.3	18.4
Insight- Bond	0.0	0.0	240.5	16.8
Insight- LDI	220.3	15.4	54.0	3.8
Insight MMF	60.0	4.2	0.0	0.0
Invesco	172.2	12.1	145.0	10.1

Churchill Asset Management	17.1	1.2	3.9	0.3
LCIV (Henderson)	0.0	0.0	150.0	10.5
LCIV (JP Morgan)	124.8	8.7	0.0	0.0
LCIV (Pyrford)	0.0	0.0	56.2	3.9
LCIV (Ruffer)	0.0	0.0	60.6	4.2
LCIV (RBC)	210.2	14.7	0.0	0.0
MFS	0.0	0.0	197.5	13.8
PAAMCO	0.7	0.0	2.8	0.1
RREEF	0.3	0.0	0.3	0.0
LCIV MAC Fund	183.1	12.8	76.1	5.3
PERMIRA	7.3	0.5	0.0	0.0
Cash	24.2	1.7	49.5	3.2
Total	1,427.2	100.0	1,439.4	100.0

The Fund holds Fund managers accountable for decisions on asset allocation within the benchmark under which they operate. In order to follow the recommendations of the Myners' Committee, managers are challenged robustly and formally about asset allocation proposals. Managers' performance is reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and they are called to a Committee meeting if there are issues that need to be addressed. Officers meet managers regularly and advice is taken from the Investment Adviser on matters relating to fund manager arrangements and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in Investment Strategy Statement. The asset allocation of the Pension Fund at the start and end of the financial year is set out above.

The chart below shows the benchmark allocations by asset classes as at 31 March 2020



Environmental, Social and Governance

Good corporate management 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 consequences of their activities in all their decisions, because pro-environment and society approaches to business are usually good for the business in the long run. Where the Fund considers that disclosure on these risks is inadequate, the Fund will generally support requests for improved disclosure, and this is done via quarterly meetings with managers.

- Pension Regulation 7(2) (e) requires administering authorities to demonstrate that it considers any factors that are financially material to the performance of the fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.
- The London Borough of Lambeth Pension Fund is a long-term active investor that takes seriously its role in fostering stewardship. We believe that sound corporate governance contributes to long-term value for our clients. The Fund's investment Strategy Statement (high-level Policies) set out the Funds' philosophy on corporate governance and its approach to voting on behalf of clients.
- 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 7 of the Fund's Investment strategy Statement.

- The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good 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 Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.
- The Fund is a member of the Local Authority Pension Fund Forum), a membership group of LGPS funds that campaigns on corporate governance issues, thus demonstrating a commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility. The Fund uses this forum to put its views forward on ESG.
- The Fund will demonstrate action it has taken to show compliance with the Myners principles, where appropriate.

Financial Performance

In 2019/20 the Fund's net assets saw a decrease compared to 2018/19 The Fund's asset value decreased by £12.9m (-0.9%) to stand at £1.427bn at 31 March 2020. The Fund's investments in Private Debt and Global Equity performed well over the benchmark for the year, while Multi-Asset Credit failed to meet the benchmark target.

Net of fees the Fund has performed better than the benchmark over the one-year period and is 0.5% and 0.4% below the benchmark over the three- and five-year periods to March 2020.

	2020 Q1 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total (ex-Adams Street)	-6.3	-6.9	-0.7	-1.2	2.2	2.7	4.6	5.0
Global Equity	-8.9	-15.8	3.1	-6.0	7.1	2.3	10.3	7.1
Emerging Markets Equity	-17.7	-18.4	-17.1	-13.5	--	--	--	--
Property	3.9	2.0	4.5	8.0	5.0	8.0	9.2	8.0
UK Private Rented Sector Property	0.0	-1.8	1.8	-1.3	--	--	--	--
SPV	3.4	1.4	-40.2	5.9	-29.5	5.7	--	--
Diversified Growth	-3.6	1.4	0.8	5.7	0.0	5.4	-0.6	5.3
Multi-Asset Credit	-16.9	1.2	-13.8	4.9	--	--	--	--
Bonds	2.6	1.9	8.0	7.1	4.1	4.0	4.4	4.3
LDI	-11.7	-11.6	-20.1	-20.1	-7.0	-7.1	--	--
Private Debt	4.7	1.2	18.8	4.9	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream.

For periods over one year the figures in the table above have been annualised.

Total Scheme returns include quarterly returns for Private Debt calculated by Mercer using a Modified Dietz approach based on data provided by Churchill, Invesco and Thomson Reuters Datastream. Over the long-term returns are chain linked using quarterly Total Fund returns. Property benchmark return taken as an absolute return target of 8% p.a. for performance measurement purposes.

SPV benchmark return taken as 3 Month Sterling LIBOR +5% p.a. for performance measurement purposes.

Diversified Growth asset class is composed by Ruffer and Pyrford absolute return portfolios and Aviva's multi-strategy portfolio.

Multi-Asset Credit benchmark return taken as 3 Month Sterling LIBOR +4% p.a. for performance measurement purposes.

UK Private Rented Sector Property and Private Debt figures shown for all periods are calculated by Mercer using a Modified Dietz approach over each period and are based on data provided by Churchill, Invesco and Thomson Reuters Datastream.

Bonds: Last quarter, year, three year and five year performance is shown over the periods from 31 December 2019, 31 March 2019, 31 March 2017 and 31 March 2015 respectively to 11 March 2020.

Total includes performance of Insight - Bonds prior to termination on 11 March 2020.

In 2019-20 the Funds total investment through LCIV platform stood at £778m; with an annual fee saving of £712k.

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. Officers of the Fund worked with the Fund's investment adviser to develop recommendations, which were subsequently adopted by the Fund. These modify the existing strategy and build on its success.

In 2019/20 the Fund has implemented a majority of its new strategy. Key areas are as follows:

- The termination of its Hedge Fund mandates, with an associated increase in Diversified Growth Funds.
- The termination of the remaining UK Equity with an associated increase in Emerging Market Equity
- Rebalancing overweight Global Equity positions with exposure to UK Infrastructure/Private Rented Housing.
- A Further one mandate allocated to the LCIV but with the termination of the UK Equity mandate.
- As agreed by Committee in its July 2018, both Multi Asset Credit and Private Debt Funds were set up and invested in one.
- Complete termination of its Corporate Bond holdings and fully implemented LDI
- In March 2020, the fund terminated MFS and invested proceeds in RBC Sustainable Equity Fund.
- The fund also terminated Ruffer and PyrFord and invested proceeds in MAC Fund in March 2020.

The fund's cash flow from dealing with members showed a net outflow in the year. During the year, the Fund received £52.3m in contributions and transfers in and paid out £62.9m in benefits and payments to leavers. This showed net withdrawals of £10.6m from dealing with members. The total income to the Fund was £79.1m and the total expenditure incurred was £65.4m).

The Fund's contribution income is largely used to pay retirement benefits. In 2019/20 following the triennial valuation as at 31 March 2019 there was a small increase in the deficit contribution paid by Council to the Fund of £0.5m pa. There has been an increase

in benefits paid and is projected that in the long run this move will contribute to increase in gross pension liability; this is due to the enhanced redundancy offer made by the Council in 2016/17.

The Fund used the distribution from property investments (5.3m) and part of the private equity distribution to meet its cash flow needs. The rest of the investment income was reinvested into the same portfolio in the year to maximise the return on investment.

The table below summarises the Fund's income and expenditure for the past three years to 2019/20;

Description	2019-20 £000	2018-19 £000	2017-18 £000
Income	79,102	80,833	91,861
Expenditure	(65,309)	(60,456)	(59,448)
Surplus for the year	13,793	20,377	32,413

The table below details the Fund's total cash flow in 2019/20

Cash Movement	£000
Contributions receivable:	
from employers	39,727
from employees	9,544
from employees transferring from other pension funds	3,025
Income earned on investments	26,806
Total inflow	79,102
Benefits payable:	
Pension payments	(48,231)
Lump Sum payments due when people retire	(7,946)
Lump Sum death benefits	(947)
Payments to and on account of leavers:	
Refunds to employees who leave the scheme	(346)
Payments where employees transfer to other funds	(5,401)
Tax paid on Investment Income	(16)
Administrative and Management expenses borne by the scheme	(2,422)
Total outflow	(65,309)
Net cash flow	13,793

Fund's Triennial Valuation (based on 2019 valuation)

The funding level as at 31 March 2019 is 80% as detailed in the table below. There has been an improvement in the reported funding level since 31 March 2016 from 80% to 82% and a small increase in the funding deficit from £287m to £307m

The resulting funding position is as follows:

Valuation Date	31 March 2016	31 March 2019
Past Service Liabilities	(£m)	(£m)
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%

Note, the above figures may not add due to rounding to the nearest £m.

Assets

Our last formal valuation was March 2019 the funding ratio at that time was 82% (as the table above states).

The improvement in funding position between 2016 and 2019 is due to market performing well. The liabilities have also increased due to a reduction in future expected investment returns, although this has partially been offset by lower than expected pay and benefit growth.

As part of the 2019 triennial valuation the Fund carried out a review of its investment strategy. This is to understand how assets are positioned to meet the funds fully funded status in 20 years.

The Fund's Pension committee which is the decision making body decided to structure an investment strategy which will help to reduce the pressure on the contribution strategy, specifically for the administrating authority and the main employer, which is responsible for 99% of the Fund's liabilities.

On this basis the fund has added new asset classes' emerging market equity, UK private rented sector (UK PRS), private debt and Multi Asset credit to its portfolio expecting that the returns from these asset classes along with the traditional assets will help to meet the funding requirements.

The Funds strategic investment consultant and actuary Hymans Roberson worked along with the officers to arrive at the above strategy. In 2019-20 the Fund continued to

implement this strategy giving priority to investments made available through the LCIV platform.

Liabilities

The continued decrease in the real yield from gilts has served to increase the value of the Fund's liabilities.

In order to place a current value on the future benefit payments 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 monies already held at the valuation date.

The discount rate is required by the Regulations to incorporate a degree of prudence. The discount rate is therefore set by taking into account 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.

At the 2019 valuation, the Fund had assets of £1,306m and liabilities of £1,795m. The total liability has increase since last valuation the deficit has also increase from £307m to £489m.

Members' contributions

In the year all non-Lambeth employers paid their pension contributions by the due date therefore the option to levy interest was not exercised. For a number of years Lambeth 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 the Fund policies.

Administrative Management Performance

The Lambeth Pension Fund has an in-house team to manage its administration function. The team of eight staff provides services and manages the records of over 21,000 scheme members and 23 active employers. Key achievements of the team in 2019/20 were the processes around the 2019 actuarial valuation of the fund ensuring that membership and cashflow data were provided to the fund actuary in a timely manner, the comprehensive review and documentation of processes within the section and the GMP reconciliation exercise which remains ongoing.

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

Performance against LGPC Targets 2019/20

Performance indicator (from point at which all required information has been received)	LGPC Target	Achieved %
Letter detailing transfer <i>in</i> quote	10 days	81.0
Letter detailing transfer <i>out</i> quote	10 days	83.0
Process <u>and pay</u> refund	5 days	79.0
Letter notifying estimate of retirement benefits	10 days	75.0
Process <u>and pay</u> lump sum retirement grant	5 days	75.0
Calculate and notify deferred benefits	10 days	61.0

The table below shows the movement in membership for the past five years. The increase in pensioner members is largely due to retirements from active membership and deferred pensions becoming due for payment.

Five-year analysis of membership data

Description	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
Active	4,946	5,660	5,386	5,586	5,378
Deferred pensioner	8,410	8,337	8,257	8,285	8,151
Pensioner	7,686	7,444	7,235	7,071	6,801
Total	21,042	21,441	20,878	20,942	20,330

Key documents for Lambeth Pension Fund, including the discretionary policy statement, can be found on the Lambeth Pension Fund website (<http://www.lgpslambeth.org/lambeth-pension-fund/>) and intranet sites.

The 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: Human Resources & Organisational Development; and Stage 2 cases by the Director of Legal Services & Human Resources. In the financial year 2019/20 there were no new cases.

The table below shows the Lambeth employers and their members' details as at 31 March 2020

Employer	Active	Deferred	Pensioner
Lambeth Pension	4,488	8,164	7,606
Angell Town RMO	10	0	0
Blenheim Gardens	3	4	4
City Height E-ACT	26	9	0
Elfrida Rathbone Society	2	0	0
Evelyn Grace	41	46	3
ExcelCare	1	5	8
Great North Wood - Rosendale	68	22	7
Great North Wood - Elmgreen	76	15	4
Hyde Housing	1	8	21
Kings College London	5	0	0
Lambeth Academy	35	62	8
Mears Ltd	4	0	6
Metra Housing	0	5	1
ML Community Enterprise	0	3	1
Oasis Academy – Johanna	19	11	0
Oasis Academy – South Bank	40	10	0
Parallel Learning Trust	36	24	9
Research Machines	1	1	0
SDBE -Christchurch	9	0	0
SDBE – St Leonards	22	0	1
SDBE – St Marks	12	0	1
Southbank Engineering	4	0	0
Stockwell Academy	29	18	6
Trinity Academy	11	3	0
Veolia	3	0	0
	4,946	8,410	7,686

Actuarial Report on Funds

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 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 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 2020	31 March 2019
Active members (£m)	500	806
Deferred members (£m)	585	653
Pensioners (£m)	800	715
Total (£m)	1,885	2,174

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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.

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 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £169m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £42m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.4%	2.9%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long-term rates of 1.25% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	23.5 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.7 years	25.0 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 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% 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 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	166
0.5% p.a. increase in the Salary Increase Rate	0%	7
0.5% p.a. decrease in the Real Discount Rate	9%	175

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1year 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 2020 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: -

A handwritten signature in dark ink, appearing to read 'SL2' with a long horizontal stroke extending to the right.

5 May 2020

Steven Law FFA

For and on behalf of Hymans Robertson LLP

Governance Compliance Statement

This compliance statement is required by the provision of Regulation 55 of the Local Government Pension Scheme (Scheme) Regulations 2013. The provision requires London Borough of Lambeth as the Administering Authority to prepare a written statement setting out where the authority delegates its function, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

At London Borough of Lambeth Pension Fund the Pension Committee makes the decision on Pension Fund management. The Fund has dedicated its responsibility of looking after the Pension Fund to the Pension Committee. This is a formal committee of the Fund, subject to the usual rules of political balance and access to information.

The Pensions Committee has full decision-making powers. It has responsibility for all Fund matters including governance, investments, funding, accounting, employer, and scheme member engagement, communications and administration.

The Pensions Act 2013 also required mandatory pension boards to be in place. The role of the Board is to review the diligence of decision-making but not the decision itself. As such, a new Board was created.

Both the Committee and Board came into effect on 1 April 2015 and the appointments are reviewed annually like all the other committees the Pension Committee and the Pensions Board now has its new elected members. A separate election was held to appoint the staff representative co-opted members (as the incumbent was no longer an active member of the Fund). The new Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 required an Administering Authority to establish a local Pension Board by 1 April 2015.

Delegation of functions

The Fund has delegated its pension fund management to the Pension Committee, 'the Committee'.

In addition, and in accordance with the Public Service Pensions Act 2013, the Fund has established a local Pensions Board 'the Board', for the purposes of assisting the administering authority (Lambeth) in the governance of the scheme.

The Committee is advised by the Strategic Director: Finance and Investment and the Fund's investment consultants.

The Strategic Director: Finance and Investment, is responsible for ensuring that the in-house team provides adequate support to both the Committee and the Board. In between the Committee meetings, the fund managers' report to the Strategic Director: Finance and Investment, 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, MAZARS LLP.

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

Pensions Committee

The terms, structure, and operational procedures of the delegation effective from 1 April 2015.

The terms of reference for the Pension Committee are:

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, 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 disputes;
- d. communications with members;
- e. communication and engagement with employers;
- f. monitoring risks;
- g. record keeping;
- h. publishing of scheme information as required; and,
- 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 Pension Fund ("the Fund"), but not in respect of the formulation of a plan or strategy which is a function of the Cabinet (and subject to final approval by the Council) or detailed operational matters which are within the purview of the Cabinet and for taking whatever action is necessary to ensure compliance with both the Local Government Pension Scheme Regulations ("the Regulations") (as amended from time to time) and best practice.

The Committee will carry 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 the employers need to pay.

The Committee will assess the covenant of scheme employers, ensure that employer contributions are set accordingly, and other relevant regulations are adhered to.

The Committee will determine the 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; and,
- 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.

The Committee will work closely with the Lambeth Pension Board (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 Fund will receive reports from each Board meeting and as the Board deems necessary. In turn the Fund will consider any reports the Board may produce in the course of their duties and respond accordingly within a reasonable period of time.

In support of this working relationship any member of the Committee may attend Board meetings and Board members may attend Committee meetings.

As part of the good governance of the Scheme, the Committee will work with, receive and consider reports 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 ensure that the Fund works with the relevant admitted bodies as required and that a discretions policy is properly maintained and administered.

The investment managers make presentations to the Committee at its formal meetings on the Fund performance, implementation of the investment policy and any other developments. Reports to the Committee are published on the Council's website.

The frequency of meetings

The Committee meets at least three to four times per year; additional meetings are convened as and when required. A yearly calendar giving details of the times and venue of the Committee's meetings is posted on the Council's website.

The committee meetings are held in the Town Hall, Brixton, 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
- One pensioner representative (who is a member of the Fund)

From October last year all members of committee have voting rights.

Provision is made for councillor members and representatives to undergo training sessions to assist them in making informed decisions about investments and other matters related to the Local Government Pension Scheme.

Pensions Board

A local pension's board was established in April 2015 to assist the administering authority in the governance and administration of the Local Government Pension Scheme.

The terms of reference for the Pension Board are:

- To assist the Council in its role as Scheme Manager of the Lambeth Pension Scheme, and its Pension Committee to secure compliance with:
 - (a) The Public Service Pensions Act 2013 (as amended from time to time);
 - (b) The Regulations, (i.e.: The Local Government Pension Scheme Regulations 2013; the Local Government Pension Scheme(Transitional Provisions, Savings and Amendment Regulations 2014 (as amended from time to time) and the Local Government Pension Scheme (Management and Investment of Funds) regulations 2009 and any amendments to these);
 - (c) The Pension Regulator's Code of Practice No 14 – governance and administration of public service pension schemes ("the Code") (as amended from time to time).

- (d) Other relevant legislation relating to the governance and administration of the Fund and;
 - (e) The requirements imposed by the Pensions Regulator in relation to the Fund; and
- to ensure the effective and efficient governance and administration of the Scheme.

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 London Borough of Lambeth Pension Fund.

The frequency of meetings

The Board will meet at least twice per year but may choose to meet more regularly. A yearly calendar giving details of the times and venue of the Board's meetings is posted on the Council's website.

The Board meetings are held in the Town Hall, Brixton, 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
- One pensioner representative (who is a member of the Fund)

All six members have voting rights. The employee and pensioner representatives are elected through a postal ballot.

The Fund will ensure that all members of both the Committee and the Board receive appropriate training and formally declare that they do not have conflicts of interest

Statement of compliance to guidance

Regulation 55(1)(c) requires Scheme administering authorities to measure their governance arrangements against the principles set out in the statutory guidance. Where compliance does not meet the published standard, there is a requirement to give, in their Governance Compliance Statement, the reasons for not complying.

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)					NA

* Please use this space to explain the reason for non-compliance.

The Pension Fund Committee comprises representatives of the main employer, Lambeth Council (over 95% of the pension fund membership) There is no representation of other employers or scheme members but 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.

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)					√

* Please use this space to explain the reason for non-compliance.

The Pension 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.

The Pension Fund Committee comprises representatives of the main employer, Lambeth Council. There is no representation of other employers or scheme members but there is a co-opted representative of active scheme members, pensioner members and a trade union representative. The co-opted members did not have voting rights up until 17 October 2019, from 18 October 2019 the co-opted members 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.

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)					√

* Please use this space to explain the reason for non-compliance.

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)					√

* Please use this space to explain the reason for non-compliance.

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)					√

* Please use this space to explain the reason for non-compliance.

The Policy requires that the Pension Committee and Board are aware of the six areas of knowledge and skills relating to the LGPS which CIPFA has identified as being 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. A formal training log is maintained for committee members.

The Administering Authority provides an annual training programme which all Committee and Board members are required to attend.

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)					NA

* Please use this space to explain the reason for non-compliance.

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.

	<div>Not Compliant*</div> <div>Compliant</div>				Fully
a)					√

* Please use this space to explain the reason for non-compliance.

Principle H – Scope

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

	<div>Not Compliant*</div> <div>Compliant</div>				Fully
a)					√

* Please use this space to explain the reason for non-compliance.

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.

	<div>Not Compliant*</div> <div>Compliant</div>				Fully
a)					√

* Please use this space to explain the reason for non-compliance.

Please use this space if you wish to add anything to explain or expand on the ratings given above.

Fund Account, Net Assets and Notes

FUND ACCOUNT		2019/20 £000	2018/19 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(49,271)	(49,687)
Transfers in from other pension funds	8	(3,025)	(2,880)
Sub-Total		(52,296)	(52,567)
Benefits	9	57,125	53,048
Payments to and on account of leavers	10	5,748	5,650
Sub-Total		62,873	58,698
Net (additions)/withdrawals from dealing with		10,577	6,131
Management expenses	11	2,423	1,753
Net additions/withdrawals including fund		13,000	7,884
Returns on investments:			
Investment Income	12	(26,806)	(28,266)
Tax on Income	13a	16	5
Profit and loss on disposal of investments and changes in the market value of investments	14a	26,000	(41,677)
Foreign Exchange gain		0	0
Net return on investments		(790)	(69,939)
Net decrease /(increase) in the net assets available for benefits during the year		12,210	(62,054)
Opening net assets of the scheme		(1,439,444)	(1,377,391)
Closing net assets of the scheme		(1,427,234)	(1,439,444)

NET ASSET STATEMENT		Notes	2019-20 £000	2018-19 £000
Investment Assets	14		1,403,086	1,390,129
Cash Deposits	14		0	0
Total Investment Assets			1,403,086	1,390,129
Current Assets:	20		24,161	49,501
Current Liabilities	21		(13)	(186)
Net assets of the fund available to fund benefits at the period end.			1,427,234	1,439,444

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 2019/20 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:

The Local Government Pension Scheme Regulations 2013 (as amended)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The fund is overseen by the Lambeth Pension Fund Committee, which is a committee of Lambeth Council.

2) Membership

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

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 under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 25 employer organisations within Lambeth Pension Fund including the Lambeth council itself, as detailed below.

Lambeth Pension Fund	31-Mar-20	31-Mar-19
Number of employers with active members	25	22
Number of employees in scheme:		
Lambeth council	4,488	5,180
Other employers	458	492
Total	4,946	5,672
Number of pensioners:		
Lambeth council	8,164	6,136
Other employers	246	76
Total	8,410	6,212
Deferred pensioners:		
Lambeth council	7,606	8,043
Other employers	80	244
Total	7,686	8,287
Total number of members in pension scheme	21,042	20,171

3) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. However, employer contributions paid in 2019-20 were those determined by the 2016 triennial valuation. Currently, employer contribution rates range from 17% to 42% of pensionable pay.

4) Benefits

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

	Service pre 1 April 2008	Service post 31 March 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 in that year at an accrual rate of 1/49th. Accrued pension is 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 Town Hall or website 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 2019/20 financial year and its position as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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 disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

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 the members and from the employer, 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 fund actuary.
- Employee contributions are based on the LGPS Regulations 2013 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 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 financial 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 financial 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 pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its total pension fund management expenses in note 11. This is in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Costs (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accrual's basis. All staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses, including staffing, are accounted for on an accruals basis and charged direct to the fund. Associated management, accommodation, and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

All investment management expenses are accounted for on an accrual's basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20, £0.1m of fees is based on such estimates (2018/19: £0.1m).

The cost of the Investment management team is charged to the fund, and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net asset statement**g) Financial assets**

Only the investments are at fair value, debtors and cash are 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 values 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 ruling 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.

The 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 comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)

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 currency bank accounts, market values 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. From this date, any gains or losses arising from changes in the amount of the liability are recognised by the fund.

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 contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension 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 showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1) (b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (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 asset statement but are disclosed by way of narrative in notes 25 and 24 respectively.

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 factors. Common judgements used include comparing revenue or earnings multiples to public comparable entities and prices of recent transactions. Also, valuations are 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 Venture Capital Association. The value of unquoted private equities at 31 March 2020 was £67.4m (31 March 2019: £61.0m).

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 amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account 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 2020 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 a number of 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 £166m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £175m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £56.6m to £94.3m.
Private equity (Note 14)	Private equity investments are valued at fair value in accordance with British 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 2020 is £67.4m.	The total (called) private equity investment in the financial statements is £67.4m. There is a risk that this investment may be under- or overstated in the accounts by up to £25m. Private Equity is illiquid for holding until its maturity of 12 years.

Pooled property funds (Note 15)	<p>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. As a result of this, the final realised value of those pooled units may differ slightly from the valuations presented in the accounts</p>	<p>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 14.2% ie an increase or decrease of £24.5m, on carrying values of £172m.</p>
Hedge fund of funds (Note 14)	<p>The fund of funds is 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.</p>	<p>The total hedge fund of funds value in the financial statements is £0.1m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% 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.</p>

Note 6: Events after the Reporting Date

There have been no events since 31 March 2020, up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 7: Contributions Receivable

Category	2019/20 £000	2018/19 £000
Members	9,544	8,883
Employer:		
Normal contribution	27,727	25,804
Deficit recovery contribution	12,000	15,000
Total employer's contribution	39,727	40,804
Total	49,271	49,687

Type of employer	2019/20 £000	2018/19 £000
Administering authority	45,677	46,769
Scheduled bodies	2,823	2,148
Admitted bodies	645	134
Community admission body	77	105
Transferee admission body	48	531
Total	49,271	49,687

Note 8: Transfers in from Other Pension Funds

	2019/20 £000	2018/19 £000
Individual transfer	3,025	2,880
Total	3,025	2,880

Note 9: Benefits Payable

Category	2019/20 £000	2018/19 £000
Pensions	48,254	45,595
Commutation & lump sum retirement benefits	7,946	6,453
Lump sum death benefits	925	1,001
Total	57,125	53,048

Authority	2019/20 £000	2018/19 £000
Administering authority	56,588	52,805
Scheduled bodies	309	181
Admitted bodies	176	21
Community admission body	52	41
Total	57,125	53,048

Note 10: Payments to and on Account of Leavers

	2019/20 £000	2018/19 £000
Refund to members leaving service	347	168
Individual transfers	5,401	5,482
Total	5,748	5,650

Note 11: Management Expenses

	2019/20 £000	2018/19 £000
Administrative costs	1,422	1,225
Investment management expenses	1,002	528
Total	2,423	1,753

In 2019/20 the Pension Fund paid £1.3m for the provision of staff. This disclosure is as per CIPFA guidance. Full details of the key management personnel are included within the Annual Report.

Note 11a: Investment Management Expenses

	2019/20 £000	2018/19 £000
Management fees	999	514
Custody fees	3	14
Total	1,002	528

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 (2018-19 6.9m) of which only £0.414m was actually invoiced.

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

	2019/20 £000	2018/19 £000
Fixed interest securities	7,057	8,254
Equity dividends	0	2,442
Private equity income	6,399	7,325
Pooled property investments	5,318	4,361
Pooled investments - unit trust and other managed funds	7,137	5,018

MAC Fund	175	0
Private Debt	684	0
Interest on cash deposits	1	5
Other	35	861
Total	26,806	28,266

Note 13a: Taxes on Income

	2019/20 £000	2018/19 £000
Tax – equities	16	5
Total	16	5

Note 13b: External Audit Costs

	2019/20 £000	2018/19 £000
Payable in respect of external audit	19	16
Total	19	16

Note 14: Investments

	2019/20 £000	2018/19 £000
Fixed interest securities	220,332	294,511
Pooled investments	735,168	809,251
Pooled property investments	172,433	145,273
Private equity	67,464	61,023
London CIV	150	150
Multi Asset Credit	183,060	76,119
Private Debt	24,446	3,802
Cash Instruments	33	0
Total	1,403,086	1,390,129

Note 14a: Reconciliation of Movements in Investments

	Market value 1 April 2019	Purchase s during the year	Transfer s – IN	Sales during the year	Transfers - OUT	Moveme nt in cash during the year	Change in market value during the year	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 investme	809,251	411,843	0	(468,634)	0	0	(17,293)	735,168
Pooled property investme	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	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	150
Cash Deposits	0	0	50	0	0	(17)	0	33
Investme nt Manager Cash	34		0	0	(34)	0	0	0
Total	1,390,129	765,794	50	(726,837)	(34)	(17)	(26,000)	1,403,086

	Market value 1 April 2018	Purchases during the year	Transfers – IN	Sales during the year	Transfers - OUT	Movement in cash during the year	Change in market value	Market value 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed interest	361,714	11,255	0	(78,006)	0	0	(486)	294,476
Equities	76,525	1,978	(600)	(77,321)	0	0	(582)	
Pooled investme	732,983	82,803		(45,579)	0	0	39,045	809,251
Pooled property investme	131,456	15,468	0	0	0	0	(1,651)	145,273
Private equity	52,936	3,860	0	0	0	0	4,227	61,023
Multi Asset		75,000	0	0	0	0	1,119	76,119
Private Debt		3,802	0	0	0	0	0	3,802
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	0	20		(2,198)	0	2,179	0	0
Investme nt Manager	35	0	0	0	0	11	(12)	34
Total	1,355,799	194,185	(600)	(203,105)	0	2,190	41,677	1,390,129

Note 14b: Analysis of Investments

	31-Mar-20 £000	31-Mar-19 £000
Bonds		
UK		
Corporate quoted	220,332	294,511
Pooled funds - additional analysis		
Overseas		
Unit trusts quoted	734,513	806,254
Hedge fund of funds unquoted	655	2,997
Pooled property investments UK unquoted	42,100	15,468
Pooled property investments Overseas unquoted	130,333	129,806
Private equity unquoted	67,464	61,023
Multi Asset Credit Overseas quoted	183,060	76,119
Private Debt Overseas quoted	24,446	3,802
London CIV	150	150
Cash Instrument	33	0
Total investment assets	1,403,086	1,390,129

Note 14c: Investments Analysed by Fund Manager

	Market value 31 March 2020 £000	%	Market value 31 March 2019 £000	%
Adam Street	67,464	4.8	61,023	4.4
Aviva	79,520	5.7	78,580	5.7
Invesco	172,153	12.3	144,992	10.4
Insight	220,363	15.7	294,511	21.2
London CIV	150	0	150	0.0
London CIV - BG Global Equity	259,990	18.5	263,348	18.9
London CIV - JP Morgan	124,802	8.9	150,041	10.8
London CIV - PyrFord	0	0	56,219	4.0
London CIV - Ruffer	0	0	60,586	4.4
London CIV - MAC	183,060	13.1	76,119	5.5
Insight MMF	60,000	4.3	0	0
MFS	0	0	197,480	14.2
London CIV - RBC	210,200	15.0	0	0
PAAMCO	655	0	2,997	0.2
RREEF	283	0	281	0.0
Churchill Asset Management	17,139	1.2	3,802	0.3
Permira	7,307	0.5	0	0
Total	1,403,086	100	1,390,129	100

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

	Market value 31 March 2020		Market value 31 March 2019	
	£000	% of total fund	£000	% of total fund
Aviva	79,520	5.7	78,580	5.7
Invesco	172,153	12.3	144,992	10.4
Insight	220,363	15.7	294,511	21.2
London CIV - BG Global Equity	259,990	18.5	263,348	18.9
London CIV - JP Morgan	124,802	8.9	150,041	10.8
London CIV - MAC	183,060	13.1	76,119	5.5
London CIV - RBC	210,200	15.0	0	0

Note 15: Fair Value – Basis of Valuation

The basis of the valuation of 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 ruling 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 2	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	Not required

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	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to the expected cash flows, by any difference between audited and unaudited accounts.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

Sensitivity of assets valued at level 3

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

	Valuation range (+/-)	Value at 31 Mar-20	Value on increase £000	Value on decrease £000
Pooled investments – Hedge funds	7.7%	655	706	605
Private equity	36.5%	67,464	92,089	42,840
Pooled property investments	14.2%	172,435	196,921	147,949
Total		240,554	289,716	191,394

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 pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2020	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	1,162,532		240,554	1,403,086
Net investment assets	1,162,532		240,554	1,403,086

Values at 31 March 2019	Level 1 £000	Level 2 £000	Level £000	Total £000
Financial Assets at fair value through profit and loss	1,180,835	145,273	64,021	1,390,129
Net investment assets	1,180,835	145,273	64,021	1,390,129

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

Period 2019/20	Market value 01 Apr 2019	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Hedge Fund of Funds	2,997				(390)	(1,952)		655
Private equity	61,023			34		6,407		67,464
Pooled property investments	145,273					27,163		172,435
	209,293	0	0	34	(390)	31,618	0	240,554

Note 16: Financial Instruments

Note 16a: Classification of Financial Instruments

	2019/20			2018/19		
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Fixed interest Securities	220,332			294,511		
Pooled investments	735,168			809,251		
Pooled property investments	172,433			145,273		
Private equity	67,464			61,023		
Multi Asset Credit	183,060			76,119		
Private Debt	24,446			3,802		
London CIV	150			150		
Cash instruments	33					
Debtors		571			3,858	
Cash and Cash Equivalents		23,590			45,641	
Financial Liabilities						
Creditors			(13)			(186)
Total	1,403,086	24,161	(13)	1,390,129	49,499	(186)

Note 16b: Net Gains and Losses on Financial Instruments

	31-Mar-20 £000	31-Mar-19 £000
Financial Assets		
Fair Value through profit and loss	(26,000)	41,689
measured at amortised cost	0	(12)
Financial Liabilities		
measured at amortised cost	0	0
Total	(26,000)	41,677

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 Pension Fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Pension 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, 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	14.0%
Emerging Markets	30.5%
Sustainable Equity	22.9%
DGF	11.9%
Private Debt	9.2%
Global Equities	22.9%
Pooled property investments	14.2%
Other pooled investments	22.9%
Private Equity	36.5%
Multi Asset Credit	8.5%
Hedge Funds	7.7%
Money Market Fund	0.00%
Cash - GBP	0.00%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

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

Asset type	Value as at 31 Mar 19	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Global Equities	460,828	88,479	549,307	372,349
Emerging Markets	150,041	39,311	189,352	110,730
Diversified Growth	195,385	18,952	214,337	176,432
Hedge Funds	2,997	204	3,201	2,793
Private Equity	61,023	14,218	75,242	46,805
Multi Asset Credit	79,921		86,474	73,367
Corporate Bonds	240,501	15,392	255,894	225,109
Bonds- LDI	54,009	10,208	64,217	43,801
Property	145,273	20,193	165,466	125,080
London CIV	150		150	150
Total	1,390,129	213,511	1,603,640	1,176,619

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 2020 and 31 March 2019 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 BPs change in interest rates.

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

Asset exposed to interest rate risk	Value as at 31 Mar 19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	45,662	0	45,662	45,662
Fixed interest securities	294,511	2,945	297,456	291,566
Total	340,173	2,945	343,118	337,227

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

Income exposed to interest rate risk	Amount Receivable 2018-19	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	5	0	5	5
Fixed interest securities	8,254	83	8,337	8,172
Total	8,259	83	8,342	8,177

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 as at 31 Mar 20 £000	Potential market movement £000	Value on increase £000	Value on decrease £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

Assets exposed to currency risk	Value as at 31 Mar 19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas unquoted securities	61,023	6,102	67,126	54,921
Overseas unit trusts	129,525	12,953	142,477	116,572
Total	190,548	19,055	209,603	171,493

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 values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

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 2020 was £23.6m (31 March 2019: £45.7m). This was held with the following institutions.

	Rating	31 Mar 20 £000	31 Mar 19 £000
Money Market Funds			
Northern Trust - Liquidity Fund	AAA	19	21
Majedie Asset Management (London CIV)		0	2
Bank deposits and current account			
Royal Bank of Scotland	A+	23,590	45,641
Total		23,609	45,664

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 that the pension

fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and cash to meet investment commitments. The fund has immediate access to its pension fund cash holding.

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 2020 the value of liquid assets was £1,358.6m, which represented 95.2% of the total fund assets (31 March 2019: £1,224.0m, which represented 95.7% of the 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 2020 are due within one year.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund 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 Local Government Pension Scheme Regulations 2013, 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 so.
- 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 were 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:

Demographic 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. Assumed life expectancy from age 65 is as follows.

	31-Mar-20	31-Mar-19
Retiring today		
Males	21.3	21.6
Females	23.5	23.9
Retiring in 20 years		
Males	22.7	23.8
Females	25.0	26.0

Commutation assumption

It is 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.

In order 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 used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2020 was £1,885m (31 March 2019: £2,174m). The net assets available to pay benefits as at 31 March 2020 was £1,382m (31 March 2019: £1,406m). The implied fund deficit as at 31 March 2020 was therefore £504m (31 March 2019 £768m)

As noted above, the liabilities above 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 that reflects market rates.

Assumptions used	2019/20 %	2018/19 %
Inflation/pension increase rate	1.9	2.5
Salary increase rate	2.4	2.9
Discount rate	2.3	2.4

Note 20: Current Assets

	31-Mar-20 £000	31-Mar-19 £000
Sundry debtors	571	3,858
Cash balances	23,590	45,643
Total	24,161	49,501

Note 21: Current Liabilities

	31-Mar-20 £000	31-Mar-19 £000
Outstanding settlement	0	0
Sundry creditors	13	186
Total	13	186

Note 22: Additional Voluntary Contributions

	31-Mar-20 £000	31-Mar-19 £000
Prudential	2,627	2,315
Equitable Life	490	419
Clerical Medical	172	171
Total	3,289	2,905

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 £1.27m (2018/19: £1.06m) 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 £36.0m to the fund in 2019/20 (2018/19: £38.0m). The amount payable to the Council as at 31 March 2020 shown as current liability.

Governance

There are no elected members of the Pension 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, pension committee staff representatives S SivaAnanthan is an active member of the pension fund. Also, one pension board staff representative G Williamson is an active member of the pension fund.

Members of the Pension Committee are required to declare their interest at each meeting.

Note 24: Contingent Liabilities and Contractual Commitments

The total commitments as at 31 March 2020 are £222.9m and the outstanding capital commitments (investments) are £63.7m (31 March 2019: total commitment £171.6m and outstanding was £65.1m).

These commitments relate to outstanding call payments due on Private Equity, Pooled Property & Private Debt parts of the portfolio. The amounts 'called' by this fund 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 has been prepared by the Administering Authority in collaboration with the Fund's actuary Hymans Robertson, and after consultation with the Fund's employers and investment adviser.

Following the 2019 valuation the Funding Strategy Statement was reviewed and updated in February 2020. In preparing the Funding strategy Statement the officers and the actuary took into consideration the guidance issued by CIPFA and the Scheme Advisory Board.

- Purpose of the Pension Fund.
- Aims of the funding policy.
- Solvency issues and target funding levels.
- Identification of risks and counter measures.
- Links to investment policy set out in the Statement of Investment Principles.

The full version of the Funding Strategy Statement is attached as appendix 2 to this report and also available on the Pension Fund's website at:

<https://www.lambeth.gov.uk/elections-and-council/finance-and-payments/financial-information-guide>

Investment Strategy Statement

Under powers contained in The Public Service Pensions Act 2013 Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and these regulations came into force on 1st November 2016.

Regulation 7(1) requires administering authorities to formulate an investment strategy statement (ISS) which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement (ISS) is a document that replaces, and largely replicates, the Statement of Investment Principles under the proposed Investment Regulations. 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 will be required to cover a number of areas, specifically:

- (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 measured and managed;
- (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- (e) The authority's approach on how social, environmental, or 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 rights (including voting rights) attaching to investments.

Lambeth published the ISS statement in February 2020 and will be regularly reviewed and at least every three years. This document is designed to comply with the guidance given by the Secretary of State.

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 Investment Strategy Statement is attached as appendix 1 to this report and also available on the Pension Fund's website at <https://www.lambeth.gov.uk/elections-and-council/finance-and-payments/financial-information-guide>

Communications Policy Statement

As required by Regulation 67 of the Administration Regulations the fund should prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities.

Effective communication with all members and Scheme Employers is very important. The Fund's Communications Policy Statement formalises the processes by which this will be achieved. The full version of the communication policy is also available on the Fund's website at <http://www.lgpslambeth.org/lambeth-pension-fund/> .

The Fund uses the following ways to provide up-to-date and accurate information to its members.

Website

The Fund's dedicated website has all the relevant information on joining the Pension Fund, Fund performance, and latest changes in LGPS Regulations.

Website: <http://www.lgpslambeth.org/lambeth-pension-fund/> The Lambeth Pension Fund Annual Report will be available to all Scheme Employees. The Annual Report has the Fund Statement of Account for the year ended 31 March and further useful information on Fund operations. The annual report is also available on the Fund webpage.

Annual Benefit Statements

Annual Benefit Statements are sent out to all active and deferred members. This statement provides details of their pension benefits. It is hoped that our members will find them a useful aid in assessing the benefits they have accrued and their prospective benefits at retirement. The Fund plans to continue improving and updating the statements to ensure the information provided is accurate, clear and understandable.

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

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

Compliance Statement

The purpose of this Compliance Statement is primarily to disclose some 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.

Investment Strategy Statement

The Public Service Pensions Act 2013 (The Act) Regulation 7(1) requires administering authorities to formulate an investment strategy statement (ISS) which must be in accordance with guidance issue by the Secretary of State.

The Investment Strategy Statement (ISS) is a document that replaces, and largely replicates, the Statement of Investment Principles under the proposed Investment Regulations. Administering Authorities prepared and maintain an ISS documenting how the investment strategy for the fund is determined and implemented.

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

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 S151 officer who in the Councils case is 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 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.

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;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts present fairly the financial position of the Lambeth Pension Fund as at 31 March 2020 and its income and expenditure for the year then ended.

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

Opinion

We have audited the financial statements of London Borough of Lambeth Pension Fund ('the Pension Fund') for the year ended 31 March 2020, 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 2019/20.

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 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 –the valuation of land and buildings and property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's pooled property fund investments as at 31 March 2020. 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. 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: Finance & Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance & 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: Finance & Property is responsible for the other information. The other information comprises the Annual Governance Statement, 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: Finance & Property for the financial statements

As explained more fully in the Statement of the Director: Finance & Property's Responsibilities, the Director: Finance & 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 2019/20, and for being satisfied that they give a true and fair view. The Director: Finance & Property is also responsible for such internal control as the Director: Finance & 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: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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: Finance & 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 exercise any other special powers of the auditor under sections 28, 29 or 31 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 London Borough of Lambeth, as a body and as administering authority for the London Borough of 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 Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley

For and on behalf of Mazars LLP

Tower Bridge House

St Katharine's Way

London, E1W 1DD

3 March 2021