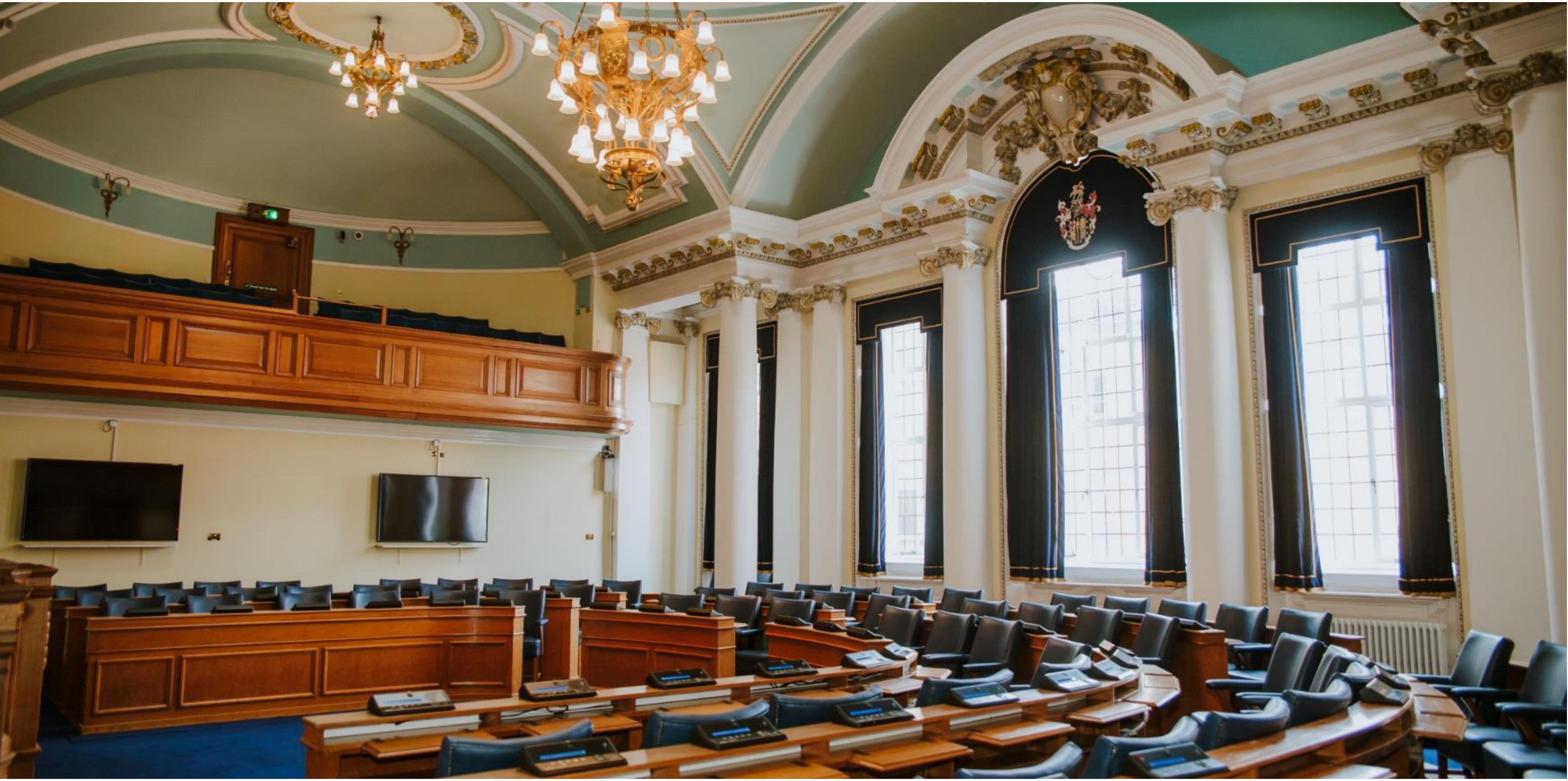

Pension Fund Annual Report

London Borough of Lambeth • 2023/24

Lambeth

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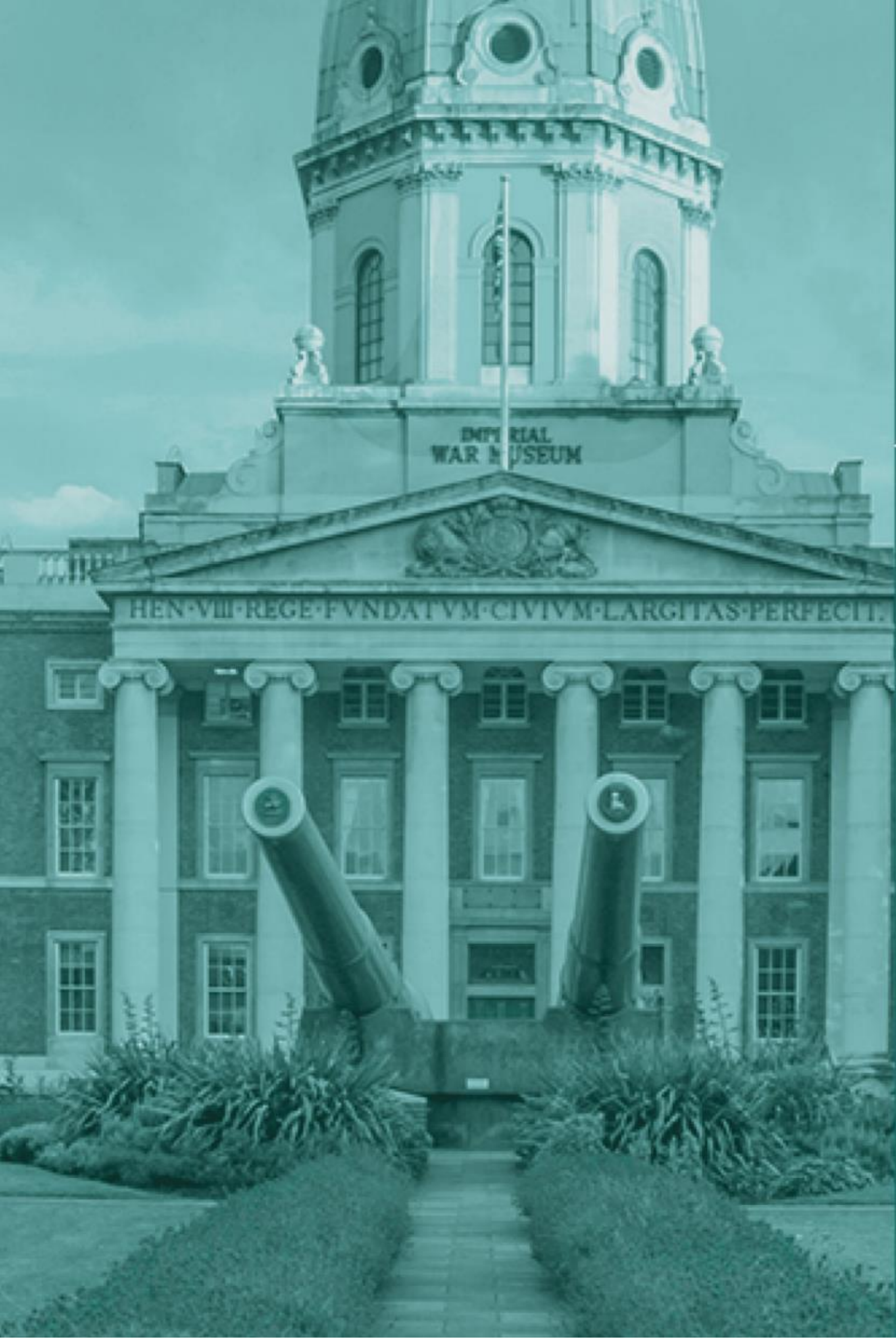


1.

Scheme Management and Advisors

Scheme Management and Advisors

ADMINISTERING AUTHORITY

London Borough of Lambeth

Administrator:	Zena Cooke Corporate Director of Finance (S151 Officer)

COUNCIL OFFICERS

Cagdas Canbolat	Acting Director of Finance & Property (Deputy s151
Pete Hesketh	Acting Deputy Director of Finance
Saul Omuco	Acting Head of Treasury and Pensions
Senimetu Yakubu	Deputy Head of Treasury and Pensions
Saril Prakash	Acting Deputy Head of Treasury and Pensions
Sarah Hargraves	Governance and Compliance Manager
Linda D’Souza	Assistant Director of Payroll and Pensions
Kathryn Shore	Pensions Manager

BANK

National Westminster Bank Plc

FUND MANAGERS

Adams Street Partners

Churchill Asset Management

Insight Investment

Invesco

London CIV

M&G Investments

Northern Trust

PAAMCO

Permira

RREEF

LEGAL ADVISORS

Council Lawyers

AVC PROVIDERS

Clerical Medical

Prudential

Utmost Life & Pensions (Closed to new applicants)

ADVISOR

Mercer Ltd

CUSTODIAN

Northern Trust

GOVERNANCE

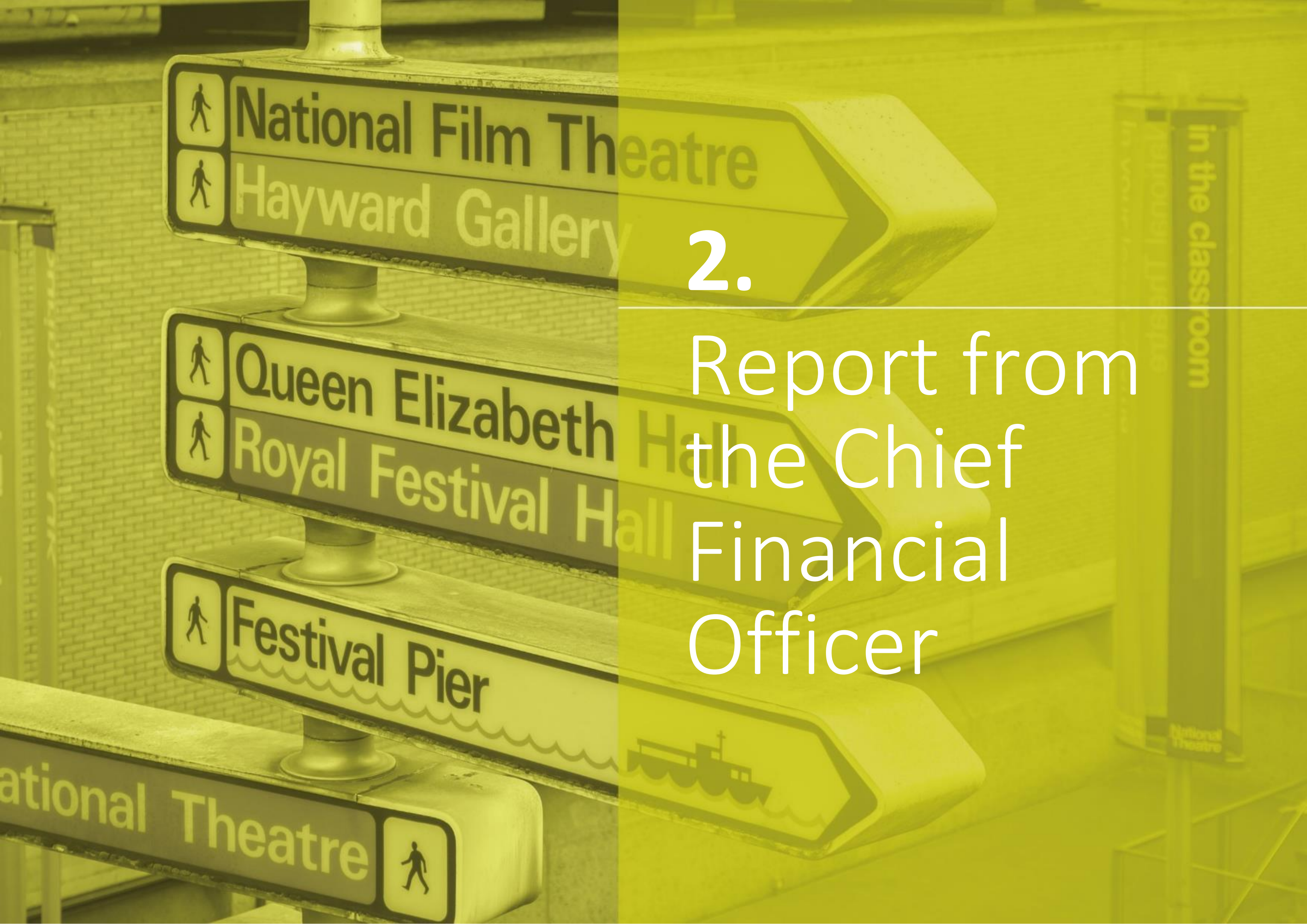
Aon

ACTUARY

Hymans Robertson LLP

AUDITOR

Mazars LLP, UK



2.

Report from the Chief Financial Officer

Report from the Chief Financial Officer

INTRODUCTION

Welcome to the 2023/24 Annual Report for the London Borough of Lambeth Pension Fund. The Fund is part of the Local Government Pension Scheme (LGPS), a national defined benefit public service scheme providing retirement benefits for local government employees and those working for other employers that participate in the scheme. Administered by Lambeth Council, the Fund provides retirement benefits to nearly 22,000 active, deferred and pensioner members who are currently or have previously been in paid employment for the London Borough of Lambeth and other participating bodies in the Fund.

The Fund's overriding objective is to ensure sufficient assets to pay benefits owing to members as and when they fall due. It collects contributions from employers and employees within the Fund and invests those over the longer term to achieve both investment income and capital growth. The Fund is governed in part by the policies and procedures of the council as prescribed in its constitution but operates as a separate statutory entity and, as such, must also adhere to separate rules and regulations specific to the LGPS.

Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare and publish an annual report for the Fund it maintains by 1 December every year. The report must detail the management and financial performance of the Fund during the year, as well as arrangements made for its administration and governance. It should also include the Fund's annual statement of accounts and other key documents that set out its investment and funding strategies.

PENSIONS COMMITTEE AND BOARD

The 2023/24 Lambeth Pension Fund Annual Report has been prepared in accordance with the regulations and in line with statutory guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is presented in the following pages following introductions from the Chairs of the Pensions Committee and Pensions Board respectively. These two bodies are responsible for the overall management of the Fund; the Pensions Committee has decision-making authority for all matters concerning governance, administration, and investment, whilst the Pensions Board sits in an advisory role independent of the Committee, assisting the council to secure compliance with the relevant regulations relating to the scheme.

The membership of these bodies is made up of elected councillors and scheme members who serve terms of at least four years in their respective roles. Both bodies are highly engaged and committed to the work of the Fund, and I am confident that under their leadership and scrutiny the Fund will continue to maintain its status as a leader in the LGPS.

TRIENNIAL VALUATION

The Fund's actuary carried out and completed the latest triennial valuation at 31 March with the funding level improving to 96% from 82% as at 31 March 2019. The funding position as 31st March 2024 was 114% which amount to a surplus of £220m. This result is an estimate based on rolling forward the fund's funding position from 31 March 2022. The Funding level is a statistic often quoted to give an indication of the health of the Fund at a given point in time. indicating the extent to which the Fund's assets might meet its future funding liabilities, and the improvement in funding level over the latest valuation period and is largely due to better-than-expected investment returns. The most significant external event to have taken place over the period is of course the geo-political instability (the war between Russian and Ukraine, and the Gaza conflict). Following the conclusion of the valuation, new employer contribution rates for the next three years began in April 2023 and ranged from 0.0% to 43.8%. The next triennial valuation exercise will be carried out from March 2025.

MEMBERSHIP

Membership over the three-year valuation period ending 31 March 2022 has largely remained stable although the profile of membership has changed, with the number of active members decreasing by approximately 12% and deferred and pensioner members increasing by 3% and 5% respectively. In the year to 31 March 2024 there have been an increase in both active (6%) and pensioner members (5%) and a minor decrease in deferred members (-4%). The Fund continues to experience cashflow pressure although the net cash outflow from dealing with members in 2023/24 was £12.6m (£11.3m in 2022/23). When you consider the income from investments and administrative and management expenses the overall cash position is positive. The combination of these membership changes, net cash outgoings, and the continue impact of high inflation on the cost of paying pension benefits, means the Fund must continue to prioritise investment opportunities that provide long-term stable and regular income to meet cash flow requirements.

INVESTMENT STRATEGY

Following the conclusion of the 2022 actuarial valuation the Fund has been implementing its new investment strategy, as the Pensions Committee makes decisions. The strategy update took into consideration the improved funding level, the required return on investments of 3.4% as set out by the actuary, and the need to transition into low carbon mandates to meet the Fund's target for its investments to produce net zero emissions by 2040. An updated Investment Strategy Statement was published, with the version appended to this report being the latest as agreed in November 2023.

Over the year the Fund value increased from £1,698m as at 31 March 2023 to £1,799m as at 31 March 2024, a 6% (or £101m) increase, compared to a decrease of 8% in 2022/23. However, this still represents a slight underperformance against the twelve-month benchmark set at 10%; the Fund has also narrowly underperformed its three-year and five-year benchmarks by -3.8% and -0.9% respectively. The Fund slightly underperformed the benchmark in Q1 2024, with the majority of the managers underperforming. In particular, the London CIV (JP Morgan) and Invesco Property portfolios.

Over the course of 2023/24 the Fund carried out portfolio rebalancing of assets in line with the Funds new Investment Strategy, which included reduction in the overweight MAC Fund position by £70m, addressed the underweight LDI position by £70m, terminated the underperforming commercial property Fund and started investing in LCIV's UK Housing Fund.

POOLING

The London CIV is the pooling company established in 2015 for London LGPS funds and is responsible for implementing the government's pooling agenda, the objective of which is to achieve savings over the longer-term through collective investment and therefore lower management fees and more effective central management of Fund assets. The Lambeth Pension Fund is one of the most pooled Funds in London with approximately 56% of the Fund's assets actively invested through the pool which, in 2023/24, resulted in an estimated cost saving of £0.98m (£1.1m in 2022/23). The Fund remains committed to working with the LCIV to develop and launch products that meet its needs.

THE YEAR AHEAD

2024 should prove to be another busy year for the Fund and the wider LGPS, as across the sector Funds continue to implement changes to their new strategic asset allocations and work with their pools to develop the right products. In addition, Funds will be considering government guidance following publication of the result of consultation on LGPS investments: next steps which require Funds Pools all listed assets by March 2025, delegate manager selection and strategy implementation to pool, pools to provide investment advice to Funds, allocate up to 10% of their assets to equity and Funds to invest up to 5% of their assets on Levelling Up amongst others.

The government released a rather non-committal guidance on the reporting on climate related financial disclosures based on TCFD framework stating that the LGPS Fund are not mandated to implement the framework but could do so voluntarily. The government acknowledges that this requirement would both be resource intense, detailed, and complex for most Funds.

The government won an appeal brought regarding an inclusion of the McCloud remedy on the 2016 and 2020 cost sharing valuation, which means benefits do not need to change saving the LGPS and administrative nightmare.

I remain confident that the Fund is in a strong position to respond to these challenges in a way that continues to prioritise the interests of its members whilst maintaining its status as an innovative and leading Fund within the LGPS.

Zena Cooke
Corporate Director of Finance
Section 151 Officer
London Borough of Lambeth

3.

Report from the Pensions Committee Chair

Report from the Pensions Committee Chair

INTRODUCTION

As Chair of the Lambeth Pensions Committee, I am pleased to introduce the Pension Fund's Annual Report and Accounts for 2023/24. Over the last year, the UK economy has emerged from the twin global shocks of the pandemic and Russian invasion of Ukraine into a period of declining inflation but stagnating output. Inflation has receded more quickly than was expected and markets now expect a sharper decline in interest rates. Inflation could rebound and remain higher for longer if the conflict in the Middle East were to widen or if domestic wage pressures do not subside as quickly as is assumed. All these have impacted the Fund and its investments over the period. Whilst Fund performance in the past three years has been very strong, contributing to an improved estimated funding level of 110% as at 31 March 2024, the ongoing volatility in response to changing inflation and economic activity has had a detrimental impact on the value of many of the Fund's assets, particularly growth and sustainable equities invested through the London CIV (LCIV).

The Fund's focus continues to be on ensuring it is well placed to meet the challenges posed by this ongoing uncertainty and deliver for its members, taking a long-term view on investment performance given the very long-term nature of the Fund's liabilities. Whilst the main priority will always be to ensure that pension benefits can continue to be paid as and when they fall due, the Fund also prioritises its approach to responsible investment, with the Committee believing that a focus on Environmental, Social and Governance (ESG) issues will lead to growth over the longer-term.

INVESTMENT STRATEGY REVIEW

The last triennial valuation as at 31 March 2022 saw the funding level improve from 83% in 2019 to 96%, mostly due to strong investment returns over that period. Following the conclusion of the review of the Fund's investment strategy, Committee got to work implementing it by topping up on the Funds LDI allocation, reducing on overweight position in MAC Fund and reviewing the performance of the Funds commercial property allocation in order to better reflect the Funds long-term objectives of mitigating underperformance, further diversifying the risk in the strategy, and providing a high probability of meeting Fund liabilities. Committee also approved the Fund's 2040 net zero target. Work continues to finish the re-alignment of the Fund's portfolio to the new Investment Strategy.

FUND PERFORMANCE

The value of the Lambeth Pension Fund increased during the year by approximately £75m to a market value of £1,760m as at 31 March 2024. The Fund's assets increased in value by approximately 5% over the year ending 31 March 2024 against a higher benchmark of approximately 9%, which compares to a 8% loss achieved in 2022/23. Global equity and LDI were the best performance and multi asset credit was the primary driver of this year's below benchmark returns, in a recovering market environment characterised by continued geopolitical instability and receding inflationary pressures. Investment management costs as a percentage of Fund value over the past year remain stable at approximately 0.42%, a reasonable cost considering the Fund is 100% actively managed.

LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV)

In line with the latest government guidance on asset pooling within the Local Government Pension Scheme (LGPS), the Lambeth Pension Fund is committed to, and is a shareholder of, the London CIV. As well as the cost savings that come from pooling assets at scale, the creation and ongoing operation of the LCIV has also helped to foster and improve collaboration between London boroughs in developing mandates that meet the respective Funds' objectives. Currently the Fund has around £990m, or 56% of Fund assets, managed via the LCIV. It is the Fund's intention to continue to follow government guidance and to consider investing through the LCIV in the first instance for all new investments, and to work with the LCIV in developing new mandates that meet the objectives of the Fund's investment strategy.

GOVERNANCE

The Pensions Committee was established 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 moved to meet these requirements and draws its membership from "interested parties" as follows:

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

All training needs are regularly assessed and delivered in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and the Fund's Training Policy. As part of the governance and oversight of the Pension Fund, a regular review and update to the Fund's policies and procedures and governance framework is essential to ensure compliance with latest legislation, guidance, and best practice. The Fund regularly reviews its policies and procedures in line with recommended timeframes and with advice from its advisers; a separate, independent review will be commissioned once the outstanding raft of expected changes to governance requirements come into force.

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

RESPONSIBLE INVESTMENT

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

Following committee unanimous decision in January 2022 to adopt a 2040 net zero target for the Fund, it subsequently approved interim net zero target in January 2024. The Fund uses Weighted Average Carbon Intensity Matrix to monitor net zero progress, which provides a decarbonisation pathway for the Fund to target net zero by 2040. Nevertheless, the Pension Committee is mindful of its fiduciary duty to obtain the best possible financial returns on the investments it administers within the Investment Strategy Framework.

In 2021 the Fund became the first London LGPS Fund to be announced as a successful signatory to the UK Stewardship Code, and we were delighted to retain our signatory status for a third year in 2023. Signatory status confers on the Fund an acknowledgement of the high standards adopted to manage and responsibly allocate the Fund's assets, and it is those standards we will continue to adhere to for the benefit of our members.

EMPLOYERS IN THE FUND

As at 31 March 2024 there were 31 active employers in the Fund, of which Lambeth Council is by far the largest, accounting for 95% of all members. The Fund continues to proactively engage with its employers. Meetings with employers have focussed on maintaining steady contribution rates, which for the most part was achieved with the recent changes to employer contributions following the 2022 actuarial valuation, where 80% of employers saw either no change or a reduction to their rates.

PUBLICITY

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

OUTLOOK

Local Authority's' pension schemes economic outlook and the impact on scheme assets and liabilities over the short term remains uncertain as always; the risk of Inflation rebounding and remaining higher for longer if the conflict in the Middle East were to widen or if domestic wage pressures do not subside as quickly as is assumed, in addition to the response of the markets to monetary policy aimed at addressing it. In the LGPS specifically, following Mansion House reforms the government's intention is to consolidate local government pension schemes (LGPS) in fewer pools, although it does not intend to force mergers in the near term but wants schemes to make progress towards meeting the March 2025 transition date. Combine this with the government's push for LGPS schemes to increase the illiquid allocations and 2024 will be both challenging and busy for the Fund. As a long-term investor the Fund will take a longer-term view of some of these issues, as the Committee continues to closely monitor the performance of the Fund and will always seek to make decisions in the best interests of our members.

The Fund's primary objective remains the payment of pension benefits as and when they fall due, with a focus on income generation and managing cash flows given the Fund's net cash outflows. The responsible investment of the Fund's assets, including the transition to net zero carbon emissions, also remains a key consideration. As we implement the Fund's strategy in 2024, we will also be looking to canvass the views of our members on issues of responsible investment, so that we can be sure we act in line with their interests.

I wish to thank my fellow Committee members, Board members, and Fund officers for their efforts over this past year in dealing with the challenges faced by the Fund and for furthering the Fund's focus on responsible investment and stewardship. I am confident the Fund is well placed to meet the challenges it will face over the next year and beyond.

Cllr. Adrian Garden
Chair – Lambeth Pensions Committee

4.

Report from the Pensions Board Chair

Report from the Pensions Board Chair

As the Chair of the Lambeth Pensions Board I am very pleased to talk about the Board which has been in operation since 2015.

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 8 July 2015. The Board consists of three representatives of the scheme employers, and three representing scheme members. The employer representatives are serving Lambeth councillors and the scheme member representatives consist of a) one person nominated by the Unions as an employee representative b) one pensioner representative currently in receipt of a pension from Lambeth's Pension Fund and c) one Lambeth Council staff member representative who is also a member of the Lambeth Pension Fund.

Details on the Pensions Board's current representatives are held on the Council's website at the following link:

https://moderngov.lambeth.gov.uk/mgCommitteeDetails.aspx?ID=733

The Board met on four occasions during the year ending 31 March 2024; all meetings were quorate.

FUNCTIONS AND OPERATION OF THE BOARD

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

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

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

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

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

SCHEME DOCUMENTS

During the last year the Board reviewed scheme policies and a range of key documents covering the items captured in the work plan below. In particular, documentation covering the final results of the 2022 actuarial valuation of the Fund detailing the employer contribution rates from April 2023 was reviewed in addition to the updated Funding Strategy Statement. Quarterly updates on the McCloud Remedy and the Pensions Dashboard were also reviewed.

TRAINING

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

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

WORK PLAN

In considering the work of the Board to ensure the continued good governance of the scheme, the following key areas have been highlighted during 2023/24 and members will prioritise reviews based on information received from quarterly compliance updates.

- Actuarial Valuation and Funding Strategy Statement
- Meeting existing and new legislative requirements
- Improving data quality
- Ensuring strength in employer covenants
- Admission and cessation of employers to the Scheme
- Statement of Accounts
- Administration including the Administration Strategy
- Communications
- Audit and Risk Management
- Governance
- Training

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

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

Cllr. Linda Bray
Chair – Lambeth Pensions Board

5. Risk Management

Risk Management

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

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

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

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

SOLVENCY RISK AND MISMATCHING RISK

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

MANAGER RISK INCLUDING THE LONDON CIV

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

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

LIQUIDITY RISK

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

CORPORATE GOVERNANCE RISK

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

LEGISLATIVE RISK

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

MARKET RISK

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

FINANCIAL RISKS

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

ADMINISTRATION RISKS

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

RISK MANAGEMENT POLICY AND REGISTER

The Fund also has a Risk Management Policy detailing the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund and, in particular, attitudes to and for risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

A formal record of risks is recorded in the Fund's Risk Register. The Risk Register, including any changes to the internal controls, is presented to the Pensions Committee on at least a bi-annual basis or more regularly if a significant risk emerges. The Pensions Board receives an update at each meeting, enabling Board members to provide comment and input to the management of risks.

6.

Investment Strategy

Investment Strategy

The introduction of LGPS asset pooling has changed the way Funds make investment decisions; Lambeth's investment strategy is now geared towards pooling its assets with the London Collective Investment Vehicle (LCIV) and as at 31 March 2024 approximately 56% of the Fund's assets were pooled.

The Fund's investment strategy was last updated in November 2023 following the conclusion of the 2022 triennial valuation.

Over the course of 2023/24 the Fund carried out portfolio rebalancing of assets in line with the Funds new Investment Strategy:

- Reduction in the overweight MAC Fund position by £70m,
- Increased the underweight LDI position by £70m,
- Terminated the underperforming commercial property Fund; and
- Started investing in LCIV's UK Housing Fund.

As at 31 March 2024 the Fund actively invests its assets through five external managers (five via the London CIV) across seven different asset classes.

The Fund holds asset managers accountable for stock selection and subsequent performance of the mandates under which they operate, and managers are challenged robustly and formally by the Pensions Committee. Managers' performance is reviewed at each Committee meeting in discussion with the investment advisor and officers, and they are also called to Committee meetings where necessary. Officers meet managers regularly and advice is taken from the investment advisor on matters relating to manager performance. The Fund also undertakes rebalancing reviews of its strategic asset allocation to ensure that actual allocations do not deviate significantly from target allocations.

During 2023/24 the Fund's net asset value increased by approximately £101m, driven by a resurgent and upbeat global economic outlook. The table below provides a breakdown of the Fund's investments by asset manager as at 31 March 2024, including the current benchmark asset allocations per the investment strategy against the actual year-end allocations (with prior year comparator); further information on the investment strategy can be found in the Investment Strategy Statement (see *Appendix 2*).

ASSET ALLOCATIONS BY MANAGER 2023/24

Asset Class	Manager	Market Value 31 March 2024 (£m)	Benchmark Allocation (%)	Actual Allocation 31 March 2024 (%)	Actual Allocation 31 March 2023(%)
Private Equity	Adams Street	54.6	7.5	3.1	4.1
Property	Invesco	149.3	10.0	8.5	9.2
Property	London CIV – Affordable Housing	0.2			0.0
LDI	Insight	252.0	15.0	14.3	15.3
Global Equities	London CIV - Baillie Gifford	313.2	16.25	17.8	15.5
Global Equities	London CIV - RBC	331.4	16.25	18.8	16.8
Emerging Market Equities	London CIV - JP Morgan	167.6	5.0	9.5	9.3
Multi-Asset Credit	London CIV – CQS & PIMCO	178.6	12.0	18.2	19.5
	M&G	142.2			
Private Debt	Churchill Asset Management	66.0	12.0	8.3	4.3
	Permira	79.7			
Cash	Cash and Net Current Assets	24.0	1.0	1.4	5.7
	Insight MMF	1.0		0.1	0.3
Equity	London CIV	0.2	0	0.0	0.0
Corporate Bonds	To be confirm	0.0	5.0	0.0	0.0
	Total	**1760**	**100.0**	**100.0**	**100.0**

ASSET TABLE

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	812			812
Bonds			252	252
Property	0.24		149	149
Hedge funds				
Diversified Growth Funds (including multi-asset funds)	179		142	321
Private equity			55	55
Private debt			146	146
Infrastructure				
Derivatives				
Cash and net current assets			63	63
Other			1.00	1.00
Total	991		808	1,799

SUPPLEMENTARY TABLE

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	21			21
UK Government Bonds			292	292
UK Infrastructure				
UK Private			4	4
	21		296	317

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTEGRATION

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

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

- The London Borough of Lambeth Pension Fund is a long-term active investor that takes a serious approach to fostering stewardship; the Fund believes that sound corporate governance contributes to long-term value for its members. The Fund's Investment Strategy Statement sets out in greater detail the Funds' philosophy on corporate governance and its approach to voting on behalf of members.
- Voting rights give shareholders both the opportunity and responsibility to participate in the stewardship of companies, and the Fund's policy on exercising voting rights is explained in section six of the Fund's Investment Strategy Statement.
- The Fund requires its investment managers to integrate all material financial factors, including environmental, social, corporate governance and ethical considerations into the decision-making process for all Fund investments. It expects its managers to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.
- The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to integrate material ESG factors into its investment analyses and undertake appropriate monitoring of current investments for any ESG issues which could present a material financial risk to the long-term performance of the Fund.
- All managers within the Fund are monitored regularly against ESG criteria to ascertain the extent to which they incorporate ESG and active ownership into their core processes, and whether they can provide clear evidence that ESG overall, or a particular theme, is core to idea generation and portfolio construction. Those managers that rank poorly against their peers in their relevant asset classes will be questioned by officers and the Committee on their plans to improve their ESG Integration.
- The Fund is a member of the Local Authority Pension Fund Forum, a membership group of LGPS funds that promotes and campaigns on high standards of corporate governance and sustainable investment, through which the Fund can engage and collaborate on such issues.
- The Fund is also a signatory to the Financial Reporting Council's UK Stewardship Code 2020, a voluntary code which sets high stewardship standards for those investing money on behalf of UK savers and pensioners. The Fund's annual Stewardship Report sets out how, amongst other things, it manages stewardship, investment and ESG integration, and how it exercises its rights and responsibilities. The latest report is available on the Fund website at the following link: *https://lgpslambeth.org/resources/*.
- In respect of climate risk in particular, the Fund considered its impact on the funding strategy as part of the 2022 valuation exercise, using climate scenario stress testing in the contribution modelling exercise. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. Further information is available in the latest Funding Strategy Statement (see *Appendix One*)

7.

Financial Performance

Financial Performance

In 2023/24 the value of the Fund increased by approximately £101m (6%) to stand at £1,799m at 31 March 2024 (£1,698m at 31 March 2023).

The Fund's investments in Global Equity, Private Debt, and the LDI portfolio performed better in the year, whilst all the other asset classes failed to meet expected performance levels.

Net of fees, Fund performance in 2023/24 was approximately -2.9% below benchmark; in the three-year period by -3.8% and -0.9% in the five-year period, as shown in the table below.

Asset Class	1 Year Performance		3 Year Performance		5 Year Performance	
	Fund (%)	Benchmark (%)	Fund (%)	Benchmark (%)	Fund (%)	Benchmark (%)
Global Equity	15.9	21.8	3.0	11.2	11.6	12.4
Emerging Markets Equity	(1.1)	5.8	(4.2)	(2.2)	2.3	2.9
European Property	(9.6)	8.0	0.0	8.00	(0.6)	8.0
UK Private Rented Sector Property	(3.5)	7.0	1.6	7.00	1.8	7.0
Multi-Asset Credit	11.9	9.1	3.7	6.5	3.7	5.6
Private Debt	9.3	9.1	9.8	6.5	8.7	5.6
LDI	(7.8)	(7.7)	(13.2)	(13.5)	(11.0)	(11.2)
Total (excluding -Private Equity)	**7.1**	**10.0**	**0.4**	**4.2**	**5.0**	**5.9**

As at 31 March 2024 the Fund had approximately £990.8m pooled through the London CIV, achieving an estimated annual fee saving of £0.98m.

CASH FLOWS

The Fund's cash flows from dealing with members showed a net outflow in the year of £12.7m; the Fund received £74.6m in contributions and transfers in but paid out £87.3m in benefits and transfers out. Total income received by the Fund, including investment income, was £130.2m whilst total expenditure incurred, including management expenses, was £96.5m.

	2023/24 £000	2022/23 £000
Income	130,161	104,249
Expenditure	(96,536)	(84,694))
Surplus for the year	**33,625**	**19,555**

The Fund's contribution income is largely used to pay retirement benefits. Following the triennial valuation undertaken as at 31 March 2022 there was a decrease in the annual deficit contribution payable by the council to the Fund of £4m, from £12.5m to £8.5m, and covering the three years ending 31 March 2024. Within the year there has been an increase in benefits paid, and it is projected that in the long run this trend will contribute to an increase in the gross pension liability.

During the year the Fund used cash distributions from its property investments (approximately £4.9m) and its private equity distributions (approximately £6.9m) to meet its cash flow needs; across other asset classes, investment income was reinvested back into the relevant Fund assets.

The table below provides a further breakdown of the Fund's cash flows in 2023/24.

Cash Movement	**£000**
Contribution's receivable:	
• from employers	45,070
• from employees	12,809
• from employees transferring from other pension funds	16,783
Income earned on investments	55,499
Total inflow	130,161
Benefits payable:	
Pension payments	(61,525)
Lump Sum payments due upon retirement	(11,188)
Lump Sum death benefits	(1,787)
Payments to and on account of leavers:	
Refunds to employees who leave the scheme	(171)
Payments where employees transfer to other funds	(12,593)
Tax paid on Investment Income	0
Management expenses	(9,272)
Total outflow	(96,536)
Net cash flow	**33,625**

TRIENNIAL VALUATION

The funding level as at 31 March 2022, the most recent triennial valuation, was 96% as detailed in the table below, an improvement from 82% as at 31 March 2019 and a largely due to better-than-expected investment returns. Although total liabilities increased over the period, reflecting a significant increase in short-term future inflation expectations, a proportionately larger increase in asset values has resulted in the funding deficit reducing from £307m to £79m. The next formal valuation will take place as at 31 March 2025.

	Valuation Date	
	31 March 2022 (£m)	31 March 2019 (£m)
Past Service Liabilities		
Employees	490	397
Deferred Pensioners	550	543
Pensioners	881	807
Total Liabilities	1,920	1,747
Assets	1,842	1,439
Surplus/(Deficit)	(79)	(307)
Funding Level	96%	82%

ASSETS

The most recent investment strategy review was carried out following the conclusion of the 2022 triennial valuation; the investment strategy review provides an opportunity to assess how assets are currently positioned to meet the Fund's funding objectives, and to make changes as required to improve the likelihood of meeting required investment returns.

As at 31 March 2024, asset performance in all time periods up to five years has fallen below benchmark expectations. The current investment strategy was reviewed and updated in November 2023 and will look to address areas of concern regarding longer-term asset underperformance, as well as revised expectations from the latest 2022 valuation.

LIABILITIES

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

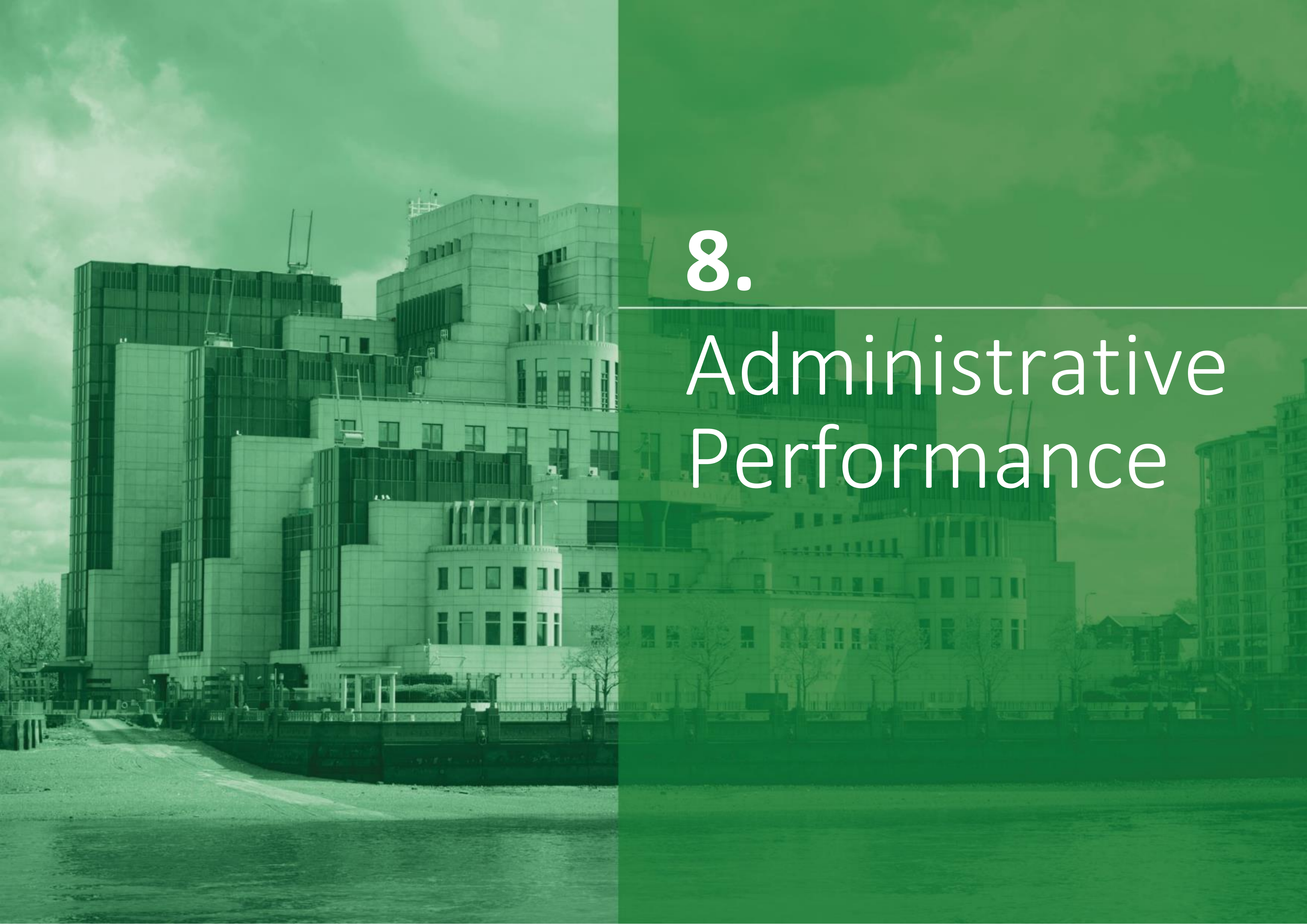
In setting the discount rate the Fund is determining the extent to which it relies on future investment returns required to meet benefit payments in excess of the assets already held at the valuation date. It must incorporate a degree of prudence and is set with reference to the Fund's current and expected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

The discount rate set as part of the 2022 valuation exercise covering periods up to 31 March 2024 was 3.4%.

The funding position as 31st March 2024 was 114% which amount to a surplus of £220m. This result is an estimate based on rolling forward the fund's funding position from 31 March 2022.

MEMBER CONTRIBUTIONS

In 2023/24 all non-Lambeth Council employers paid their pension contributions by the due date, with no interest therefore chargeable for late payment. For several years the council has participated in the National Fraud Initiative (NFI); where overpayments have been identified, for example where a pensioner has died, action has been taken to arrange recovery in line with Fund policies.



8. Administrative Performance

Administrative Performance

The Lambeth Pension Fund has an in-house team to manage its administration function. The team provide LGPS pensions services and also manage the records of over 21,000 Scheme members across 31 active employers as at 31 March 2024. Key achievements of the team in 2023/24 include the creation of a project plan to ensure the extensive requirements emanating from the McCloud Remedy Legislation was initiated and is effectively reviewed on an on-going basis.

ADMINISTRATION STATISTICS 2023/24

In line with the new Annual Report Guidance that was recently issued by the LGPS Advisory Board, the following administration performance indicator tables are detailed below.

Table A - Total number of casework

Ref	Casework KPI	Total cases open as at 31.3.23 (starting position)	Total new cases created in the year (1.4.23-31.3.24)	Total cases completed in year	Total % of cases completed in year
A1	Deaths recorded of active, deferred, pensioner and dependent members	211	314	350	66.67%
A2	New dependent member benefits	0	62	62	100.00%
A3	Deferred member retirements	114	1080	1183	99.08%
A4	Active member retirements	24	230	240	94.49%
A5	Deferred benefits	184	602	577	73.41%
A6	Transfers in (including interfunds in, club transfers)	526	990	1036	68.34%
A7	Transfers out (including interfunds out, club transfers)	136	501	581	91.21%
A8	Refunds	17	417	393	90.55%
A9	Divorce quotations issued	6	23	28	96.55%
A10	Actual divorce cases	0	5	3	60.00%
A11	Member estimates requested either by scheme member and employer	0	104	99	95.19%
A12	New joiner notifications	3	954	942	98.43%
A13	Aggregation cases (includes actual aggregations only)	17	77	79	84.04%
A14	Optants out received after 3 months membership	0	26	26	100.00%

Table B - Time taken to process casework

Ref	Casework KPI	Actual fund target	% completed within fund target in year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	10 days	100%
B2	Communication issued confirming the amount of dependents pension	10 days	96.73%

B3	Communication issued to deferred member with pension and lump sum options (quotation)	10 days	98.74%
B4	Communication issued to active member with pension and lump sum options (quotation)	10 days	94.23%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	20 days	99.79%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	8 days	93.07%
B7	Payment of lump sum (both actives and deferreds)	Refer to B5 & B6 above	Refer to B5 & B6 above
B8	Communication issued with deferred benefit options	20 days	78.65%
B9	Communication issued to scheme member with completion of transfer in (Excludes Interfund Transfers)	20 days	95.45%
B10	Communication issued to scheme member with completion of transfer out (Excludes Interfund Transfers)	30 days	94.44%
B11	Payment of refund	10 days	100%
B12	Divorce quotation	30 days	100%
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	30 days	100%
B14	Communication issued to new starters	30 days	100%
B15	Member estimates requested by scheme member and employer	10 days	98.95%

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	42.62%
C2	% of deferred member registered	21.87%
C3	% of pensioner and survivor members	24.96%
C4	% total of all scheme members registered for self-service	27.87%
C5	Number of registered users by age:-	
	20 and under	2
	21-30	168
	31-40	631
	41-50	968
	51-60	1884

	61-70	2082
	71-80	418
	81 and over	84
C6	% of all registered users that have logged onto the service in the last 12 months	11.00%
	Communication	
C7	Total number of telephone calls received in year	4199
C8	Total number of email and online channel queries received	9707
C9	Number of scheme member events held in year (total of in-person and online)	10
C10	Number of employer engagement events held in year (in-person and online)	20
C11	Number of active members who received a one-to-one (in-person and online)	65
C12	Number of times a communication (i.e. newsletter) issued to:	
	a) Active members	4
	b) Deferred members	2
	c) Pensioners	4
Administration KPI table D – Resources		
Ref	**Resources**	
D1	Total number of all administration staff (FTE)	12.5
D2	Average service length of all administration staff	13 Years
D3	Staff vacancy rate as %	0
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1791:1
D5	Ratio of administration staff (excluding management) to total number of scheme members	1866:1
Table E - Data Quality		
Ref	**Annual Benefit Statements**	
E1	Percentage of annual benefit statements issued as at 31 August	100%
	Short commentary if less than 100%	N/A
	Data category	
E3	Common data score	93.90%
4	Scheme specific data score	85.95%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	9.50%

E6	Percentage of active, deferred and pensioner members with an email address held on file	42.48%
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	25.81%
E8	Percentage of employers who submitted monthly data on time during the reporting year	90.56%

FIVE-YEAR ANALYSIS OF MEMBERSHIP DATA

The table below shows the movement in Fund membership over a five-year period.

Description	31 March 2024	31 March 2023	31 March 2022	31 March 2021	31 March 2020
Active	5,281	4,875	4,953	5,013	4,946
Deferred pensioner	7,989	8,423	8,617	8,460	8,410
Pensioner	8,893	8,219	7,806	7,455	7,686
Total	**22,163**	**21,517**	**21,376**	**20,928**	**21,042**

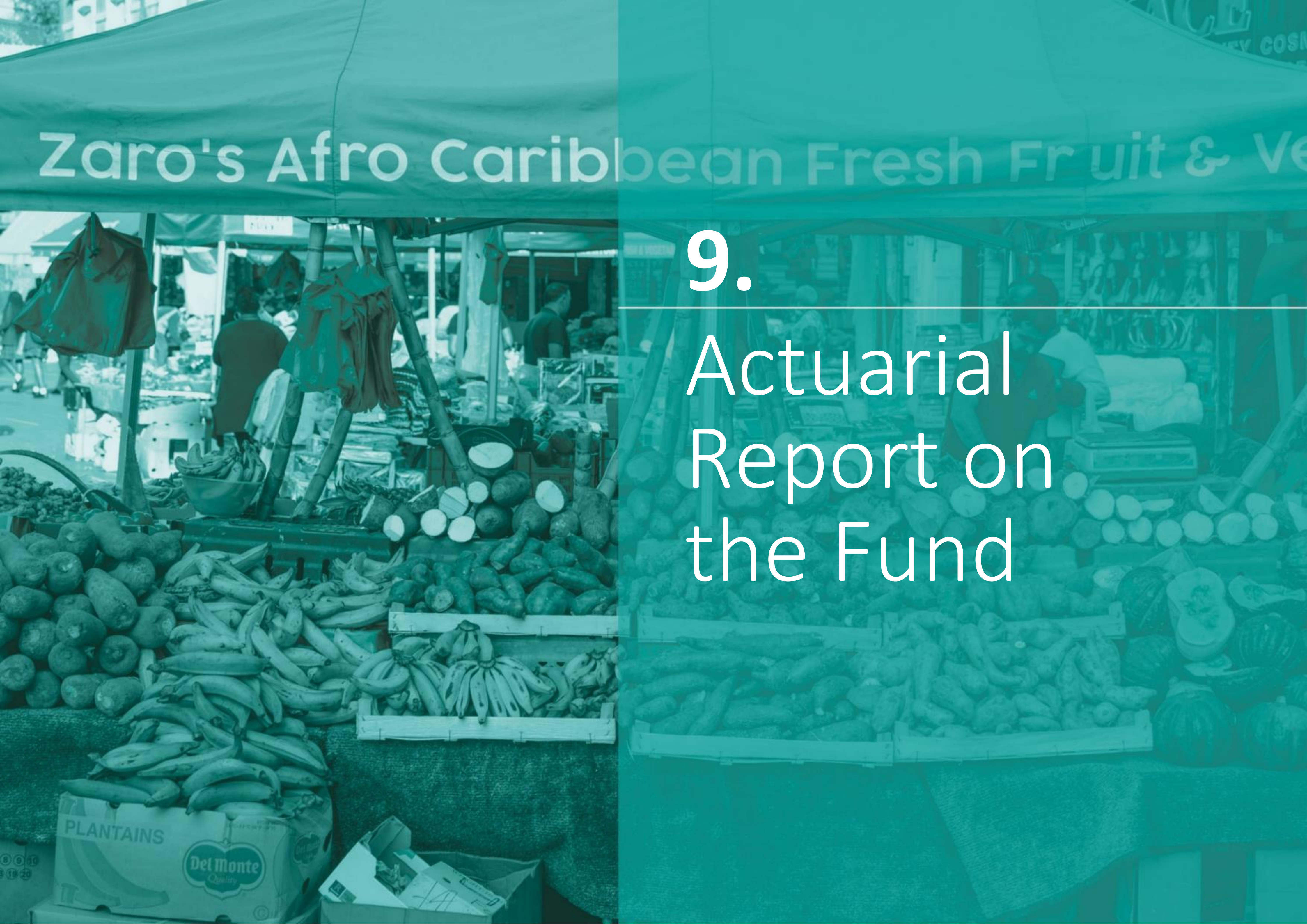
The following table provides a membership breakdown of the Fund's employers as at 31 March 2024. All membership data shown excludes undecided leavers

Employer	Active	Deferred	Pensioner
Lambeth Council	4,759	7,530	8,775
Angell Town RMO	10	2	0
Blenheim Gardens	3	1	7
City Height E-ACT	27	34	0
Dunraven Education Trust - Elmgreen	62	37	13
Dunraven Education Trust – Rosendale	46	52	12
Elfrida Rathbone Society (Lambeth)	1	1	0
Evelyn Grace	21	60	12
ExcelCare	1	2	10
Fortem Solutions Ltd.	0	0	3
Future Academy Trust	21	6	0
Harris Academy Clapham	30	6	0
Harris Academy Sixth Form	8	0	0
Heron Academy	42	8	1
Kings College London	8	4	1
Lambeth Academy	31	77	15
Nido Volans (Lambeth)	11	4	0
Oasis Academy – Johanna	19	20	1
Oasis Academy – South Bank	38	26	1
Olive Dining	5	2	0
Parallel Learning Trust	23	45	13
Research Machines	1	0	0
SDBE – Christchurch	11	10	2
SDBE – St Leonards	20	11	1
SDBE – St Luke's	10	3	3
Serco Ltd.	11	2	3
Southbank Engineering	7	8	1

Stockwell Academy	21	36	15
Streatham Wells Primary	32	2	3
Wates Property Services Ltd.	1	0	1
Young People Matter Ltd.	1	0	0
Loughborough Primary School	19	0	0
	5,281	**7,989**	**8,893**

Key documents for the Fund, including the Administering Authority Discretions, can be found on the Fund website https://www.lgpslambeth.org.

The Fund's Internal Dispute Resolution Procedure (IDRP) is based on standard guidance for all LGPS Funds. Stage 1 cases are reviewed by the Director of Human Resources & Organisational Development, and Stage 2 cases by the Director of Legal Services. In the financial year 2023/24 there were no cases reviewed.



9.

Actuarial Report on the Fund

Actuarial Report on the Fund

INTRODUCTION

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Lambeth Pension Fund (“the Fund”).

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

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

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

PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Year ended	31 March 2024	31 March 2023
Active members (£m)	485	445
Deferred members (£m)	454	464
Pensioners (£m)	799	818
Total (£m)	**1,738**	**1,727**

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £73m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £12m.

FINANCIAL ASSUMPTIONS

Year ended (% p.a.)	31 March 2024	31 March 2023
Pension Increase Rate	2.80%	3.00%
Salary Increase Rate	3.30%	3.50%
Discount Rate	4.80%	4.75%

DEMOGRAPHIC ASSUMPTIONS

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, 25% weighting of 2022 data, 0% weighting of 2021 and 2020 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.0 years	23.8 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.5 years	25.4 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

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 obligations are set out below:

Change in assumption at 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	29
1 year increase in member life expectancy	4%	70
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	28

PROFESSIONAL NOTES

This paper accompanies the ‘Accounting Covering Report – 31 March 2024’ which 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.

Steven Law FFA

03 May 2024

For and on behalf of Hymans Robertson LLP

10.

Governance Compliance Statement

Governance Compliance Statement

INTRODUCTION

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

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

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

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

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

- The Public Service Pensions Act 2013;
- The Local Government Pension Scheme Regulations 2013;
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; and
- The Pension Regulator's Code of Practice No 14: Governance and Administration of Public Service Pension Schemes, due to be consolidated into a Combined Code and released later in 2023.

DELEGATION OF FUNCTIONS

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

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

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

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

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

PENSIONS COMMITTEE

Terms of Reference

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

1. benefits administration;
2. managing the discretions policies;
3. resolving internal dispute;
4. communication with members;
5. communication and engagement with employers;
6. monitoring risks;
7. record keeping;
8. publishing of scheme information as required;
9. approving the Fund's Pension Fund Annual Report and Financial Statements and to consider any reports produced by the Strategic Director of Finance and Investment in accordance with the duty to make arrangements for the proper administration of the financial affairs of the Fund;
10. participating in the London Collective Investment Vehicle (LCIV) in accordance with the requirements placed on administering authorities in relation to the pooling of LGPS assets;
11. carrying out the duties set out in the Regulations in relation to the actuarial valuations of the Fund and in relation to any other decisions about the amount employers need to pay; and
12. assessing the covenant of Fund employers and ensuring that employer contributions are set accordingly.

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

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

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

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

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

Frequency of Meetings

The Committee meets at least quarterly, with additional meetings convened as and when required. The details of forthcoming meetings, as well as minutes and papers from previous meetings, are available on the council's website at the following link:

https://moderngov.lambeth.gov.uk/ieListMeetings.aspx?CommitteeId=734.

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

Representatives

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

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

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

PENSIONS BOARD

Terms of Reference

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

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

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

Frequency of Meetings

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

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

Representatives

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

1. Three elected councillor members serving as employer representatives (plus one substitute);
2. One Lambeth Council employee representative (who is a member of the Fund);
3. One trade union representative; and
4. One pensioner representative (who is a member of the Fund).

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

Training Record

Members of the Pensions Committee and Pensions Board undertook approximately 58 hours of training and attendance at relevant events during 2023/24. The Fund's Training Policy sets out how the required knowledge and skills of those responsible for Fund management can be acquired, retained and developed, guided by the CIPFA LGPS Knowledge and Skills Framework. The policy includes an annual training plan which provides tailored and specific sessions for members relevant to the Fund's Business Plan. At every Committee/Board meeting members receive recommendations of relevant events they should consider attending, whilst training/event attendance levels are also reported at each meeting.

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STATEMENT OF COMPLIANCE TO GUIDANCE

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

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			√		

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					√

Principle C – Selection and Role of Lay Members

a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant				Fully Compliant
a					√
b					√

Principle D – Voting

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

	Not Compliant				Fully Compliant
a					√

Principle E – Training/Facility Time/Expenses

a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

	Not Compliant				Fully Compliant
a					√
b					√
c					√

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 which does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

	Not Compliant				Fully Compliant
a					√
b					√
c					√

Principle G – Access

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

	Not Compliant				Fully Compliant
a					√

Principle H – Scope

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

	Not Compliant				Fully Compliant
a					√

Principle I – Publicity

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

	Not Compliant				Fully Compliant
a					√

11.

Statement of Accounts 2023/24

Statement of Accounts 2023/24

FUND ACCOUNT

FUND ACCOUNT	Notes	2023/24 £000	2022/23 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	57,879	56,971
Transfers in from other pension funds	8	16,783	7,250
Sub-Total		74,662	64,221
Benefits	9	(74,480)	(67,179)
Payments to and on account of leavers	10	(12,764)	(8,331)
Sub-Total		(87,244)	(75,510)
Net additions/(withdrawals) from dealing with members.		(12,582)	(11,289)
Management expenses	11	(9,273)	(9,185)
Net additions/(withdrawals) including fund management expenses		(21,855)	(20,474)
Returns on investments:			
Investment Income	12	55,498	40,028
Profit and loss on disposal of investments and changes in the market value of investments	14a	67,632	(163,036)
Net return on investments		123,130	(123,008)
Net increase/(decrease) in the net assets available for benefits during the year		101,275	(143,482)
Opening net assets of the scheme		1,698,315	1,841,796
Closing net assets of the scheme		1,799,590	1,698,315

NET ASSETS STATEMENT

NET ASSETS STATEMENT	Notes	31 March 2024 £000	31 March 2023 £000
Investment Assets	14b	1,736,166	1,637,048
Investment liabilities	14b	(26)	
Total Investment Assets		1,736,140	1,637,048
Current Assets	20	77,850	61,267
Current Liabilities	21	(14,400)	0
Net assets of the fund available to fund benefits at the period end		**1,799,590**	**1,698,315**

NOTES TO THE ACCOUNTS

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

1. Description of the Fund

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

The following description of the Fund is a summary only. For further information, reference should be made to the Lambeth Pension Fund Annual Report 2023/24 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).

General

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

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

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

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

Membership

Membership of the LGPS is on contractual and/or auto enrolment however, employees can choose to opt out.

Organisations participating in the Lambeth Pension Fund include:

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

There are 31 employer organisations within the Fund including Lambeth Council itself as set out in the following table.

Lambeth Pension Fund	31 March 2024	31 March 2023
Number of employers with active members:	31	31
Number of employees in scheme:		
Lambeth council	4,759	4,337
Other employers	522	538
Total	5,281	4,875

Lambeth Pension Fund	31 March 2024	31 March 2023
Number of deferred pensioners:		
Lambeth council	7,530	8,069
Other employers	459	354
Total	7,989	8,423
Number of pensioners:		
Lambeth council	8,775	8,142
Other employers	118	77
Total	8,893	8,219
Total number of members in pension scheme	**22,163**	**21,517**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Regulations and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. Employer contribution rates for 2022/23 were set as part of the 2022 actuarial valuation and range from 0% to 43.8% of pensionable pay. The last such valuation was at 31 March 2022.

Benefits

For each year of LGPS membership built up prior to 1 April 2014, Fund members receive a pension based on the appropriate accrual rate of their final pay summarised as follows:

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

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

There are a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Lambeth Pension Fund Scheme handbook which is available on the Lambeth Pension Fund website at the following link: *https://www.lgpslambeth.org/resources/a-brief-guide-to-the-lgps-for-employees/*

2. Basis of Preparation

The statement of accounts summarises the Fund's transactions for the 2023/24 financial year and its position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The Code requires the disclosure of any accounting standards in issue but not adopted by the Code in 2023/24. At the balance sheet date, the following new standards and amendments to existing standards have been issued but not yet adopted by the Code (these standards have no significant impact on the amounts reported in the 2023/24 Pension Fund accounts due to the nature of the Fund and its investments):

a) Classification of liabilities as current or non-current (Amendments to IAS 1) issued in January 2020.

b) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.

c) Non-Current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

d) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.

e) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

The accounts have been prepared on a going concern basis on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition.

a) Contribution income

Normal employer contributions are accounted for on an accruals basis in the payroll period to which they relate. Employer contributions are based on the percentage rate recommended by the scheme actuary. Employee contributions are accounted for based on common percentage rates set centrally in accordance with Local Government Pension Scheme Regulations, and range from 5.5% to 12.5% of pensionable pay.

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – expense items.

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs.
Oversight and governance expenses include costs relating to the selection, appointment and monitoring of external fund managers, investment advisory services, any costs of compliance to statutory reporting, legal costs, and audit fees which are recharged to the Fund and disclosed separately in note 13a to comply with CIPFA guidance. All oversight and governance expenses are accounted for on an accruals basis and charged directly to the Fund.

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

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

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the Fund Account. In 2023/24 £0.0m fees were included in the accounts based on such estimates (2022/23: £0.0m).

Net Assets Statement

g) Financial assets

Investments are shown at fair value, as at the reporting date. Debtors and cash are accounted for at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

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

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

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

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

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

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

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

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

iv) Pooled investment vehicles

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

h) Foreign currency transactions

Dividends, interest, and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currencies, the market value of overseas investments, and purchases and sales outstanding at the end of the reporting period. This differences on exchange are included in the accounts as an exchange gain or loss.

j) Cash and cash equivalents

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

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

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

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

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.

m) Additional voluntary contributions

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

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

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

n) *London LGPS CIV Limited (LCIV)*

The Council holds unquoted equities in London CIV Ltd (the organisation set up to run pooled LGPS investments in London) carried at cost, i.e. transaction price of £150,000. The inputs available to the Fund to calculate fair value are limited and the Fund believes that the original transaction price represents an appropriate estimate of fair value.

o) Contingent assets and contingent liabilities

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

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

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

4. Critical Judgements in Applying Accounting Policies

There were no critical judgements in 2023-24 other than estimation uncertainty that would have impacted on the financial statements.

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

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the value of assets and liabilities reported at the balance sheet date as well as the amounts reported for revenue and expenses incurred during the year. Estimates and assumptions consider historical experience, current trends, and other relevant factors; however, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the financial statements as at 31 March 2024 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
Private equity	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation which will involve comparison to the valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines. The Fund's private equity investments are classified within the financial statements as level 3 investments and as at 31 March 2024 are valued at £54.7m.	The total (called) private equity investment in the financial statements is £54.7m. There is a risk that this investment may be under- or overstated in the accounts by up to £13m as a result of market volatility i.e., interest rate, inflation rate. Private Equity is illiquid for holding until its maturity of 12 years.
Pooled property funds	The pension fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments and managed by Invesco (European property and UK PRS) and the London CIV (UK Affordable Housing). Valuations are at NAV on at least a quarterly basis; Invesco valuations are based on guidelines issued by the Royal Institute of Chartered Surveyors (RICS), adapted as necessary to respect individual market considerations and practices, and the European Association for Investors in Non-Listed Real Estate Vehicles (INREV). Valuations in the London CIV fund are subject to the methodologies and techniques of the underlying companies. As at 31 March 2024 pooled property investments are valued at £149.6m	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 14.8% i.e. an increase or decrease of £22.2m, on carrying values of £149.6m.
Private debt funds	The Fund's private debt investments are split between two managers, Permira and Churchill. Permira investments are valued on a fair value basis in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines, where fair value is an estimate of the price at which assets could be sold in an orderly transaction at the valuation date. Churchill values its investments at fair value, using active market comparators where available, although no ready market may exist for many of the securities in which the manager invests; fair value must therefore be determined using unobservable inputs, estimated using a combination of a market yield approach and enterprise value.	Due to the risk and sensitivities involved in the valuation of the private debt funds, it is estimated that the current valuation of £145.7m may be over or understated in the accounts by approximately 10.6%, or £15.4m.

6. Events after the Reporting Date

There have been no events since 31 March 2024, up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

Category	2023/24 £000	2022/23 £000
Employees	12,808	11,707
Employers:		
Normal contributions	36,571	32,764
Deficit recovery contributions	8,500	12,500
Total employer contributions	45,071	45,264
Total contributions receivable	**57,879**	**56,971**

Type of employer	2023/24 £000	2022/23 £000
Administering authority	52,996	52,916
Scheduled bodies	1,767	515
Admitted bodies	3,116	3,540
Total	**57,879**	**56,971**

8. Transfers In from Other Pension Funds

Category	2023/24 £000	2022/23 £000
Individual transfer	16,783	7,250
Total	**16,783**	**7,250**

9. Benefits Payable

Category	2023/24 £000	2022/23 £000
Pensions	61,505	55,157
Commutation & lump sum retirement benefits	11,188	10,176
Lump sum death benefits	1,787	1,846
Total	**74,480**	**67,179**

Authority	2023/24 £000	2022/23 £000
Administering authority	74,211	66,956
Scheduled bodies	251	159
Admitted bodies	11	63
Community admission bodies	6	0
Total	**74,480**	**67,179**

10. Payments to and on Account of Leavers

	2023/24 £000	2022/23 £000
Refunds to members leaving service	171	179
Individual transfers	12,593	8,152
Total	**12,764**	**8,331**

11. Management Expenses

	2023/24 £000	2022/23 £000
Administration costs	1,589	1,430
Investment management expenses	7,327	7,259
Oversight and governance costs	357	497
Total	**9,273**	**9,185**

In 2023/24 the Fund paid £1.6m in staffing costs (2022/23 £1.4m). This disclosure is as per CIPFA guidance, and further details concerning key management personnel are included within the Annual Report.

Administrative costs (audit fees) of £58k for 23-24 were not recharged to the Pension Fund at 31 March 2024 due to timing issues and will be fully recharged to the Pension Fund in 24-25 financial year.

11a. Investment Management Expenses

2023/24	Total £000	Management Fees £000	Transaction Costs £000
Bonds	155	155	0
Equities			0
Pooled investments	3,061	3,061	0
Pooled property investments	1,169	1,169	0
Private equity	302	302	0
Multi Asset Credit	1,526	1,526	0
Private Debt	1,114	1,114	0
Subtotal	**7,327**	**7,327**	**0**
Custody Costs	15		
Total	**7,342**		

2022/23	Total £000	Management Fees £000	Transaction Costs £000
Bonds	176	176	0
Equities			0
Pooled investments	3,094	3,094	0
Pooled property investments	1,265	1,265	0
Private equity	382	382	0
Multi Asset Credit	1,502	1,502	0
Private Debt	840	840	0
Subtotal	**7,259**	**7,259**	**0**
Custody Costs	25		
Total	**7,284**		

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

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).

12. Investment Income

Category	2023/24 £000	2022/23 £000
Fixed interest securities	5	5
Private equity income	6,938	10,388
Pooled property investments	4,906	4,484
Pooled investments - unit trust and other managed funds	7,718	6,331
MAC Fund	14,042	8,668
Private Debt	21,067	9,820
Interest on cash deposits	796	285
Other	26	47
Total	**55,498**	**40,028**

13. External Audit Costs

	2023/24 £000	2022/23 £000
Current audit fee	77	19
Additional Fees for PY audit	10	0
Total	**87**	**19**

14. Investment Assets

	2023/24 £000	2022/23 £000
Bonds		
Fixed interest securities	252,036	193,332
Equities		
Pooled investments	813,184	731,053
Other investments		
Pooled property investments	149,556	167,218
Private equity	54,694	60,233
Multi Asset Credit	320,874	351,193
Private Debt	145,672	133,837
Subtotal	670,796	712,481
London CIV	150	150
Investment liabilities	(26)	32
Subtotal	124	182
Total investment assets	**1,736,140**	**1,637,048**

14a. Reconciliation of Movements in Investments

	Market value 1 April 2023 £000	Purchases during the year £000	Transfers – IN £000	Sales during the year £000	Transfers - OUT £000	Change in cash £000	Change in market value £000	Market value 31 March 2024 £000
Fixed interest securities	193,332	288,527	0	(218,617)	0	0	(11,207)	252,036
Pooled investments	731,053	27,286	0	(27,030)	0	0	81,875	813,184
Pooled property investments	167,218	513	0	(1,491)	0	0	(16,683)	149,556
Private equity	60,233	823	0	(302)	0	0	(6,060)	54,694
Multi Asset Credit	351,193	14,042	0	(71,603)	0	0	27,243	320,874
Private Debt	133,837	20,175	0	(1,113)	0	0	(7,227)	145,672
London CIV	150	0	0	0	0	0	0	150
Cash Instruments	32	0	(15)	0	0	(43)	0	(26)
Subtotal	1,637,048	351,366	(15)	(320,156)	0	(43)	67,941	1,736,140
Unrealised gain/(loss)	2,181						(309)	1,873
Total	**1,639,229**	**351,366**	**(15)**	**(320,156)**	**0**	**(43)**	**67,632**	**1,738,013**

	Market value 1 April 2022 £000	Purchases during the year £000	Transfers – IN £000	Sales during the year £000	Transfers - OUT £000	Change in cash £000	Change in market value £000	Market value 31 March 2023 £000
Fixed interest securities	281,162	242,246	0	(242,405)	0	0	(87,671)	193,332
Pooled investments	772,946	278,421	0	(275,293)	0	0	(45,021)	731,053
Pooled property investments	170,178	0	0	(1,265)	0	0	(1,695)	167,218
Private equity	75,238	1,376	0	(382)	0	0	(15,999)	60,233
Multi Asset Credit	358,666	8,668	0	(1,502)	0	0	(14,639)	351,193
Private Debt	79,757	53,710	0	(840)	0	0	1,211	133,837
London CIV	150	0	0	0	0	0	0	150
Cash Instruments	36	0	48	0	0	(52)	0	32
Subtotal	1,738,133	584,421	48	(521,688)	0	(52)	(163,814)	1,637,048
Unrealised gain/(loss)	1,403						779	2,181
Total	**1,739,536**	**584,421**	**48**	**(521,688)**	**0**	**(52)**	**(163,036)**	**1,639,229**

14b. Analysis of Investments

	31 March 2024 £000	31 March 2023 £000
Bonds		
Corporate quoted	252,036	193,332
Pooled funds - additional analysis		
Unit trusts quoted	813,184	731,001
Hedge fund of funds unquoted	0	52
Pooled property investments UK unquoted	43,787	46,130
Pooled property investments Overseas unquoted	105,769	121,088
Private equity unquoted	54,694	60,233
Multi Asset Credit Overseas quoted	320,874	351,193
Private Debt Overseas quoted	145,672	133,837
London CIV	150	150
Cash Instrument	(26)	32
Total investment assets	**1,736,140**	**1,637,048**

14c. Investments Analysed by Fund Manager

	Market Value 31 March 2024 £000	% of Fund	Market Value 31 March 2023 £000	% of Fund
Adam Street - Private Equity	54,694	3.2	60,233	3.7
Invesco - Property	149,315	8.6	167,174	10.2
Insight - LDI	252,011	14.5	193,363	11.8
London CIV - LCIV	150	0.0	150	0.0
London CIV - BG Global Equity	313,165	18.0	269,879	16.5
London CIV - JP Morgan - Emerging Market	167,596	9.6	169,759	10.4
London CIV – CQS/PIMCO - Multi-Asset Credit	178,632	10.3	224,477	13.7
Insight MMF (Money Market Fund)	1,000	0.1	5,000	0.3
M&G - Multi-Asset Credit	142,242	8.2	126,715	7.7
London CIV – RBC - Global Equity	331,423	19.1	286,363	17.5
PAAMCO - Terminated Hedge Fund	0	0.0	52	0.0
RREEF - Terminated Property	0	0.0	45	0.0
Churchill Asset Management - Private Debt	65,955	3.8	67,792	4.1
Permira - Private Debt	79,716	4.6	66,046	4.0
London CIV - UK Housing Fund - Property	241	0.0	0.0	0
Total	**1,736,140**	**100**	**1,637,048**	**100**

The following investments represent over 5% of the net assets of the Fund:

	Market Value 31 March 2024 £000	% of Fund	Market Value 31 March 2023 £000	% of Fund
Invesco	149,315	8.6	167,174	10.2
London CIV - BG Global Equity	313,165	18.0	269,879	16.5
London CIV - JP Morgan	167,596	9.6	169,759	10.4
London CIV - MAC	178,632	10.3	224,477	13.7
London CIV - RBC	331,423	19.1	286,363	17.5
M&G	142,242	8.2	126,715	7.7

15. Fair Value – Basis of Valuation

The basis of valuation for each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 3	Valued at Net Asset Value.	NAV-based pricing set on a forward pricing basis	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts.
Pooled investments – overseas private debt	Level 3	Valuations undertaken quarterly and determined by the investment managers who rely on guidance from various regulatory and industry organisations and use independent third-party pricing services and valuation firms, as well as comparable valuations of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	Determined by the investment manager – includes credit ratings and default history	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts
London CIV share capital (unquoted equities)	Level 3	Carried at cost, i.e. initial transaction price	N/A – carried at cost.	N/A – shares are untradeable and only redeemable upon exit from the LCIV
Pooled investments – hedge funds	Level 3	Valued at Net Asset Value.	NAV-based pricing set on a forward pricing basis	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts
Unquoted equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the potential impact on the closing value of investments held as at 31 March 2024.

	Valuation range (+/-)	Value at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled investments – Hedge funds	N/A*	0	0	0
Pooled investments – Property Funds	14.8%	149,556	171,734	127,378
Pooled investments – Private Debt	10.6%	145,672	161,107	130,236
London CIV	0.0%**	150	150	150
Private equity	24.6%	54,694	68,159	41,228
Total		**350,072**	**401,151**	**298,993**

*N/A – no hedge fund assets held at 31 March 2024.

**London CIV share capital is held at cost as a proxy for fair value and as such has no expected volatility.

	Valuation range (+/-)	RESTATED Value at 31 March 2023 £000	RESTATED Value on increase £000	RESTATED Value on decrease £000
Pooled investments – Hedge funds	0.0%	52	52	52
Pooled investments – Property Funds	15.3%	167,218	192,784	141,651
Pooled investments – Private Debt	11.1%	133,837	148,759	118,916
London CIV	0.0%*	150	150	150
Private equity	24.4%	60,233	74,941	45,525
Total		**361,490**	**416,686**	**306,294**

* London CIV share capital is held at cost as a proxy for fair value and as such has no expected volatility.

The sensitivity of assets valued at level 3 has been restated for 2022/23 in the above table to include the potential impact on the closing valuation of private debt and London CIV share capital, where the classification has been corrected from level 1 to level 3 assets. The corrections in the table affect the originally disclosed totals as follows: value at 31 March 2023 was originally £227.5m but has increased by £134.0m and is restated as £361.5m; value on increase was originally £267.8m but has increased by £148.9m and is restated as £416.7m; and value on decrease was originally £187.2m but has increased by £119.1m and is restated as £306.3m. Further analysis of the Fund's assets under the fair value hierarchy is provided in the following notes.

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 table opposite provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable. Property pooled funds continue to be included at level 3 as a result of the market valuation uncertainty that has been added to the fund valuations.

Values at 31 March 2024	**Quoted Market price Level 1 £000**	**Using observable inputs Level 2 £000**	**With significant unobservable inputs Level 3 £000**	**Total £000**
Financial assets at fair value through profit and loss				
Bonds	252,036	0	0	252,036
Pooled investments	1,134,058	0	0	1,134,058
Pooled property investments	0	0	149,556	149,556
Private equity	0	0	54,694	54,694
Private Debt	0	0	145,672	145,672
London CIV	0	0	150	150
Cash deposits	(26)	0	0	(26)
Total	**1,386,068**	**0**	**350,072**	**1,736,140**

Values at 31 March 2023	**RESTATED Quoted Market price Level 1 £000**	**Using observable inputs Level 2 £000**	**RESTATED With significant unobservable inputs Level 3 £000**	**RESTATED Total £000**
Financial assets at fair value through profit and loss				
Bonds	193,332	0	0	193,332
Pooled investments	1,082,194	0	52	1,082,246
Pooled property investments	0	0	167,218	167,218
Private equity	0	0	60,233	60,233
Private Debt	0	0	133,837	133,837
London CIV	0	0	150	150
Cash deposits	32	0	0	32
Total	**1,275,558**	**0**	**361,490**	**1,637,048**

15b. Reconciliation of Fair Value Measurements within Level 3

	Market value 1 Apr 2023 £000	Transfer into level 3 £000	Transfer out of level 3 £000	Purchases £000	Sales £000	Unrealised gain (loss) £000	Realised gain (loss) £000	Market Value 31 March 2024 £000
Hedge Fund of Funds	52	0	0	0	(47)	(5)	0	0
Private equity	60,233	0	0	823	(302)	(6,060)	0	54,694
Pooled property investments	167,218	0	0	0	(1,491)	(16,170)	0	149,556
Private Debt	133,837	0	0	20,175	(1,113)	(7,227)	0	145,672
London CIV	150	0	0	0	0	0	0	150
	361,490	**0**	**0**	**20,998**	**(2,953)**	**(29,463)**	**0**	**350,072**

	RESTATED Market value 1 Apr 2022 £000	Transfer into level 3 ££000	Transfer out of level 3 £000	RESTATED Purchases ££000	RESTATED Sales £000	RESTATED Unrealised gain (loss) £000	Realised gain (loss) ££000	RESTATED Market Value 31 March 2023 £000
Hedge Fund of Funds	133	0	0	0	0	(81)	0	52
Private equity	75,238	0	0	1,376	(382)	(15,999)	0	60,233
Pooled property investments	170,178	0	0	0	(1,265)	(1,695)	0	167,218
Private Debt	79,757	0	0	53,710	(840)	1,211		133,837
London CIV	150	0	0	0	0	0	0	150
	325,456	**0**	**0**	**55,086**	**(2,487)**	**(16,565)**	**0**	**361,490**

The tables in Notes 15a and 15b have been restated for 2022/23 to correct the classifications of private debt and London CIV share capital from level 1 to level 3 assets.

In note 15a, at 31 March 2023 the market value of level 1 assets was originally reported as £1,410m but in the current comparator has decreased by £134.0m and is restated as £1,276m; the original market value of level 3 assets at 31 March 2023 was disclosed as £227.5m but in the current comparator has increased by £134.0m and is restated as £361.5m.

In note 15b, the market value of level 3 assets at 1 April 2022 was originally reported as £245.5m but in the current comparator has increased by £79.9m and is restated as £325.5m. The value of purchases in 2022/23 was originally disclosed as £1.4m but has increased by £53.7m and is restated as £55.1m. The value of sales in 2022/23 was originally disclosed as £1.6m but has increased by £0.8m and is restated as £2.5m. The unrealised loss in 2022/23 was originally disclosed as £17.8m but has reduced by £1.2m and is restated as £16.6m. The market value of level 3 assets at 31 March 2023 was originally reported as £227.5m but has increased by £134.0m and is restated as £361.5m.

16a. Classification of Financial Instruments

	2023/24			2022/23		
	Fair value through profit & loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit & loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets:						
Fixed interest securities	252,036	0	0	193,332	0	0
Pooled investments	813,184	0	0	731,053	0	0
Pooled property investments	149,556	0	0	167,218	0	0
Private equity	54,694	0	0	60,233	0	0
Multi Asset Credit	320,874	0	0	351,193	0	0
Private Debt	145,672	0	0	133,837	0	0
London CIV	150	0	0	150	0	0
Cash instruments	(26)	0	0	32	0	0
Debtors	0	53,122	0	0	13,319	0
Cash and cash equivalents	0	24,727	0	0	47,947	0
Financial Liabilities:						
Creditors	0	0	(14,400)	0	0	0
Total	**1,736,140**	**77,850**	**(14,400)**	**1,637,048**	**61,267**	0

The value of assets and liabilities held at amortised cost is the same as the carrying amount.

16b. Net Gains and Losses on Financial Instruments

	31 March 2024 £000	31 March 2023 £000
Financial Assets:		
Fair Value through profit and loss	67,941	(163,814)
Measured at amortised cost	0	0
Financial Liabilities:		
Measured at amortised cost	(309)	779
Total	**67,632**	**(163,036)**

17. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

a) Market risk

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

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 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 23-24 %	Potential market movement 22-23 %
Bonds - LDI	15.1%	11.5%
Emerging Market Equities	23.3%	24.1%
Sustainable Equities	16.8%	17.5%
Private Debt	10.6%	11.1%
Global Equities	16.8%	17.5%
Pooled Property Investments	14.8%	15.3%
Private Equity	24.6%	24.4%
Multi Asset Credit	10.9%	9.7%
Hedge Funds	0.0%	0.0%
Money Market Fund	0.0%	0.0%
Cash - GBP	0.0%	0.0%

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

Change in the net assets

Asset type	Value at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Bonds - LDI	252,011	38,152	290,162	213,859
Emerging Market Equities	167,596	39,009	206,605	128,587
Private Debt	145,672	15,436	161,107	130,236
Global Equities	644,588	108,594	753,181	535,994
Pooled Property Investments	149,556	22,178	171,734	127,378
Private Equity	54,694	13,466	68,159	41,228
Multi Asset Credit	320,874	34,950	355,824	285,925
Hedge Funds	0	0	0	0
Money Market Fund	1,000	0	1,000	1,000
London CIV	150	0	150	150
Total	**1,736,140**	**271,784**	**2,007,923**	**1,464,357**

Asset type	Value at 31 March 2023 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Bonds - LDI	193,363	22,325	215,688	171,038
Emerging Market Equities	169,759	40,941	210,700	128,817
Private Debt	133,837	14,921	148,759	118,916
Global Equities	556,242	97,314	653,556	458,929
Pooled Property Investments	167,219	25,567	192,786	141,652
Private Equity	60,233	14,708	74,941	45,525
Multi Asset Credit	351,193	34,020	385,213	317,173
Hedge Funds	52	0	52	52
Money Market Fund	5,000	0	5,000	5,000
London CIV	150	0	150	150
Total	**1,637,048**	**249,796**	**1,886,844**	**1,387,251**

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 2024 and 31 March 2023 is set out in the table opposite. 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 opposite assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis point change in interest rates.

Assets exposed to interest rate risk	Value at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	24,727	0	24,727	24,727
Fixed interest securities	252,036	2,520	254,557	249,516
Total	**276,764**	**2,520**	**279,284**	**274,243**

Assets exposed to interest rate risk	Value at 31 March 2023 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	47,947	0	47,947	47,947
Fixed interest securities	193,332	1,933	195,266	191,399
Total	**241,279**	**1,933**	**243,213**	**239,346**

Income exposed to interest rate risk	Amount Receivable 2023/24 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	796	8	804	788
Fixed interest securities	5	0	5	5
Total	**801**	**8**	**809**	**793**

Income exposed to interest rate risk	Amount Receivable 2022/23 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	285	14	1,363	1,336
Fixed interest securities	5	0	5	5
Total	**290**	**14**	**1,368**	**1,341**

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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

Currency risk – sensitivity analysis

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

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

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

Assets exposed to currency risk	Value at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas unquoted securities	54,694	5,469	60,163	49,224
Overseas unit trusts	105,769	10,577	116,346	95,192
Total	**160,463**	**16,046**	**176,509**	**144,416**

Assets exposed to currency risk	Value at 31 March 2023 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas unquoted securities	60,233	6,023	66,256	54,210
Overseas unit trusts	121,088	12,109	133,197	108,979
Total	**181,321**	**18,132**	**199,453**	**163,189**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence, all of the Fund's investments are exposed to some form of credit risk which is generally mitigated by the investment managers employed by the Fund through the selection and use of high-quality counterparties, brokers and financial institutions. By their nature however, certain investments will be exposed to a greater amount of credit risk where a greater risk premium may attract higher investment returns. Level 3 investments in particular have a high credit risk, such as the Fund's private equity and private debt investments, which is accepted by the Fund and incorporated into its Investment Strategy Statement; the Fund invests in a diversified portfolio across several assets classes with clearly defined investment limits to mitigate this risk.

There is a risk that some admitted bodies to the Fund may not fulfil their pension obligations, potentially resulting in a deficit that could impact the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies and uses reasonable measures to reduce the risk of employers defaulting on their pension obligations, including seeking guarantees for new admissions; further information is set out in the Fund's Funding Strategy Statement.

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 2024 was £24m (31 March 2023: £47.9m). This was held with the following institutions.

	Rating	31 March 2024 £000	31 March 2023 £000
Money Market Funds:			
Northern Trust - Liquidity Fund	AAA	11	18
Bank Deposits and Current Account:			
Royal Bank of Scotland	A+	24,002	47,947
Total		**24,013**	**47,966**

Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert into cash. As at 31 March 2024 the value of liquid assets was £1,449.5m, which represented 80.85% of total Fund assets (31 March 2023: £1,383.0m, which represented 81.43% of total Fund assets).

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

All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk

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

18. Funding Arrangements

In line with the Regulations the Fund's actuary undertakes a funding valuation every three years for setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The funding policy is set out in the Fund's Funding Strategy Statement, dated February 2024. The key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy ; and
- use reasonable measures to reduce the risk of 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.

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,842 million, were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £79 million (£307m as at 31 March 2019).

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in the Funding Strategy Statement on the Fund's website.

The Fund's liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

<u>Longevity assumptions</u>

The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.5% p.a.

Based on these assumptions, the average future life expectancies at age 65 are as follows:

	31 March 2022	31 March 2019
Retiring today		
Males	21.5	21.2
Females	24.3	24.0
Retiring in 20 years		
Males	23.0	22.7
Females	25.9	25.6

<u>Experience over the period since 31 March 2022</u>

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

19. Actuarial Present Value of Promised Retirement Benefits

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

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

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2024 was £ 1,738m (31 March 2023: £ 1,727m).

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	**31 March 2024 %**	**31 March 2023 %**
Pension increase rate (CPI)	2.80	3.00
Salary increase rate	3.30	3.50
Discount rate	4.80%	4.75%

<u>Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)</u>

We describe the approach we have taken to allow for relevant legal judgements and regulatory uncertainty. In the Results Schedule we have stated any Employer-requested departures from the standard approach.

We have made no additional allowance within the accounting balance sheet for this initial legal judgement from July 2023. We have taken this approach because at the time of writing:

- *the ruling only applies to the above-named private sector pension scheme*
- *the legal judgement is currently being appealed*
- *it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)*
- *it is unknown what the impact of any potential remedy would be*
- *it is unknown whether Section 37 certificates exist for prior scheme amendments.*

20. Current Assets

	31 March 2024 £000	**31 March 2023 £000**
Sundry debtors	53,122	13,319
Cash balances	24,727	47,947
Total	**77,850**	**61,267**

21. Current Liabilities

	31 March 2024 £000	**31 March 2023 £000**
Sundry creditors	(14,400)	0
Total	**(14,400)**	**0**

22. Additional Voluntary Contributions

	31 March 2024 £000	31 March 2023 £000
Prudential	3,589	2,956
Utmost Life & Pensions	454	448
Clerical Medical	184	200
Total	**4,228**	**3,604**

In 2023/24 the Transfer In value includes £191k (in 2022/23 £0.00) of member's in-house AVC that they have used to purchase additional LGPS pension.

23. Related Party Transactions

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

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with Lambeth council, for the supply of goods or services to the Fund.

The designated key management posts relating to the Fund and their costs to the Fund are disclosed in Note 26.

During the reporting period, the council incurred costs of £1.64m (2022/23 £1.44m) in relation to the administration of the fund and these costs were recharged to the Fund. The Council is also the single largest employer of members of the pension fund and contributed £41.3m to the fund in 2023/24 (2022/23: £41.9m). At 31 March 2024 the council owed the Fund £30m in loans advanced for cash flow purposes, recorded in Note 20 as Current Assets; interest accrues on outstanding loans at the prevailing SONIA interest rate.

Governance

There are no elected Members of the Pensions Committee in receipt of pension benefits from the Lambeth Pension Fund; the pensioner representative was in receipt of pension benefits from the Lambeth Pension Fund during the year. In addition, the Pensions Committee employee representative is an active member of the pension fund.

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

London LGPS CIV Limited (LCIV)

The Council is a shareholder in the London CIV asset pool (the organisation set up to run pooled LGPS investments in London) and holds unquoted equities carried at cost, i.e. transaction price of £150,000, and recorded as an investment in the Net Asset Statement. The Fund's investments in the LCIV are disclosed in Note 14c and as at 31 March 2024 totalled £991.2m. During the year the Fund made purchases or investments into the LCIV of £21.84m and redemptions or sales from the LCIV of £74.25m. The Fund paid the LCIV £4.0m in 2023/24 in investment management expenses.

24. Contingent Liabilities and Contractual Commitments

The total investment commitments as at 31 March 2024 are £410.50m and the outstanding undrawn commitments are £119.35m (31 March 2023: total commitment £413.72m and outstanding was £139.04m). There were no Contingent Liabilities as at 31 March 2024.

These commitments relate to outstanding call payments due on the Private Equity & Private Debt mandates of the portfolio, as well the new in-year commitment to the LCIV UK Housing Fund. The amounts 'called' by the Private Equity and Private Debt fund managers are irregular in both size and timing over a period of between four and six years from the date of each original commitment. The UK Housing Fund Commitment is expected to be drawn over a shorter timeframe.

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.

Two admitted body employers in the Fund held appropriate bonds to guard against the possibility of being unable to meet their pension obligation; the value of these bonds at 31 March 2024 was £0.084m (£0.084m at 31 March 2023). These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

26. Key Management Personnel Remuneration

	31 March 2024 £000	31 March 2023 £000
Short-term benefits	183	171
Post-employment benefits	1,318	4,129
Total	**1,501**	**4,300**

The key management personnel for the Pension Fund are the Section 151 Officer, the Assistant Director of Payroll and Pensions, and the Head of Treasury and Pensions at the London Borough of Lambeth. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts and are disclosed in the table above. The short-term benefits disclosed above are also included within administration expenses in Note 11. The post-employment benefits disclosed are included in the calculation of the actuarial fair value of promised retirement benefits in Note 19. The Fund is required to disclose this but did not do so in PY accounts.

12. Funding Strategy Statement

Funding Strategy Statement

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

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

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

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

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

Following the 2022 triennial valuation the FSS was reviewed and updated on two occasions; the most recent version was prepared as at February 2024.

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

https://www.lgpslambeth.org/resources/

13.

Investment Strategy Statement

Investment Strategy Statement

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

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

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

Lambeth published its most recent ISS in November 2023. The document will be regularly reviewed and updated at least every three years;

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

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

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

https://www.lgpslambeth.org/resources/

14.

Communications Policy Statement

Communications Policy Statement

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

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

a) *The provision of information and publicity about the scheme to members, representatives of members and scheme employers;*

b) *The format, frequency, and method of distributing such information or publicity; and*

c) *The promotion of the scheme to prospective members and their employers.*

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

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

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

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

https://www.lgpslambeth.org/resources/

FUND CONTACT DETAILS:

Pension Administration

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

Telephone: 0207 926 3333

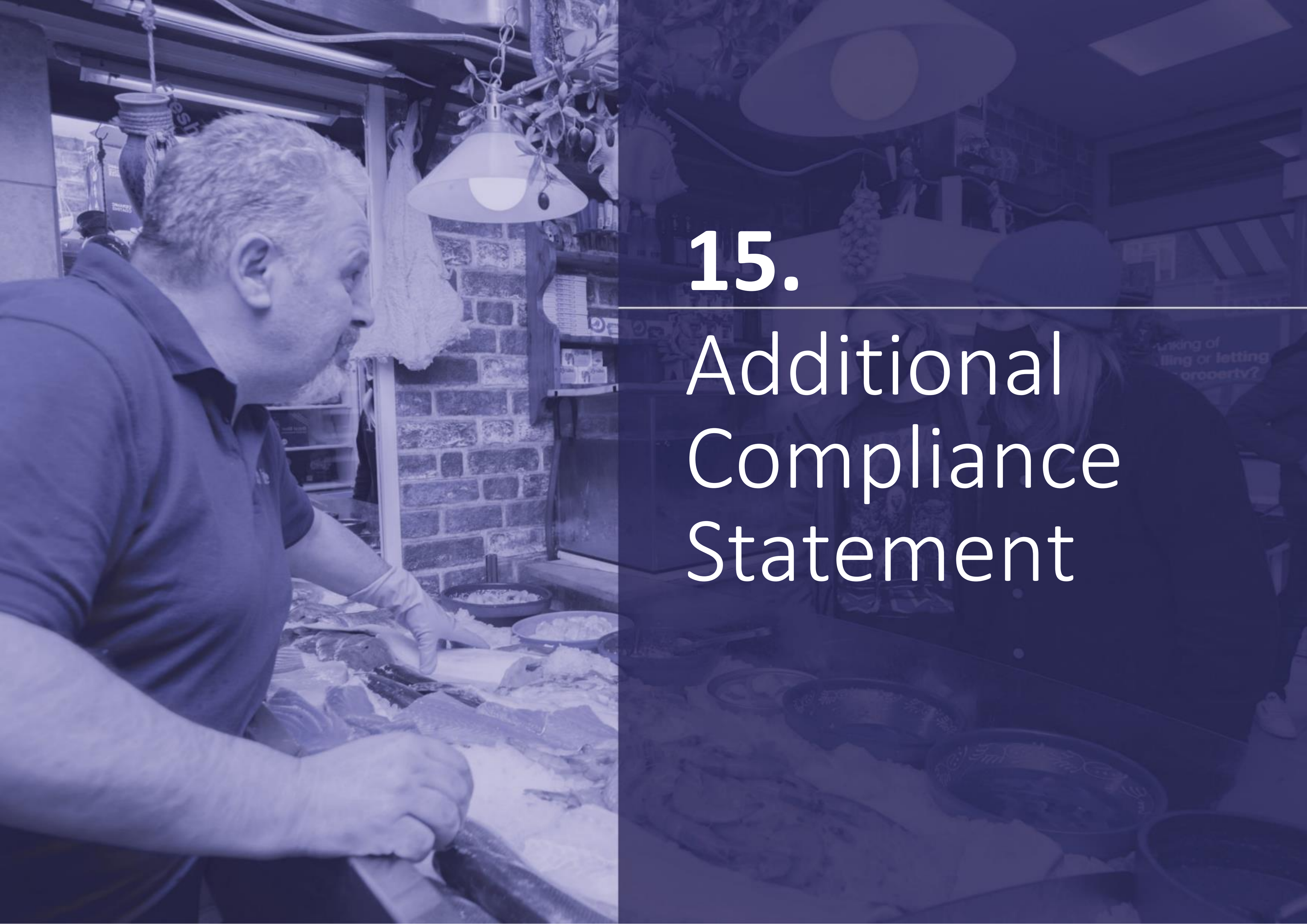
Email: *pensions@lambeth.gov.uk*

Investment Management

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

Telephone: 0207 926 0576

Email: *pensionfund@lambeth.gov.uk*



15. Additional Compliance Statement

Additional Compliance Statement

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

TAXATION

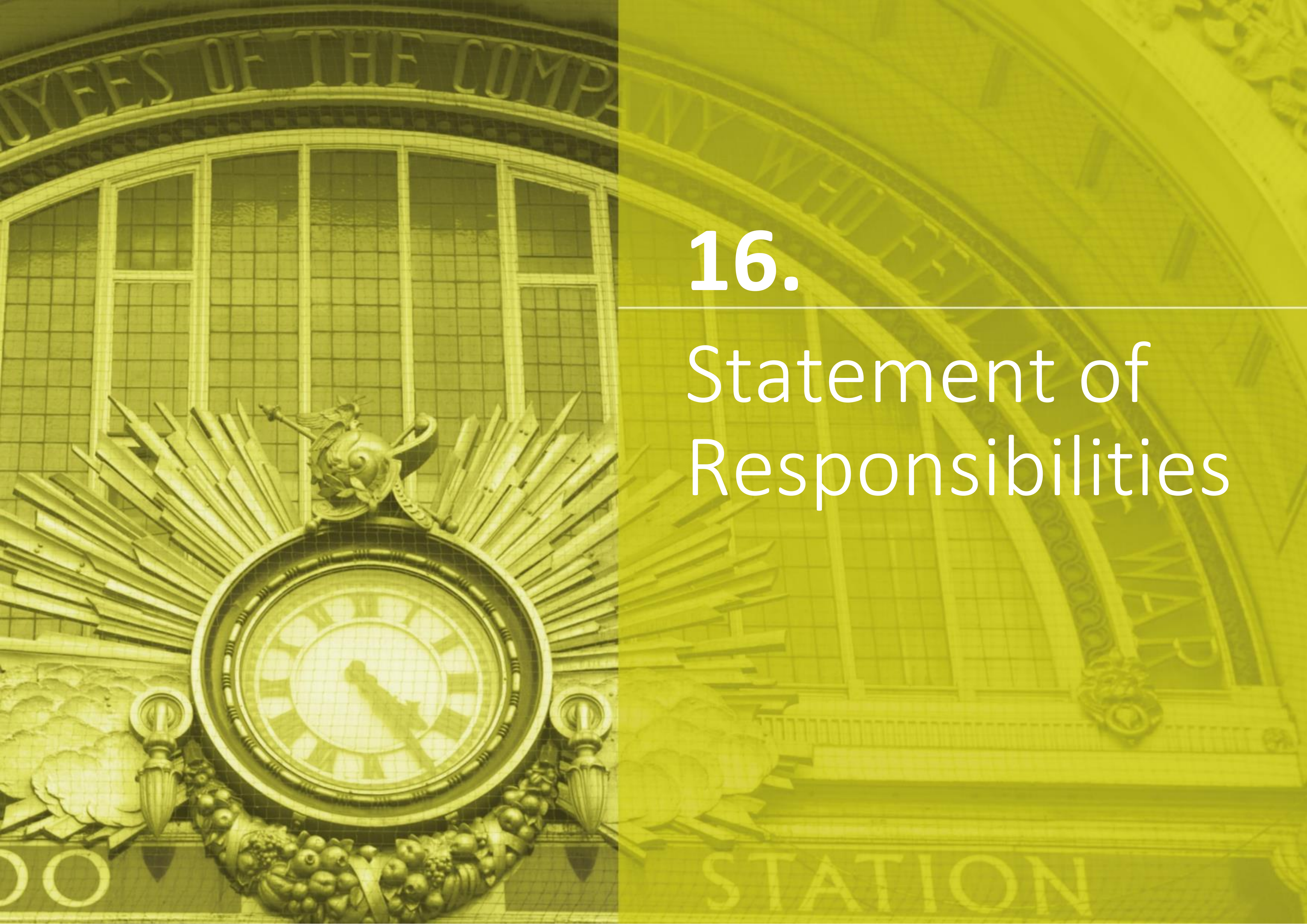
The Fund is approved under the Income and Corporation Taxes Act 1988. Although exempt from UK income and capital gains taxes, the Fund is unable to recover the tax credit on UK dividends.

TRANSFER VALUES

Transfer values for Members leaving pensionable service during the year were calculated in accordance with the Pension Schemes Act 1993. 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 payable for the year commencing 10 April 2023 were increased in accordance with the Pensions Increase (Review) Order 2023, Statutory Instrument 2023 No 338.



16.

Statement of Responsibilities

Statement of Responsibilities

LAMBETH COUNCIL'S RESPONSIBILITIES

The council is required:

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

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting in the UK 2023/24;
- Maintained proper accounting records which are up-to-date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

DECLARATION

I certify that these accounts are a true and fair reflection of the financial position of the London Borough of Lambeth Pension Fund as at 31 March 2024.

Zena Cooke
Corporate Director of Finance
Section 151 Officer
London Borough of Lambeth

28 February 2025

17.

Independent Auditor's Statement

Independent Auditor's Statement

Independent auditor's statement to the members of London Borough of Lambeth Council on the pension fund financial statements included within the London Borough of Lambeth Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2024 included within the London Borough of Lambeth Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Lambeth Council for the year ended 31 March 2024, within which the Pension Fund financial statements opinion was qualified, and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Respective responsibilities of the Corporate Director of Finance and Governance and the auditor

As explained more fully in the Statement of the Corporate Director of Finance and Governance's Responsibilities, the Corporate Director of Finance and Governance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Lambeth Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Lambeth Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Lambeth Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of London Borough of Lambeth Council, as a body and as administering authority for the London Borough of Lambeth Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Lambeth Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Lambeth Council and London Borough of Lambeth Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Suresh Patel

Suresh Patel

Key Audit Partner
For and on behalf of Forvis Mazars LLP

30 Old Bailey
London
EC4M 7AU

28 February 2025

18.

Appendices

1 Funding Strategy Statement (February 2024)

Contents

1 Introduction

WELCOME TO THE LONDON BOROUGH OF LAMBETH PENSION FUND'S FUNDING STRATEGY STATEMENT

This document sets out the Funding Strategy Statement (FSS) for the London Borough of Lambeth Pension Fund.

The London Borough of Lambeth Pension Fund is administered by the London Borough of Lambeth Council, known as the administering authority. The London Borough of Lambeth Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2024.

There's a regulatory requirement for the London Borough of Lambeth Council to prepare an FSS. You can find out more about the regulatory framework in *Appendix A*. If you have any queries about the FSS, please contact Saul Omuco at *somuco@lambeth.gov.uk*.

1.1 WHAT IS THE LONDON BOROUGH OF LAMBETH PENSION FUND?

The London Borough of Lambeth Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at *www.lgpsmember.org*. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in *Appendix B*.

1.2 WHAT ARE THE FUNDING STRATEGY OBJECTIVES?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 WHO IS THE FSS FOR?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies - Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they cannot accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers - Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund cannot refuse entry. The employer then decides which employees can join the scheme.

Admission Bodies - Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements are not met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms are not defined under current regulations but remain in common use from previous regulations.

1.4 HOW DOES THE FUNDING STRATEGY LINK TO THE INVESTMENT STRATEGY?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at *www.lambethpensionfund.org*.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund will not be able to pay benefits, so higher contributions would be required from employers.

1.5 DOES THE FUNDING STRATEGY REFLECT THE INVESTMENT STRATEGY?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see *Appendix A*).

1.6 HOW IS THE FUNDING STRATEGY SPECIFIC TO THE LONDON BOROUGH OF LAMBETH PENSION FUND?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 CALCULATING CONTRIBUTION RATES

Employee contribution rates are set by the LGPS Regulations.

Employer contributions are made up of two elements:

- **The primary contribution rate** – contributions payable towards future benefits.
- **The secondary contribution rate** – the difference between the primary rate and the total employer contributions.
- primary rate also includes an allowance for the Fund’s expenses.

The primary rate also includes an allowance for the Fund’s expenses.

The fund actuary uses a model to project each employer’s asset share over a range of future economic scenarios. The contribution rate takes each employer’s assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer;
- **the time horizon –** the time over which the employer aims to achieve the funding target; and
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The Fund permits the prepayment of employer contributions at the discretion of the administering authority and the Fund’s actuary.

2.2 THE CONTRIBUTION RATE CALCULATION

Type of employer	**Scheduled Bodies**		**Community Admission Bodies**			**Transferee Admission Bodies***
Sub-type	Local Authorities	Academies	Mutuals	Open to new entrants	Closed to new entrants	All
Funding Target**	Ongoing		Ongoing, but may move to low risk exit basis			Ongoing
Minimum likelihood of success	66%	70%	75%	75%	75%	50-75%
Maximum time horizon	17 years	17 years	17 years	Average future working lifetime subject to 17-year maximum		Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	Monetary amount	Administering authority reserves the right to set as a monetary amount or as a % of pay				
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation agreement	Administering authority reserves the right to allow the use of any surplus in secondary rates				
Phasing of contribution changes	Covered by stabilisation agreement	Phased over a period agreed with the administering authority				

* Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority.

** See Appendix D for further information on funding targets.

2.3 MAKING CONTRIBUTION RATES STABLE

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this is not appropriate, contribution increases or decreases may be phased. The fund may also adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for local authority employers. On the basis of extensive modelling, the annualised employer contribution rates for the fund’s local authority employer is 19.3% of pay plus £8.5m pa.

2.4 REVIEWING CONTRIBUTIONS BETWEEN VALUATIONS

The fund does not currently have a policy on reviewing contributions between valuations. Any requests received will only be considered where they fit the definitions set out in the regulations. Employers would be required to meet all costs associated with any review.

2.5 WHAT IS POOLING?

The administering authority will consider contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates are not disclosed to pooled employers, unless agreed by the administering authority.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average.

2.6 ADMINISTERING AUTHORITY DISCRETION

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer’s contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3 What additional contributions may be payable?

3.1 PENSION COSTS – AWARDING ADDITIONAL PENSION AND EARLY RETIREMENT ON NON-ILL-HEALTH GROUNDS

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread up to a maximum of 3 years if the administering authority agrees.

3.2 PENSION COSTS – EARLY RETIREMENT ON ILL-HEALTH GROUNDS

If a member retires early because of ill-health, a funding strain will arise which must be covered by the employer. The funding strain, which may be a large sum, will be absorbed into the employer's funding position and subsequently funded through ongoing (and likely higher) contributions. The employer is not required to pay the funding strain as a single lump sum payment to the fund, however, the employer may wish to consider paying additional contributions in order to avoid otherwise higher contributions in future.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements such as taking out an appropriate insurance product if they are concerned about the risk of unmanageable ill-health strain costs.

4 How does the Fund calculate assets and liabilities?

4.1 HOW ARE EMPLOYER ASSET SHARES CALCULATED?

The Fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 HOW ARE EMPLOYER LIABILITIES CALCULATED?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

4.3 WHAT IS A FUNDING LEVEL?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 WHEN CAN AN EMPLOYER JOIN THE FUND?

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 NEW ACADEMIES

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The fund may allow contribution pooling for academies who are part of the same multi-academy trust.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's full policy on academy participation is detailed in Appendix E.

5.3 NEW ADMISSION BODIES AS A RESULT OF OUTSOURCING SERVICES

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

Where an academy is the letting employer, the fund's policy is to require all new admission bodies to be set up with a pass-through arrangement which is closed to new members joining the fund. This is to ensure that the '*DfE Academy Trust LGPS Guarantee policy*' applies to the outsourcing.

The fund's pass-through policy is set out in Appendix H.

5.4 OTHER NEW EMPLOYERS

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 RISK ASSESSMENT FOR NEW ADMISSION BODIES

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected;
- allowance for the risk of liabilities being greater than expected;
- allowance for the possible non-payment of employer and member contributions; and
- admission body's existing deficit.

Where an academy is the letting employer, the fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the '*DfE Academy Trust* LGPS Guarantee policy' before permitting an admission body in the fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admitted body as the pension liabilities will be covered by the DfE Academy Guarantee.

Where the admission body does not meet the requirements of the DfE Academy Trust LGPS Guarantee policy, the fund will review each case individually to decide if the admission body must provide security before being admitted to the fund. In these cases, the fund will typically require the academy to act as guarantor and provide evidence that they have sought and received permission from the Education and Skills Funding Agency to do so.

6 What happens if an employer has a bulk transfer of staff?

6.1 BULK TRANSFERS

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower;
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities;
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available in Appendix F.

7 What happens when an employer leaves the Fund?

7.1 WHAT IS A CESSATION EVENT?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time;
- insolvency, winding up or liquidation of the admission body;
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction;
- failure to pay any sums due within the period required;
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor; or
- termination of a deferred debt arrangement (DDA).

7.2 WHAT HAPPENS ON CESSATION?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in *Appendix D*.

a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D..

b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund cannot recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is available in Appendix G.

7.3 WHAT HAPPENS IF THERE IS A SURPLUS?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount;
- the proportion of the surplus due to the employer's contributions;
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The fund's approach to exit credits is set out in the cessation policy available in Appendix G.

7.4 HOW DO EMPLOYERS REPAY CESSATION DEBTS?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement; or
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The Fund's approach to employer flexibilities on exit are set out in the cessation policy available in Appendix G.

7.5 WHAT IF AN EMPLOYER HAS NO ACTIVE MEMBERS?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis based on each employer's proportion of the fund's pensionable pay.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers based on each employer's proportion of the fund's liabilities.

8 What happens when an employer leaves the Fund?

8.1 REPORTING REGULATIONS

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 SOLVENCY

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level;

or

b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 LONG-TERM COST EFFICIENCY

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. Comparing LGPS funds with each other.
2. The implied deficit recovery period.
3. The investment return required to achieve full funding after 20 years.

Absolute factors include:

1. Comparing funds with an objective benchmark.
2. The extent to which contributions will cover the cost of current benefit accrual and interest on any deficit.
3. How the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy.
4. The extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate.
5. How any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Appendix A – The Regulatory framework

A1. WHY DO FUNDS NEED A FUNDING STRATEGY STATEMENT?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- "establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward;
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**;
- ensure the Fund meets its **solvency and long-term cost efficiency** objectives; and
- take a **prudent longer-term view** of funding those liabilities."

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2. CONSULTATION

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue… with council tax raising authorities and representatives of other participating employers'.

The consultation process included issuing a draft version to participating employers and the offer to attend an open employers' forum.

A3. HOW IS THE FSS PUBLISHED?

The FSS is made available to interested parties by:

- Publishing on the administering authority's and Fund's website;
- sending copies to each employer;
- sending copies to members of the local pension board;
- sending copies to the Fund's investment consultants;
- making copies freely available on request.

The FSS is published at *www.lambethpensionfund.org.*

A4. HOW OFTEN IS THE FSS REVIEWED?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5. HOW DOES THE FSS FIT INTO THE OVERALL FUND DOCUMENTATION?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all Fund documentation at *www.lambethpensionfund.org.*

Appendix B – Roles and Responsibilities

B1. THE ADMINISTERING AUTHORITY:

1. operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations;
2. manages any conflicts of interest from its dual role as Administering Authority and a Fund employer;
3. collects employer and employee contributions, investment income and other amounts due;
4. ensures that cash is available to meet benefit payments when due;
5. pays all benefits and entitlements;
6. invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy;
7. communicates with employers so they understand their obligations;
8. safeguards the Fund against employer default;
9. works with the Fund actuary to manage the valuation process;
10. provides information to the Government Actuary's Department so they can carry out their statutory obligations;
11. consults on, prepares and maintains the funding and investment strategy statements;
12. tells the actuary about changes which could affect funding;
13. monitors the Fund's performance and funding, amending the strategy statements as necessary; and
14. enables the local pension board to review the valuation process.

B2. THE INDIVIDUAL EMPLOYERS:

1. deduct the correct contributions from employees' pay;
2. pay all contributions by the due date;
3. have appropriate policies in place to work within the regulatory framework;
4. make additional contributions as agreed, for example to augment scheme benefits or early retirement strain;
5. tell the Administering Authority promptly about any changes to circumstances, prospects or membership which could affect future funding; and
6. make any required exit payments when leaving the Fund.

B3. THE FUND ACTUARY:

1. prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency;
2. provides information to the Government Actuary Department so they can carry out their statutory obligations);
3. advises on Fund employers, including giving advice about and monitoring bonds or other security;
4. prepares advice and calculations around bulk transfers and individual benefits;
5. assists the administering authority to consider changes to employer contributions between formal valuations;
6. advises on terminating employers' participation in the Fund; and
7. fully reflects actuarial professional guidance and requirements in all advice.

B4. OTHER PARTIES:

1. internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement;
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS;
3. auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements;
4. governance advisers may be asked to advise the administering authority on processes and working methods;
5. internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures; and
6. the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements.

Appendix C – Risks and Controls

C1. MANAGING RISKS

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key Fund-specific risks and controls are logged in the Fund's risk register which is regularly reported on at the Pensions Committee and Board. Please see the meeting packs for Pensions Committee and Board meetings on *moderngov* for more information.

C2. CLIMATE RISK AND TCFD REPORTING

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has set a net zero target of 2040 and is reviewing its investments in relation to this target. In addition, the fund is also a signatory to the UK Stewardship Code.

The fund included climate scenario stress testing in the contribution modelling exercise for the local authority as at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Further details on the Fund's approach to climate risk (and other risks) can be found the Fund's *website* and *moderngov*.

Appendix D – Actuarial Assumptions

The fund’s actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1. WHAT ARE ASSUMPTIONS?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don’t affect the actual benefits the fund will pay in future.

D2. WHAT ASSUMPTIONS ARE USED TO SET THE CONTRIBUTION RATE?

The fund doesn’t rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson’s Economic Scenario Service (ESS) to project each employer’s assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon

The table opposite summarises the assumptions underlying the ESS as at 31 March 2022.

		Annualised total returns									
		Cash	Private Equity	Property	Emerging Markets Equity	Developed World Equity	Multi Asset Credit (sub inv grade)	Direct Lending (private debt) GBP Hedged	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.8%	-1.2%	-0.6%	-2.5%	-0.6%	1.7%	2.7%	1.6%	-1.7%	1.1%
	50th %'ile	1.8%	9.4%	4.4%	5.8%	5.6%	3.5%	6.0%	3.3%	-0.5%	2.5%
	84th %'ile	2.9%	20.1%	9.5%	14.4%	11.6%	5.2%	9.2%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.0%	2.4%	1.4%	0.1%	1.6%	2.8%	4.3%	1.2%	-0.7%	1.3%
	50th %'ile	2.4%	10.0%	5.0%	6.3%	6.1%	4.4%	6.8%	2.7%	1.1%	3.2%
	84th %'ile	4.0%	17.6%	8.9%	12.8%	10.8%	6.0%	9.2%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	4.7%	2.6%	2.1%	3.2%	3.6%	5.5%	0.9%	-0.6%	1.1%
	50th %'ile	2.9%	10.3%	5.5%	6.8%	6.6%	5.3%	7.7%	2.2%	1.3%	3.3%
	84th %'ile	4.9%	16.1%	8.8%	11.7%	10.2%	7.1%	10.0%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	2%	30%	15%	26%	18%	6%	10%	3%		

D3. WHAT FINANCIAL ASSUMPTIONS WERE USED?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except closed community admission bodies	1.6%
Low-risk exit basis	Community admission bodies closed to new entrants	0.0%

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 3.4% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 85% likelihood that the fund's assets will achieve future investment returns of 3.4% pa over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 202.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4. WHAT DEMOGRAPHIC ASSUMPTIONS WERE USED?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	45% of maximum tax-free cash for service to 2014 and 65% thereafter.
50:50 option	1% of members will choose the 50:50 option.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	727.75	975.61	0.00	0.00	0.00	0.00
25	117	0.17	480.71	644.43	0.00	0.00	0.00	0.00
30	131	0.20	341.08	457.17	0.00	0.00	0.00	0.00
35	144	0.24	266.49	357.15	0.10	0.07	0.02	0.01
40	150	0.41	214.55	287.46	0.16	0.12	0.03	0.02
45	157	0.68	201.53	269.95	0.35	0.27	0.07	0.05
50	162	1.09	166.13	222.27	0.90	0.68	0.23	0.17
55	162	1.70	130.82	175.12	3.54	2.65	0.51	0.38
60	162	3.06	116.60	156.02	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	546.26	514.11	0.00	0.00	0.00	0.00
25	117	0.10	367.56	345.88	0.10	0.07	0.02	0.01
30	131	0.14	308.11	289.90	0.13	0.10	0.03	0.02
35	144	0.24	265.93	250.12	0.26	0.19	0.05	0.04
40	150	0.38	221.33	208.09	0.39	0.29	0.08	0.06
45	157	0.62	206.54	194.16	0.52	0.39	0.10	0.08
50	162	0.90	174.13	163.52	0.97	0.73	0.24	0.18
55	162	1.19	129.93	122.13	3.59	2.69	0.52	0.39
60	162	1.52	104.71	98.31	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

D5. WHAT ASSUMPTIONS APPLY IN A CESSATION VALUATION FOLLOWING AN EMPLOYER'S EXIT FROM THE FUND?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.6% pa on 31 March 2022.
2. The RPI assumption is derived based on the long dated government bonds at the cessation date. CPI is derived by subtracting 1% pa from RPI for the period to 31 March 2030 and 0.1% thereafter.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Ongoing basis

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the Fund), the ongoing basis will apply.

Appendix E – Policy on Academy Funding

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

E1. AIMS AND OBJECTIVES

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT;
- to state the approach for setting contribution rates for MATs;
- to outline the responsibilities of academies seeking to consolidate ; and
- to outline the responsibilities of academies when outsourcing

E2. BACKGROUND

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the fund on conversion from a local authority school or on creation (e.g. newly established academies, Free Schools, etc). Upon joining the fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

E3. GUIDANCE AND REGULATORY FRAMEWORK

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a *written ministerial guarantee of academy LGPS liabilities*, which was *reviewed* in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

E4. STATEMENT OF PRINCIPLES

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding council, MATs and individual academies.
- Academies must consult with the fund prior to carrying out any outsourcing activity, including pass-through arrangements. The fund expects academies to ensure that any outsourcing complies with the requirements set out in the '*DfE Academy Trust LGPS Guarantee policy'* and confirm to the fund that the requirements are met. Where the Guarantee policy terms cannot be met, and no suitable alternative is agreed, the fund may refuse admission of the contractor as an admission body
- the Fund's approach is to treat all academies within a MAT as single employers (effectively operating as a funding pool where all pension risks are shared if requested by the MAT).

E5. POLICIES

a) *Admission to the Fund*

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below).

b) *Multi-academy trusts*

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate.

Contribution rate

If an academy is joining an existing pooled MAT (within the fund), in general, the transferring academy will pay the certified contribution rate of the MAT it is joining.

At the discretion of the fund, a new contribution may be calculated by the fund actuary to allow for impact of the transferring academy joining the MAT.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities

c) *Merging of MATs (contribution rates)*

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB were one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

d) *Cessation of academies and multi-academy trusts*

A cessation event will occur if a current academy or MAT ceased to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

e) *Academy consolidations*

If an academy or MAT is seeking to merge with another MAT outside of the fund, they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund.

The fund will provide the necessary administrative assistance to academies seeking to consolidate into the fund or another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

f) *Outsourcing*

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

The contribution rate payable by the contractor will be set in line with the policy contained in Appendix H of the FSS where pass-through is in force. Where pass-through is not in force, the contribution rate will be set in accordance with the FSS as it applies to 'transferee admission bodies'.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions policy.

Academies must ensure that the requirements set out in 'DfE Academy Trust LGPS Guarantee policy' are met before completing an outsourcing. Where the Guarantee policy terms cannot be met, and no suitable alternative is agreed, the fund may refuse the contractor entry to the fund as an admission body.

g) *Accounting*

Academies (or MATs) may choose to prepare combined FRS102 disclosures (e.g. for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (e.g. academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

Appendix F – Policy on Bulk Transfers

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances. It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

F1. AIMS AND OBJECTIVES

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

F2. BACKGROUND

Bulk transfers into and out of the Fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS Fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any bulk transfer into the Fund, will be considered on a case-by-case basis.

F3. GUIDANCE AND REGULATORY FRAMEWORK

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a *Club scheme* (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS Fund and another LGPS Fund (in England and Wales) where 10 or more members elect to transfer will trigger

bulk transfer negotiations between Fund actuaries.

Best value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all "Best Value Authorities" in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

Academies and multi-academy trusts

New Fair Deal guidance, introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance (if the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate Government Actuary's Department (GAD) guidance.

F4. STATEMENT OF PRINCIPLES

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):

    i. the use of cessation assumptions where unsecured liabilities are being left behind;

    ii. where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or

    iii. where transfer terms are subject to commercial factors.

- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

F5. POLICIES

The following summarises the various scenarios for bulk transfers in or out of the Fund, together with the Administering Authority's associate policies.

a) *Inter-fund transfer (transfer between the Fund and another LGPS Fund)*

Scenario	Bulk transfer mechanism	Policy
In	<10 members – GAD guidance	CETVs in accordance with GAD guidance
In	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	**Actives only transferring:** Subject to negotiation. **All members transferring (i.e. all actives, deferred and pensioners):** Receive all assets attributable to the membership within the transferring scheme.
Out	<10 members – GAD guidance	CETVs in accordance with GAD guidance
Out	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	**Actives only transferring (i.e. remaining members left behind):** Subject to negotiation. **All actives transferring (i.e. deferred and pensioner members left behind):** Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme.
		All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme. The Fund reserves the right to consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

b) *Club schemes*

Scenario	Bulk transfer mechanism	Policy
In	Club Memorandum	CETVs in accordance with GAD guidance and Club Memorandums. The Fund reserves the right to consider the individual circumstances of each transfer when considering appropriate terms. Particularly where a transfer involves significant numbers of members or a concentration of high liability individuals.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or	**Actives only transferring (i.e. remaining members left behind):** CETVs in accordance with GAD guidance and Club Memorandums.

Scenario	Bulk transfer mechanism	Policy
	Club Memorandum	**All actives transferring (i.e. deferred and pensioner members left behind):** Assets will be retained by the fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme. Minimum transfer amounts may apply. The fund reserves the right to consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

c) *Broadly comparable scheme or non-club scheme*

Scenario	Bulk transfer mechanism	Policy
In	N/A	The fund reserves the right to not accept transfer in from non-Club schemes. Where transfers are allowed to occur, the fund will consider the individual circumstances of the transfer when considering appropriate terms.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance
Out	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	The Fund will consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

All transfers are subject to members receiving actuarially equivalent service credits in their new Fund/scheme.

F6. PRACTICALITIES AND PROCESS

a) *Format of transfer payment*

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

b) *Impact on transferring employer*

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the fund, any adjustment may be deferred to the next valuation.

c) *Consent*

Where required within the Regulations, for any bulk transfer the administering authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

d) *Approval process*

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

e) *Non-negotiable*

It should be noted that, as far as possible, the fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the fund.

f) *Costs*

Actuarial and other professional costs will be recharged in full to the employer.

Appendix G – Policy on Cessations

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies (as described in Section 3 - Policies).

G1. AIMS AND OBJECTIVES

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

G2. BACKGROUND

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

G3. GUIDANCE AND REGULATORY FRAMEWORK

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (*Regulation 64*) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.
- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    - i. Notify its intention to make a determination to-
        - i. The exiting employer and any other body that has provided a guarantee to the Exiting Employer.
        - ii. The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement.
    - ii. Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
    i. The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
    ii. The proportion of this excess of assets which has arisen because of the value of the employer's contributions.
    iii. Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    iv. Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects *statutory guidance* from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying *guide* that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

G4. STATEMENT OF PRINCIPLES

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

G5. POLICIES

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see *3.2 Repayment flexibility on exit payments* below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

a) *Approach to cessation calculations*

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local authorities	Low risk basis*	Shared between other Fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)

*Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.

- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Policy on Academy Funding.

b) *Repayment flexibility on exit payments*

Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in limited circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

Deferred debt arrangement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in *Regulation 64 (7A)*).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the fund actuary until the termination of the DDA.

The administering authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing. (including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.

- Regular monitoring of the contribution requirements and security requirements.
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active Fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their cessation exit basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed de minimis level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

c) *Exit credits*

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the *Local Government Pension Scheme (Amendment) Regulations 2020*.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors:

- the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.
- the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- any other relevant factors.

Admitted bodies

i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.
ii. No exit credit will normally be payable to any admission body who participates in the Fund via a pass-through approach.
iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the

admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.

iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.

vi. None of the above should be considered as fettering the Fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

G6. PRACTICALITIES AND PROCESS

a) *Responsibilities of ceasing employers*

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

b) *Responsibilities of the administering authority*

The administering authority will:

- gather information as required, including, but not limited to, the following:
    i. details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    ii. complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    iii. the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

c) *Responsibilities of the actuary*

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

G7. RELATED POLICIES

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

Appendix H – Policy on pass-through

H1. INTRODUCTION

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its passthrough principles to other admission bodies where liabilities are covered by a guarantor within the fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

a) Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors into the fund.

b) Background

Employees outsourced from local authorities or from independent schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007) or new Fair Deal (in the case of academies). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

c) Guidance and regulatory framework

The *Local Government Pension Scheme Regulations 2013* (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

H2. STATEMENT OF PRINCIPLES

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Where an academy is the letting authority, the fund requires the consequent admissions to be set up with a pass-through arrangement (which is closed to new member) from the effective date of this policy.
- Where the letting authority is not an academy, pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy.
- The contractor's pension contribution rate is set equal to the primary contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's primary contribution rate (i.e. following future actuarial valuations).
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience

under its pass-through arrangement, irrespective of the size of the outsourcing.

- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond unless an academy is the letting authority and is not in compliance with the *DfE Academy Trust Guarantee policy*.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains, augmentations and/or salary experience. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass through agreement will be documented by way of the admission agreement between the administering authority, the letting authority (where different), and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

H3. POLICY AND PROCESS

a) Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

b) Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the primary rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority future service primary rate, and not affected by the (generally more volatile) changes in past service funding level.

c) Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	√	
Interest on surplus/deficit	√	
Investment performance of assets held by the Fund	√	
Changes to the discount rate that affect past service liabilities	√	
Changes to the discount rate that affect future service accrual *		√
Change in longevity assumptions that affect past service liabilities	√	
Changes to longevity that affect future accrual *		√
Price inflation affects past service liabilities	√	
Price inflation / pension increases that affect future accrual *		√
Exchange of pension for tax free cash	√	
Ill health retirement experience	√	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		√
Greater/lesser level of withdrawals	√	
Rise in average age of contractor's employee membership	√	
Changes to LGPS benefit package *		√
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		√
Award of additional pension or augmentation		ü

** These elements would be picked up at the next triennial valuation.*

d) Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions), however, this is a rule of thumb and some pass through employers may still be required to account under defined benefit basis.

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expects employers to seek approval to the treatment of pension costs from their auditor.

e) Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

f) Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- Tender Notification - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.

- Initial notification to Pension Team – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to the *DfE Academy Trust Guarantee policy*.

- Confirmation of winning bidder – The letting authority must immediately advise the administering authority of the winning bidder.

- Request for winning bidder to become an admitted body – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund. Where an academy is letting employer, it must confirm that the outsourcing complies with the requirements set out in the DfE Academy Trust Guarantee policy.

- Template admission agreement – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.

- Signed admission agreement - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

- Admitted body status – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

g) Costs

Contractors being admitted to the fund under a pass-through agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

H4. RELATED POLICIES

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the in the Funding Strategy Statement, specifically "Section 6 – What happens when an employer leaves the fund?" and the fund's cessation policy.

2 | Investment Strategy Statement (November 2023)

STATUTORY REQUIREMENT FOR AN INVESTMENT STRATEGY STATEMENT (ISS)

The Public Service Pensions Act 2013 (The Act) enables the Secretary of State to make regulations creating schemes of pensions for, amongst others, local government workers.

In England and Wales, such a scheme was created by the Local Government Pension Scheme Regulations 2013 (The Regulations). These Regulations were made by the Secretary of State exercising powers in the Superannuation Act 1972.

Under powers contained in The Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replace the 2009 Investment Regulations. 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 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 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.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect replaces Schedule 1 of the 2009 Regulations.

This document is designed to comply with the guidance given by the Secretary of State and is effective from November 2023. It is proposed to review the ISS annually with any material changes published, which is more frequent than the Regulations require but deemed appropriate.

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.

Myners Principles

Although not specifically referenced in the Regulations, the Committee feels that assessment of compliance with the Myners Principles is a valuable governance tool. The Fund is committed to reporting on Myners Principles as part of its Annual Report (Appendix A).

BACKGROUND TO THE FUND

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Lambeth Pension Fund, in effect the LGPS for the London Borough of Lambeth, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

PRIMARY OBJECTIVE

The primary objective of the Fund is as follows:

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

This overall objective is supplemented by the Fund's funding and investment objectives which are detailed in this document.

1. Approach to risk, including the ways in which risks are to be measured and managed

Objectives of the investment strategy

The Funds primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Fund also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Fund. In formulating the Investment Strategy, the Fund must first consider its Funding Strategy.

Funding Strategy

The objectives of the Fund's funding strategy, as detailed in the Funding Strategy Statement, are as follows:

- To ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target.

Setting the Strategy

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the fund's overall objectives. The objectives for the Lambeth Fund are considered below:

To invest in assets to target as a minimum a rate of return of 3.4% p.a. consistent with the annual growth in liabilities assumed in the actuarial valuation as at 31 March 2022 with the weighting between constituent asset classes determined to reduce the expected volatility of the funding level going forward.

The Committee has determined its investment strategy after considering the Fund's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Employers on investment strategy and the Employers' appetite for risk. The Committee have also received written advice from their Investment Advisers.

Against these strategic targets, the Committee reviews its Investment Strategy at least triennially (every three years) and reviews the investment performance (on a quarterly basis). In doing so the Committee considers the risk/return characteristics of each asset class and sub-asset class in this assessment. The Lambeth Pension Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. In the first instance, the Committee would consider the options available on the London CIV to select and manage the allocations across asset classes. Where there are currently no suitable options at the pool, the Fund will engage with the pool and partner funds in order to facilitate the launch of new investment options. Where this is not possible, and as a last resort, the Committee will appoint investment managers outside of the pool.

In assessing the suitability of investments required to form the overall portfolio the Lambeth Fund considers a number of characteristics of each asset class, and sub asset class. These characteristics include potential return, risk/volatility of returns, liquidity, Environmental, Social and Governance (ESG) factors, and duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Lambeth Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include cash flow requirements and an assessment of the required return to ensure the long-term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee takes all such decisions themselves. They do so after receiving written advice from their officers and investment adviser. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

Setting investment objectives

- Setting investment objectives;
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund strategic asset allocation; and
- Reviewing the investment objectives and strategic asset allocation

The Committee is responsible for setting the strategic asset allocation for the Fund which in turn must be consistent with the investment return assumed in the funding strategy.

The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

2. Investment strategy and the process for ensuring suitability of investments.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The rebalancing range in the table below acts to ensure the actual asset allocation does not deviate materially from the strategic allocation.

The asset strategy is set out in the table below:

Asset Class	Strategic allocation (%)	Rebalancing range (%)
Developed Global Equity	32.5	27.5 – 37.5
Emerging Market Equity	5.0	3.0 – 7.0
Property	10.0	6.0 – 14.0
Private Credit	12.0	8.0 – 16.0
MAC	12.0	8.0 – 16.0
Private Equity	7.5	4.0 –11.5
Corporate Bonds	5.0	3.0 – 7.0
LDI	15.0	10.0 – 20.0
Cash	1.0	0.5 – 3.0

The Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process but is kept under constant review; noting that strategic changes are an evolutionary process.

There will be no automatic rebalancing of the portfolio. The actual allocation, relative to the strategic allocation, will be reviewed on a periodic basis and rebalanced if deemed necessary. Officers will carry out the necessary transactions to rebalance the Fund within the ranges agreed by the Committee and in line with delegated responsibilities. When rebalancing, assets will not be brought back to the absolute strategic allocation but to a position that falls somewhere halfway between the target and lower or upper range as relevant; this recognises the delay that can occur between the reporting of variances and the rebalancing action.

The triennial review looks at both qualitative and quantitative analysis, covering:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

3. Risk measurement and management

The Fund recognises that there are a number of risks that need to be factored into the Investment Strategy, and the expected estimates of volatility are reflected in the asset classes and strategic asset allocation shown in the table above. The financial, demographic and regulatory risks are addressed in the Funding Strategy Statement, and so are not repeated here. This statement looks to 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. The following paragraphs explain Lambeth's approach to addressing this risk.

Investing heavily in higher risk assets (e.g. equities) would be expected to increase the long term returns achievable from the assets, and thus reduce the contributions required to fund the liabilities over time. However, this type of strategy would be expected to lead to volatile short to medium-term results, both in absolute terms and, in particular, relative to the Fund's liabilities.

Equally, whilst investing in lower risk assets (e.g., bonds) would be expected to reduce risk within the Fund (in terms of the volatility of returns, the funding level and contribution rates), this may not be desirable as it would lead to a lower expected return and hence higher contribution rates over the long term.

In considering the Fund's investment strategy, the Committee must therefore 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 accepted risk. There are a number of investment risks to consider within an investment fund, a number of these are considered below:

A Investment Risks

Equities – The largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but also believes in diversification, and looks to mitigate equity risk by investing significantly in other diversifying assets. The Committee will also consider the use of equity options where appropriate.

Currency Risk – This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to sterling, thus negatively impacting the overall investment return.

Interest rate risk – This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments. The Committee acknowledges that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Inflation – The Fund's liabilities are impacted by inflation both explicitly and implicitly and the required return on assets is expressed in terms of inflation plus a premium. The Fund will seek to invest in a range of assets that provide returns in excess of inflation and in some cases provide an inflation-linked income, subject to a tolerable level of volatility. The Committee acknowledges that inflation risk relating to the Fund's liabilities is managed by the underlying investment managers through a combination of strategies, such as diversification and investing in assets and instruments that are expected to move in line with inflation over time, particularly where LDI is involved.

Diversifying assets – The Fund has a significant amount of assets allocated to a range of non-equity, diversifying assets, with allocations to property, corporate bonds, MAC and private debt. The risks that these investments bring at an individual level are not insignificant, but the Committee believes that over the long term these assets will provide returns that compensate for the risks being taken. Additionally, the level of diversification the assets provide helps to reduce the Fund's reliance on returns from equities. Illiquid assets such as property are also a valuable source of income. The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes the Fund, by investing in a range of different investments, can reduce the overall level of risk run to a degree.

Active Manager Risk – Investment Managers are appointed to manage the Fund's investments on its behalf, a number of which are active managers. Active manager risk is small relative to other risks, though the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers employed to prevent manager concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund's Advisors.

B Demographic Risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

C Solvency Risks

Mismatching Risk – The Fund measures this 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.

Cash Flow Risk – The Fund is cash flow positive, with contributions and income from investments exceeding benefit payments. However, this position will be reviewed regularly and is a factor that is incorporated into the Fund's investment strategy reviews with the long-term aim that a portfolio of income generating assets is built up over time.

D Governance Risks

The Committee believes that there is a benefit to the Fund to be gained from good governance in the form of increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

The Committee manages this risk 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.

E ESG Risks

The Committee believes that ESG (including climate change) risks should be taken into account on an ongoing basis. ESG considerations are an integral part of the Fund's strategy and objective of being a long-term investor. Section 5 sets out the Fund's policy on ESG issues whilst section 6 sets out the Fund's policy on the exercise of rights in relation to investments and stewardship.

The Committee believes that a combination of both engagement and exclusion (as necessary) is key in relation to strong corporate governance, which in turn will reduce ESG risks.

4. Approach to asset pooling

LGPS Investment Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Lambeth Fund is part of the London Collective Investment Vehicle (London CIV) as part of the

Government's pooling agenda. The London CIV has been operational since 2015 and has opened a range of sub-funds covering liquid and illiquid asset classes.

At the time of writing the Fund has invested in a multi-asset credit mandate and also has invested all its liquid equity mandates through the London CIV (c. £960m or c.57% as at 30 June 2023). It has also committed £50m to the London CIV UK Affordable Housing Fund, and will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

A proportion of the Fund is invested in illiquid assets outside of the pool, which will remain outside of the London CIV for the time being. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds are re-invested through the pool, assuming it has appropriate strategies available, or until the Fund changes asset allocation and makes a decision to disinvest.

The Fund will actively engage and seeks to work collaboratively with likeminded Funds and the London CIV on climate change and ESG topics, including the provision of fund alternatives that will help London CIV members reduce ESG risks and invest in sustainably themed opportunities in their investment portfolios.

5. Environmental, Social, and Governance policy

The Committee believe that good stewardship can enhance long -term portfolio performance and is therefore in the best interests of its members.

The Committee believes that environmental, social and governance ("ESG") and ethical issues can affect the performance of investment portfolios and should therefore be considered as part of the Fund's investment process. This includes climate change, for which the Committee has developed a policy as summarised at the end of this section.

The London Borough of Lambeth Pension Fund is a long-term active investor that takes seriously its role in fostering stewardship. The Committee believes that sound corporate governance contributes to long-term value for our clients. These 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 6 below.

The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition, the Pensions Committee undertakes training on a regular basis which will include training and information sessions on matters of social, environmental and corporate governance.

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 CIV) 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 including corporate governance, social and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, the Lambeth

Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

Climate Change

The Fund recognises the importance of addressing financial risks associated with climate change through its investments.

The Fund believes that considering the impact of climate change is not only the legal and fiduciary duty of the Fund, but is also consistent with the long-term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders.

The Fund acknowledges that as well as creating risk, climate change also presents opportunities to make dedicated investments that achieve the required returns, whilst at the same time make a positive environmental and social impact.

The Committee expects its investment managers to include information on how carbon emissions and fossil fuels are being managed within their respective portfolios as part of regular reporting for the Fund.

The Fund has committed to reduce climate change risk by reducing carbon emissions within the Fund's portfolio. The Committee expects to regularly review further opportunities, across all asset classes, to reduce the Fund's exposure to climate risk by considering the potential financial impacts of both the transition to a low-carbon economy and the physical impacts of different climate outcomes.

As part of the Fund's commitment to responsible investing, the Fund's Pensions Committee voted unanimously to adopt a 2040 net zero greenhouse gas (GHG) emissions target for the Fund.

The target reflects the Fund's ambition to reduce its GHG emissions, and recognises that urgent and ambitious action is necessary to continue to address the climate crisis, whilst meeting the fiduciary duty owed to the Fund's beneficiaries.

As a client Fund of the London CIV, the Fund is dedicated to working in collaboration with the pool in order to achieve its net zero target. The Fund is pleased that the London CIV is also aligned with the Fund in targeting net zero by 2040.

The Fund acknowledges that the London CIV is imperative in the process of achieving the net zero target, since the pool is responsible for providing members with sub-funds that are aligned to net zero ambitions. The Fund continues to work with the London CIV and other partner funds on this, and looks forward to creating a more detailed plan to achieve this goal, the first step of which will be to introduce interim targets for the Fund.

6. Policy of the exercise of rights (including voting rights) attaching to investments and stewardship

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

As responsible shareholders, the London Borough of Lambeth Pension Fund will endeavour to vote (via our agents) on shareholder resolutions in accordance with these policies. We will be transparent in explaining the reasons for voting decisions. As companies vary in size and complexity, these policies must allow for some flexibility, with due consideration to the particular circumstances of each company. Moreover, corporate governance requirements may be expressed differently in different markets; these policies will be applied in a way that reflects an understanding of local and international good practice.

The Fund's investments through the London CIV are covered by the voting policy of the pool which has been agreed by the Shareholder Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The London CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

UK Stewardship Code

The Financial Reporting Council (FRC) first published the UK Stewardship Code (the "Code") in 2010 which has subsequently been revised a number of times. The Code aims to enhance the quality of engagement between asset owners, asset managers and companies to help improve long-term risk-adjusted returns to shareholders.

The latest version of the Code took effect from 1 January 2020, and represents a substantial and ambitious revision to the previous version. The Code consists of 12 Principles for asset managers and asset owners, and six Principles for service providers. These are supported by reporting expectations which indicate the information that should be publicly reported in order to become a signatory.

The London Borough of Lambeth, as administering authority for the Fund, successfully received signatory status for the new Code in March 2021. The Fund is committed to maintaining signatory status through annual submissions to the FRC. Signatory status recognises that the Lambeth Fund demonstrates high standards for the way it invests its money on behalf of its members, evidencing compliance against a wide range of principles concerning the responsible allocation, management, and oversight of funds.

The Fund's latest submission can be found on the FRC website and the Fund's website.

The Fund expects its external investment managers to be signatories of the Code. Where this is not feasible the Fund expects a detailed explanation as to why the manager is not a signatory.

Advice Taken

In creating this statement, the Committee has taken advice from its Investment Consultant, Mercer Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

APPENDIX A -
Myners Investment Principles - Compliance Statement

The Myners Principles were reviewed by the NAPF during 2008 and a revised set of six principles were issued in October 2008. CIPFA expect to issue a new publication based on the revised six principles in the near future.

PRINCIPLE 1 - EFFECTIVE DECISION-MAKING

Committee members should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Committee members should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

PRINCIPLE 2 - CLEAR OBJECTIVES

Committee members should set out an overall investment objective(s) for the Fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the Committee members and the sponsor, and clearly communicate these to advisers and investment managers.

PRINCIPLE 3 - RISK AND LIABILITIES

In setting and reviewing their investment strategy, Committee members should take account of the form and structure of liabilities.

These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

PRINCIPLE 4 - PERFORMANCE ASSESSMENT

Committee members should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Committee members should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

PRINCIPLE 5 - RESPONSIBLE OWNERSHIP

Committee members should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Investment Strategy Statement Committee members should report periodically to members on the discharge of such responsibilities.

PRINCIPLE 6 - TRANSPARENCY AND REPORTING

Committee members should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Committee members should provide regular communication to members in the form they consider most appropriate.

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Communications Policy

INTRODUCTION

This is the Communications Policy Statement of the London Borough of Lambeth Pension Fund, administered by Lambeth Council, the Administering Authority.

On 31 March 2024 the Fund had 31 employers and over 21,000 Scheme members. The delivery of the benefits payable under the Local Government Pension Scheme involves communication with a number of interested parties.

This Statement provides an overview of how we communicate and how we measure whether our communications are successful. It is effective from 1 April 2024.

Any enquiries in relation to this Statement should be sent to:

Lambeth Pensions
PO Box 80771
London
SW2 9QQ

Telephone: 0207 926 3333

Email: Pensions@Lambeth.gov.uk

REGULATORY FRAMEWORK

This Statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provisions require the Council as the Administering Authority to:

"….prepare, maintain and publish a written statement setting out its policy concerning communications with:

(a) members.
(b) representatives of members.
(c) prospective members and
(d) Scheme employers."

In addition it specifies that the statement must include information relating to:

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

As a provider of an occupational pension scheme, the Council is already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other relevant legislation, for example the Pensions Act 2014. The Regulations are supported by a Code of Practice. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met. A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Measurement section of this document.

RESPONSIBILITIES AND RESOURCES

Communications material is provided through the Lambeth Pensions Team. The team write all internally produced communications including information published on the internet/intranet. They are also responsible for arranging all forums and meetings covered within this Statement. The team reports through the Council's management structure with ultimate responsibility for ensuring compliance with the Regulations resting with the Corporate Director of Finance. Printing documentation is carried out externally through Lambeth Council's print service provider.

COMMUNICATION WITH KEY AUDIENCE GROUPS

Our audience

The Pensions Team communicates with a number of stakeholders on an on-going basis. For the purpose of this Statement, the team engages with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- scheme employers;
- union representatives;
- Pension Committee;
- Pension Board;
- Pensions Team staff;
- local taxpayers and residents;
- other stakeholders / interested parties

In addition there are a number of other stakeholders with whom the Council communicates on a regular basis including Her Majesty's Revenue and Customs (HMRC), Department for Levelling Up, Housing and Communities (DLUHC), Department of Works and Pensions (DWP), Money and Pensions Service, solicitors, actuaries and other pension providers. The Council has also considered, as part of this policy, how it communicates and engages with these interested parties.

HOW WE COMMUNICATE

General communication

The Council has put in place a number of initiatives that will assist in moving towards the Government's e-gov agenda and has developed alternative communications media (e.g. documents in large print, etc.) to ensure that it caters for the needs of special groups. Additionally, the team utilises the Council's internet/intranet facilities and has a dedicated Lambeth Pensions website and Member Self-Service facility.

Within the Pensions Team, staff are responsible for the administration of the Local Government Pension Scheme. Any member of staff within the team can deal with general telephone calls, written correspondence, email queries, visitors or queries via Member Self-Service. Communications on more complicated pension issues are managed amongst the senior management.

Branding

As the Pension Fund is administered by Lambeth Council, all literature and communications conform to the Council's branding policy.

Accessibility

The Council serves a culturally rich and diverse client base and is conscious of the fact that access to information requires varied forms of communication. Any material required in an alternative format or language is managed in line with a specific request.

POLICY ON COMMUNICATION WITH ACTIVE, DEFERRED AND PENSIONER MEMBERS

Our objectives with regard to communication with members as groups are:

- to facilitate the LGPS to be used as a tool in the recruitment and retention of employees, thereby assisting both the Council and associated bodies in becoming employers of choice.
- to educate and explain to members the benefits of the LGPS.
- to provide the diverse client base with increased opportunity to engage on pension related matters through the most appropriate medium.
- as a result of improved communication, for enquires and complaints to be resolved at the earliest opportunity and to the client's satisfaction.
- in line with the Government's agenda in relation to individuals making adequate financial arrangements for retirement, increase take up of LGPS membership.
- to ensure that all relevant stakeholders have sufficient material to hand to inform pension-related judgements.

In addition, as required, appropriate communications with individual members covering their own particular circumstances are arranged.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Scheme Guide	Paper based and Lambeth's intranet and Pension Fund website	At joining and at the time of major scheme changes	Online and if required, post to home address	Active members
Newsletters	Paper based and Lambeth's intranet and Pension Fund website	Annually and ad hoc to ensure timely notification of major scheme changes	Online and if required, post to home address	Separately for active (on-line), deferred and pensioner members
Pension Fund Annual Report and Financial Statements	Lambeth's Internet and Pension Fund website	Annually	Online and hard copy on request	All members
Annual Benefit Statements	Paper based and through Member Self Service	Annually	Post to home address (deferred) Member Self Service (Actives)	Active and deferred members
Website – Lambeth Intranet/Internet/Pension Fund website	Electronic	Continually available	As required	All members
One to one sessions	Personal interview	On request	As requested	All members
Presentations	On-site or virtually	On request and (during Lambeth Staff Conference)	As requested Annually	Active members

Explanation of communications

Scheme Guide - A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Newsletters – Mainly an annual newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as UK pension matters, payroll pay dates/deadlines, contact details, etc.

Pension Fund Annual Report and Financial Statements – Details of the value of the Pension Fund at the end of the financial year, income and expenditure during the year as well as other related details, (e.g. current employer bodies and Scheme membership numbers.

Annual Benefit Statements – For active members these include the current value of benefits to 31 March as well as the projected benefits at Normal Pension Age. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. For deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.

Websites – The mentioned websites provide scheme specific information, forms that can be printed or downloaded, access to documents (e.g. newsletters and Annual Report), frequently asked questions and answers, links to related sites and contact information.

One to one education sessions – These sessions offer the individual a confidential interview with a member of the team.

Presentations – Sessions can be requested by employers. These sessions can be of a general overview or can cover specific aspects of the Scheme.

POLICY ON COMMUNICATION WITH PROSPECTIVE MEMBERS AND THEIR EMPLOYING BODIES

Our objectives with regard to communication with prospective members are:

- to facilitate the LGPS to be used as a tool in the recruitment and retention of employees, thereby assisting both the Council and associated bodies in becoming employers of choice.
- to educate and explain to members the benefits of the LGPS.
- to provide the diverse prospective client base with increased opportunity to engage on pension related matters through the most appropriate medium.
- in line with the Government's agenda in relation to individuals making adequate financial arrangements for retirement, increase take up of LGPS membership.
- to ensure that prospective members have sufficient material to hand to inform pension-related judgements.

The Pensions Team do not have immediate access to prospective members but the benefits of a defined benefits scheme are referenced in job vacancy advertisements. Promotional material and educational visits are provided for employing bodies.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Overview of the LGPS – Brief Scheme Guide	Paper based and Lambeth's Pension Fund website	On commencement of employment	Starter pack	New employees

Explanation of communications

Overview of the LGPS – Brief Scheme Guide – A brief guide that summarises the costs of joining the LGPS and the benefits of doing so. All this information is available on Lambeth's Pension Fund website.

POLICY ON COMMUNICATION WITH EMPLOYING BODIES

Our objectives with regard to communication with employers are:

- to establish sound working arrangements to assist with a free flow of relevant information.
- given the costs associated with funding a defined benefits scheme, to provide the employing bodies with sufficient information to assist them in their planning for future employer contribution rates.
- to provide an infrastructure that will assist in maintaining an accurate database.
- to provide literature and processes around starters, changes during employment, leavers and retirees thereby ensuring smooth data transfers in relation to all staffing issues.
- to ensure that each employing body understands the benefits of being an LGPS employer.
- to assist the employing body in the development of its discretionary policies.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Employers Guide	Electronic file format and Lambeth's Internet and Pension Fund website	At joining	Email and online	Employer's main contact
Employer Forums	Meeting with key employing body personnel	Annually (as required)	Meeting	Employing body management
Pension Fund Annual Report and Financial Statements	Lambeth's Internet and Pension Fund website	Annually	Online	Employing body
FRS102/IAS19 report	Electronic file format	Annually	Email	Employing body
Administration Strategy	Electronic file format.	Start of admission	Hard copy and email	Employing body

Explanation of communications

Employers Guide – A detailed publication that provides guidance on the employer's duties and responsibilities. It assists an employer in ensuring that it meets its statutory obligations within the prescribed timescales.

Employer Forums – A formal seminar style event where the Pensions Team provide an update on employer related matters and the triennial actuarial valuation.

Pension Fund Annual Report and Financial Statements – Details of the value of the Pension Fund at the end of the financial year, income and expenditure during the year as well as other related details, (e.g. current employer bodies and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request.

FRS102/IAS19 Report – This is a national accounting standard that all authorities administering pension funds must follow. FRS102/IAS109 requires an organisation to account for retirement benefits when it is committed to provide them, even if the actual provision will well in the future.

Service Level Agreement – A document that sets out, alongside the admission agreement, the duties and responsibilities of the Council and the employing body for the duration of the service contract.

POLICY ON COMMUNICATION WITH UNION REPRESENTATIVES

Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the Scheme to union members
- to ensure the unions are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the Scheme
- to engage in discussions over the future of the Scheme and to ensure that Union representatives have sufficient knowledge and opportunity to respond on all DLUHC and HMRC consultations
- to harness union communications in a joint venture to explain the benefits of the LGPS to prospective and current members
- to liaise with unions and provide assistance in supporting union officers in their learning and understanding of the LGPS.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Education sessions	Paper based and electronic	On request	Various	Union representatives
Pension Committee and Pension Board	Reports and meetings	In line with published Committee / Board cycle	Notification through Democratic Services	Named union observers

Explanation of communications

Education sessions – sessions that are available on request for union representatives, [e.g. to improve their understanding of the basic principles of the scheme or to explain possible changes to policies]

Pension Fund Committee and Pension Fund Board meetings – formal meetings of Elected Members and Scheme member representatives, attended by Council senior officers, investment managers, invited pensions specialists and union members.

POLICY ON COMMUNICATION WITH THE PENSION COMMITTEE

Our objectives with regard to communication with the Pension Committee are:

- to ensure that Members receive sufficient reports, briefings and training to allow them to carry out their statutory duties and responsibilities in line with LGPS legislation.
- to seek Member approval to the development or amendment of discretionary policies,
- to seek Member approval to formal responses to government consultation in relation to the scheme.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Pension seminars	In line with Elected Member training plan	LGPS specific seminars	All Committee members
Briefing papers	Electronic	As and when required	Email	All Committee members
Pension Committee meetings	Meeting	In line with published Committee cycle	Email or hard copy	All Committee members
Report and verbal briefing	Meeting	As and when required	Report and verbal briefing	All Committee members

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and Member's key duties and responsibilities.

Briefing papers – briefings highlight key issues and developments in the LGPS.

Pension Committee Meetings – reports submitted to the Committee.

Report and Verbal Briefing – occasions when Members require briefing on forthcoming pension changes that could impact on Corporate Priorities or have significant budget implications.

POLICY ON COMMUNICATION WITH THE PENSION BOARD

Our objective with regard to communication with the Pension Board is:

- to ensure that the Board members receive sufficient reports, briefings and training to allow them to carry out their statutory duties and responsibilities in line with LGPS legislation.

Our objective is met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Pension seminars	In line with Elected Member training plan	LGPS specific seminars	All Board members
Briefing papers	Electronic	As and when required	Email	All Board members
Pension Board meetings	Meeting	In line with published Board cycle	Email or hard copy	All Board members
Report and verbal briefing	Meeting	As and when required	Report and verbal briefing	All Committee members

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and the Board's key duties and responsibilities.

Briefing papers – a briefing that highlights key issues and developments to the LGPS.

Pension Board Meetings – reports submitted to the Board.

Report and Verbal Briefing – occasions when Members require briefing on forthcoming pension changes that could impact on Corporate Priorities or have significant budget implications.

POLICY ON COMMUNICATION WITH PENSIONS TEAM

Our objectives with regard to communication with Pensions Team staff are:

- to ensure they are aware of changes and proposed changes to the LGPS scheme
- to provide new and established staff with access to both internal and external training
- through a combination of utilising task management (pensions system workflow) and re-engineering service processes to monitor and develop potential for service improvements; readjusting performance measures and targets, where appropriate.

Our objectives are met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Identify training/development needs as part of Appraisal	Appraisal documentation	Annual exercise, reviewed at 6 months. Informal bimonthly meetings	Appraisal process	All Pensions Team staff
Staff meetings	Informal briefings	As and when required	By arrangement	All Pensions Team staff
Attendance at external courses	Externally provided	As and when required	By email, paper based	All Pensions Team staff

Explanation of communications

Appraisal – Formal staff review process where future training/development needs are identified in relation to the Team's strategic priorities.

Staff meetings – Informal training sessions which provide new and established staff with timely update on changes to pensions legislation or processes.

Attendance at external courses – to provide more tailored training where it is cost effective to use external trainers.

POLICY ON COMMUNICATION WITH TAXPAYERS AND RESIDENTS

Our objective with regard to communication with taxpayers is:

- to provide key information in a timely manner, ensuring full compliance with the requirements of the Data Protection and Freedom of Information Acts.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Reports/written response/electronic postings	Various	Reports published annually and when otherwise required in relation to general enquiries	Various	All Lambeth tax payers and residents

Explanation of communications

Reports/written response/electronic postings – Annual reports are published either through established communications (e.g. newsletters) or posted on the Council's Pension Fund website. Other ad hoc requests are responded to in light of the specific information requested utilising the most appropriate communications medium.

POLICY ON COMMUNICATION WITH OTHER STAKEHOLDERS / INTERESTED PARTIES

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our statutory obligations in relation to notifications and consultations
- to ensure the proper administration of the Scheme
- to deal with the resolution of pension disputes
- to administer the Fund's Additional Voluntary Contribution schemes

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund Valuation reports • Rates and Adjustment Certificate • Revised Rates and Adjustment • Certificate Cessation valuations	Electronic	Every three years	Email	DLUHC, HMRC and all Scheme employers
New admission agreements	Hard copy or electronic format	As new employers are entered into the Fund	Post/ electronic transfer	New admitted bodies
Resolution of pension disputes	Hard copy or electronic format	As and when a dispute requires resolution	Email/ post of via Pension Fund website	Scheme member or his/her representatives, the Pensions Advisory Service/ the Pensions Ombudsman
Completion of questionnaires	Hard copy or electronic format	As and when required	Email or post	As required

Explanation of communications

Pension Fund Valuation Reports – a statutory report issued every three years by the Scheme appointed actuary, setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute

We also communicate regularly with the following in various ways (email, post, face to face and virtual meetings and seminars:

- Investment Managers (including London Pension Collective Investment Vehicle (LCIV))
- Actuaries
- Department for Levelling Up, Housing and Communities (DLUHC)
- Other Pension Funds

PERFORMANCE MEASUREMENT

The Pensions Team already has performance measures set in place and in order to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

Timeliness

We will measure against the following target delivery timescales:

Method of communication	Audience	Statutory delivery period	Target delivery period
Scheme booklet	New joiners to the LGPS	Within two months of joining	Within 10 working days of joining
Annual Benefit Statements as at 31 March	Active members	31 August	July/early August each year
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	Within 8 working days of retirement and relevant paperwork being received
Issue of deferred benefits	Leavers	Within two months of withdrawal	Within 10 working days of relevant paperwork being received
Transfers in	Joiners/active members	Within two months of request	Within 20 working days of relevant paperwork being received
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within one month of change coming into effect
Annual Pension Fund Report and Financial Statements	All	Within two months	Within 20 working days

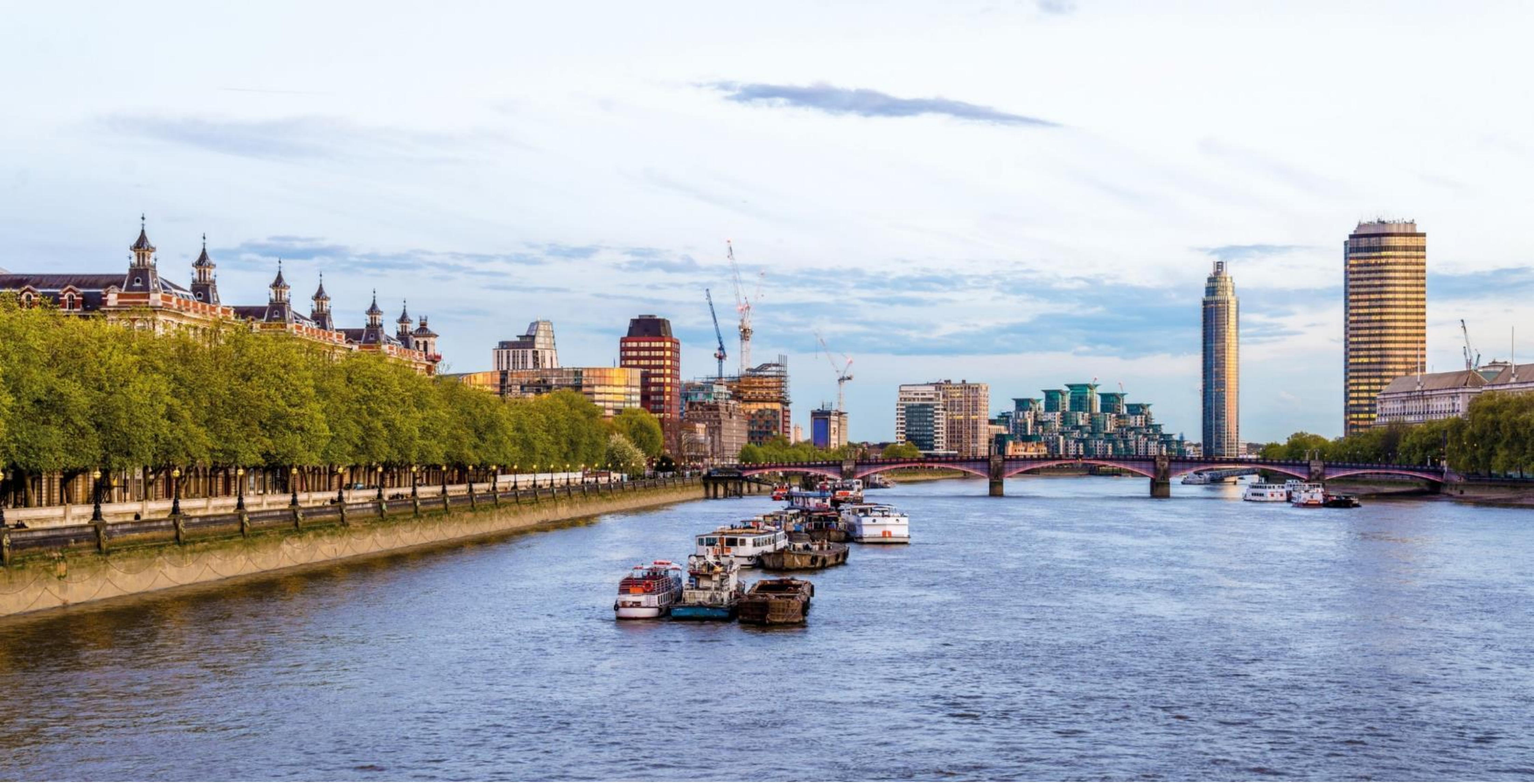
Results

The Pension Board receives reports on performance at each of its meetings.

REVIEW PROCESS

Our Communications Policy Statement will be reviewed on an annual basis, to ensure it meets audience needs and regulatory requirements. A current version of the Statement will always be available on the Lambeth Pension Fund website at *http://www.lgpslambeth.org* or from the Pensions Team at:

Lambeth Council
2nd Floor Town Hall
2 Brixton Hill
London SW2 1RW



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