Medium Term Financial Plan (MTFP)

2019 – 22

Approved at LPFA Board 26th February 2019

Contents

1. Executive Summary

The MTFP is based on the LPFA Strategic Policy Statement ("SPS"), providing a forecast outturn for the current financial year and the following three years.

The primary aim of the Authority is to establish and maintain a funding level as close to full funding on a risk adjusted triennial valuation basis whilst providing a quality service for its members at a reasonable cost. London Pension Fund Authority ("LPFA") currently administers the Funds of 367 different public sector and 'not for profit' organisations with assets totalling £5.8 billion. At the end of March 2016, the funding level was 96% on a triennial valuation basis, as per the LPFA's external actuary (Barnett Waddingham).

The MTFP does not cover the investment strategy for the Fund (which is detailed within the Authority's Investment Strategy Statement). However, the MTFP does show the projected net draw down from investments to meet current liabilities, the planned returns on investments and investment costs. In addition, the Plan details the projected net cost of Residual Liabilities and the Authority's management and administration costs (Operational Account).

The Authority is required, under the GLA Act 1999, to provide the Mayor with a draft strategic policy statement and budget for the forthcoming year by 31 December. The Mayor is required to provide any comments on the plans by 31 January and the Authority is required to consider the Mayor's comments before finalising the MTFP.

The Authority is currently operating within a challenging general economic climate, with continuing pressure on public sector funding. The government continues its commitment to work with Local Government Pension Scheme ("LGPS") administering authorities to achieve benefits from pooling investment expertise and administration, to deliver secure pensions to members.

During 2015-16, LPFA entered into a partnership with Lancashire County Council ("LCC") to form a pooling partnership. The MTFP is prepared on the assumption that the partnership will continue to be in place for the duration of the MTFP. The LPFA Board sets the strategic asset allocation for the pension fund, with the implementation of that strategy delegated in full to the Local Pension Partnership (LPP). LPP has worked to reduce the overall costs of managing all aspects of the Pension Fund including investment management, liability management and pension administration costs.

In the period beginning prior to LPP's conception and ending with the latest year for which audited financial results are available, investment management costs have reduced by 22 basis points. Since 2015/16 it has saved a cumulative £18.7m on investment costs by the end of 2017/18 based on comparing the 2014/15 basis points ("bps") costs with those incurred in 2017/18.

LPFA raises a levy on all the London Boroughs for Residual Employer Liabilities and administers this with the GLA. Changes in this levy have a direct impact on the borough's budgets. As a result, despite not having increased now for over ten years, the levy remains under particular scrutiny. This levy must be agreed, and details passed to the Boroughs before 15 February 2019.

The purpose of the MTFP is to provide a three-year forecast for the use of LPFA resources from 1 April 2019. The MTFP is prepared on the assumption that:

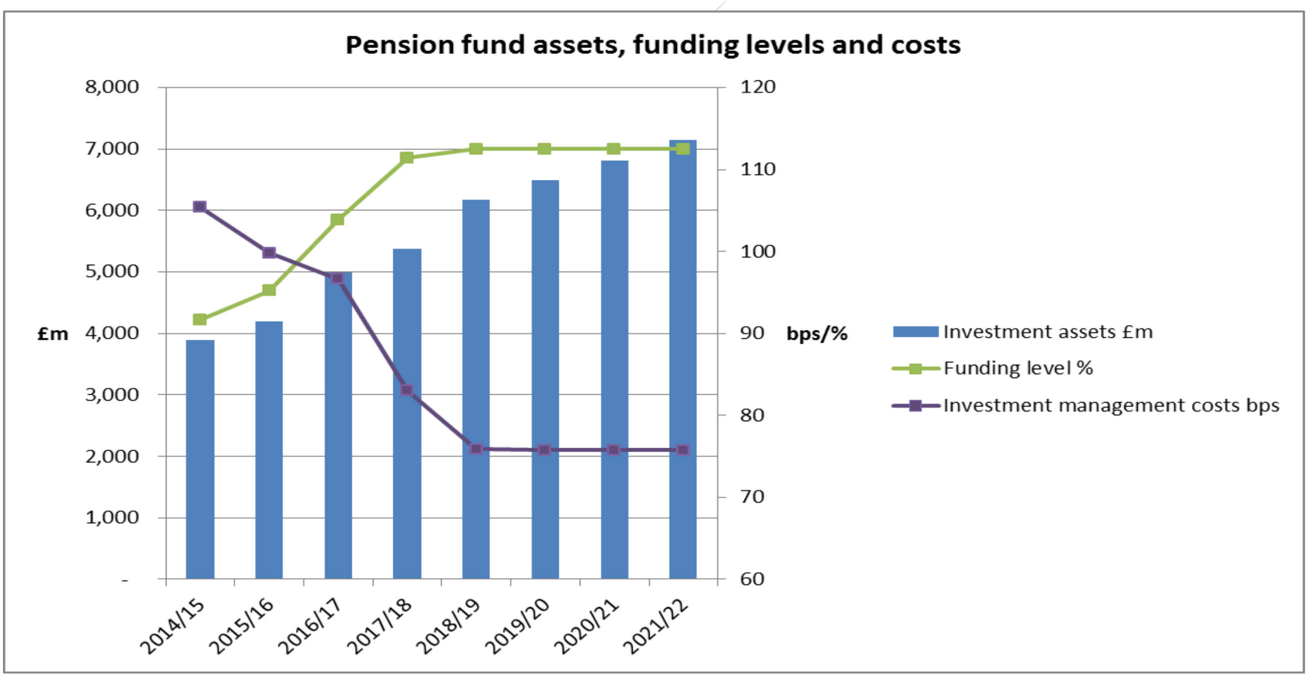
- LPFA will continue to be part of a partnership with the Lancashire County Council (LCC), which effectively moved almost all its operations to a new vehicle – the Local Pensions Partnership (LPP),

- Whilst the LPP budget drives the service level agreement (SLA) charges contained within this document, that budget is still under development and may be subject to change.

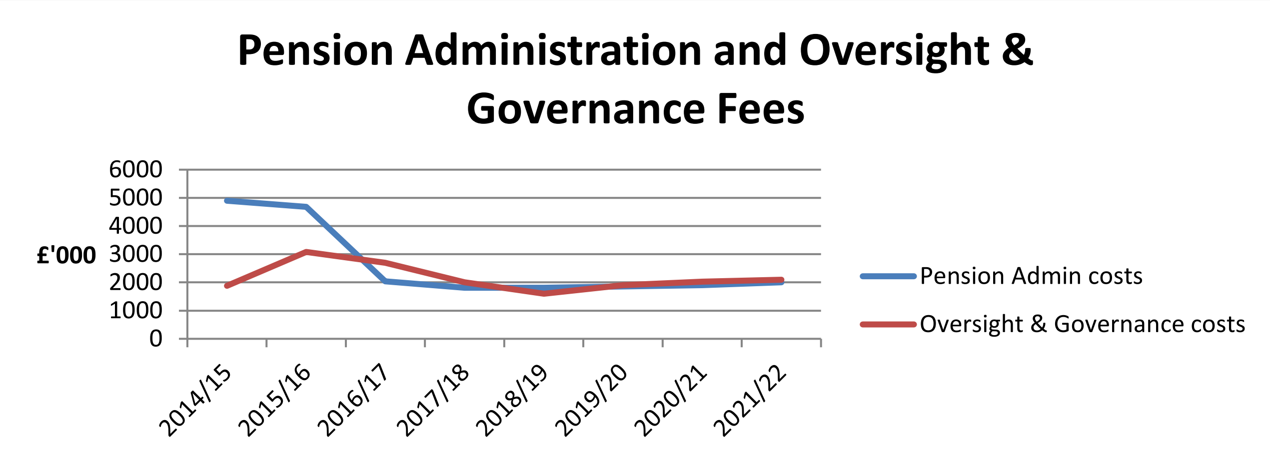
A key focus for the partnership with LCC is to pool investment and administration expertise to secure pension delivery to members. The partnership is also committed to engaging with other LGPS providers to provide further pooling benefits.

Pension Fund

- Ongoing net outflow of cash from dealings with members of c£115m is expected from 2019/20 to 2021/22.
- Prudent net investment returns of 5% reflecting assumptions applied by actuaries to determine fund values.
- Investment Management costs are not expected to increase in bps terms and LPFA continue to seek out cost savings as and when appropriate.
- The budgeted Oversight & Governance fee from LPP reflects resources required to deliver services to SLAs. The fee is subject to negotiation through respective parties budgeting cycles.
- The tables below demonstrate the savings made on investment management, pension administration and oversight & governance costs.
- Pooling investment management activity has contributed to strong growth in the pension fund, stable funding levels and a significant reduction in the costs associated with managing pension fund investments. The pre-pooling cost of running the pension fund was 105 bps, whereas by the end of March 2018, this had fallen to 83 bps. Such reductions are reflected in the published financial statements of LPFA.



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Investments assets £m	3,891	4,194	4,987	5,375	6,178	6,487	6,811	7,152
Funding level %	91.7	95.2	103.9	111.4	112.5	112.5	112.5	112.5
Investment management costs bps	105.37	99.83	96.62	83.00	75.87	75.77	75.77	75.77
Pooled fees £m	9.9	11.2	25.8	27.6	31.4	32.9	34.6	36.3
Non-pooled fees £m	31.1	30.7	22.4	17.1	15.4	16.3	17.1	17.9
Pooled fees bps	25.42	26.75	51.76	51.27	50.82	50.72	50.72	50.72
Non-pooled fees bps	79.95	73.08	44.85	31.73	25.05	25.05	25.05	25.05
Total	105.37	99.83	96.62	83.00	75.87	75.77	75.77	75.77



Since pension administration and support services were outsourced to LPP in 2016/17 the 2019/20 budget position presents a favourable position compared to the 2015/16 results as pension admin costs will have reduced by £2.9m and oversight and governance fees by £1.0m.

Residual Liabilities

- As in 2017/18, no increase is anticipated in the overall levy on the London Boroughs over the next three years, helping smooth the effect of future liabilities.
- No material change is forecast in the number of asbestosis claims nor the timespan they are expected to occur within.
- There is a year on year reduction of the management charge paid to LPFA from residual liabilities in line with reducing benefit payments.

2. Accounts Overview

The Authority's accounts are in two parts:

1. **Pension Scheme** – comprising some £5.8bn of assets managed as part of the Investment Strategy. The Fund receives employer and employee contributions from 142 of the 367 bodies participating in the Fund and funds pension payments to 35,000 pensioners and dependants.

2. **Residual Liabilities Account** – comprising the on-going payments of annual statutory compensation following the abolition of the Greater London Council (GLC) and Inner London Education Authority (ILEA). These payments are financed by a levy on all London Boroughs. These accounts also include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis.

3. Pension Fund

The projected net withdrawals from the Pension Fund over the three-year planning period are summarised in the table below.

Cash and Funding Sources	**Projected Outturn 2018-19 £m**	**Budget 2019-20 £m**	**Budget 2020-21 £m**	**Budget 2021-22 £m**
Dealing with members				
Employee contributions	(40.4)	(41.5)	(42.5)	(43.5)
Employer contributions*	(77.1)	(73.6)	(75.4)	(77.3)
Employers Deficit Contributions*	(29.3)	(29.3)	(29.3)	(29.3)
Additional contributions	(2.8)	(2.9)	(3.0)	(3.0)
Pensions payable	224.1	229.0	234.1	239.4
Lump sums	31.1	31.2	31.2	31.2
Transfers in	(128.4)	(11.1)	(11.1)	(11.1)
Transfers out	11.1	11.1	11.1	11.1
Net (additions)/withdrawals from dealings with members	**(11.7)**	**112.9**	**115.1**	**117.5**
Management Expenses				
Pension Administration Fees per LPP SLA	1.8	1.9	1.9	2.0
Employer Risk Fees per LPP SLA	0.9	1.0	1.0	1.0
Oversight & Governance	1.6	1.9	2.0	2.1
Total Management Expenses	**4.3**	**4.8**	**4.9**	**5.1**
Investments				
Investment Income	(55.6)	(58.4)	(61.3)	(64.4)
Net profit on disposal of assets and changes in market value	(507.4)	(417.6)	(434.9)	(453.0)
Pooled charges	31.4	32.9	34.6	36.3
Non-pooled fees per LPP SLA	2.1	2.3	2.4	2.5
Other investment management non-pooled fees	13.3	14.0	14.7	15.4
Net Return on Investments	**(516.2)**	**(426.8)**	**(444.5)**	**(463.2)**
Net (addition)/withdrawal from managing the Pension Fund	**(523.7)**	**(308.9)**	**(324.4)**	**(340.7)**

*****Determined by rates set at the triennial valuation, these are set up to and including 2019/20 but will change for 2020/21.

Net withdrawal of funds from dealings with members are anticipated to increase by c1.3% over the three-year budgeted period. The key planning assumptions are detailed below.

Employer and Employee Contributions - The number of active members is projected to remain much the same across the fund employers, with any increases through auto-enrolment being offset by reductions due to the continuing squeeze on public sector spending. However, those employers that are due to transfer in to the scheme in 2018/19 will have contributing members.

The employee contribution levels assume a year-on-year inflation increase of 2.4% in pensionable pay up to 2021/22 in line with Consumer Price Index ("CPI") as at September 2018.

The average standard employer contribution rate was set at a future service rate of 16.6% of payroll from 1 April 2018 in line with the rates sets at the last triennial valuation.

1. **Employer deficit contributions** - Total past service contributions set at the latest triennial valuation are c.£29m p.a. for 2018/19. Given the improved funding position of the Fund since the most recent triennial valuation it is assumed these will be static in future years.
2. **Additional contributions –** Past result trends, excluding one-off payments, have proven to be a reliable budgeting method and has therefore been used to forecast future additional contributions.
3. **Pensions Payable and Lump Sums** – It is assumed that the membership will remain broadly constant with natural turnover offset between pensioners and active members. Past result trends, excluding one-off payments, has proven to be a reliable budgeting method and has therefore been used to forecast future pension and lump sum payments.
4. **Transfers** – Individual transfers in are assumed to be equal with transfers out as it is not possible to more accurately predict these. Transfers in during 2018/19 are anticipated to be unusually high due to a number of bulk transfers in. This is viewed as a one off rather than the emergence of a trend and we therefore will not budget for future excessively high bulk transfers.

Management Expenses

Pension Administration Fees per LPP SLA – Current costs increase in line with inflation.

Employer Risk Fees per LPP SLA – Current fees increase in line with inflation.

LPP is now in a period of consolidation and stabilisation, a strategy approved by its shareholders last year and likely to continue for a further year. During this period, the current contractual arrangement is for these non-investment service costs to rise in line with inflation. Scrutiny of the financial budgeting of LPP in the short and medium term continues by LPFA and it may be that further savings across all services can be achieved in the future, either via efficiency or growth. Discussions about LPP's future direction and capability to drive such efficiencies or savings, particularly in Administration and Risk, are ongoing with LPP and may take a number of months to fully conclude.

The Employer Risk service provides significant protection to the LPFA Fund and its employers and members through its work with employers; assessing financial stability of fund employers; putting in place agreements to cover liabilities in the case of employers entering insolvency; collection of contributions; reporting on any breaches of contribution payments to The Pensions Regulator; actuarial services to fund employers; improving fund data; and communicating regularly with fund employers. With over 150 open employers and a slightly larger number of closed but not fully exited employers in the Fund, significant work is required dealing with employers by LPP on LPFA's behalf. External actuarial fees are also kept proportionate by having access to LPP's actuarial and funding resources.

Oversight & Governance

Oversight & Governance	**Projected Outturn 2018-19 £000**	**Budget 2019-20 £000**	**Budget 2020-21 £000**	**Budget 2021-22 £000**
Board	228	233	239	245
ExCom	165	169	173	177
Central Corporate Costs	717	1,087	1,110	1,135
IAS19 past service cost	291	291	291	291
Recharge to Residual Liabilities	(599)	(586)	(573)	(561)
Support services fee per LPP SLA	670	750	793	811
Total Operational Costs	**1,472**	**1,944**	**2,033**	**2,098**

Board and Officer costs are expected to increase in line with inflation (2.4% August 2018 CPI) over the 3-year period.

Central corporate costs are detailed in the table below. Additional costs for staffing (£400k), consultancy (£250k) and marketing/external communications (£100k) have been included in the budget. The increase in budgeting staffing costs reflects the need for LPFA to recruit further resource to support the Managing Director in managing the Fund. The resource requirement has arisen due to increased oversight of the LPP partnership and additional workload to ensure that the LPFA fully performs its function as the administering authority for the LPFA fund.

As we enter a period of further financial and regulatory challenge within the LGPS, coupled with an increased commitment required to oversee LPP as a business, LPFA require additional experienced and skilled resource to help achieve its strategic intent of collaboration and sustainability. Whilst this resource will spend some of its time directly managing LPP's delivery and compliance of its outsourced services, it will review within the first year of operation, what, if any activities can be dealt with more efficiently and cost effectively by LPFA. However, Pension Fund activity, increased compliance requirements from The Pensions Regulator, CIPFA, MHCLG, the Government Actuary Department, and the LGPS Scheme Advisory Board mean more resources will be fully engaged in running the Fund.

Support services align with the resources needed to support LPFA by LPP and then in subsequent years by inflation. The 2019/20 increase is due to a previous underestimation of these costs but covers a range of services including Finance, HR, Governance, Facilities and IT. Other costs in this area are based on September 2018 CPI being applied to the 2018/19 forecast.

LPP understand the expectation that if LPFA's costs are increasing then LPP's costs ideally should also decrease if they are like for like functions. However, much of the staffing LPFA is planning to hire will perform tasks which LPP are not currently providing under the service level agreement. This might include legal advice to the Managing Director, greater financial resilience, and additional communications support. LPP have committed to discussing with LPFA whether it remains appropriate for LPP to provide the same range of functions to LPFA or whether LPP should focus on core pension fund investment management, pension administration and asset and liability risk management.

Central Corporate Costs	Projected Outturn 2018-19 £000	Budget 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000
Audit Fees	115	115	115	117
Consultancy	-	250	256	262
Insurance	35	36	37	37
Local Pensions Board	12	13	13	13
Marketing/External comms	-	100	102	105
Staff costs	90	492	504	516
Subscriptions	69	71	73	75
Travel	2	10	10	10
Write off of assets	394	-	-	-
Total Operational Costs	**717**	**1,087**	**1,110**	**1,135**

IAS19 past service costs are the additional contributions to the pension fund for LPFA as an employer in relation to its historic pension liability. Given the improved funding position of the Fund as a whole we have assumed a static position over the budget period.

Investments

The Authority's investment strategy is set out in its Investment Strategy Statement. The projected returns on investment and associated management fees are summarised in the table below with the projected Net Asset Statement and Movement in Reserves over the next three years shown in Appendix 1.

Net Returns on Investments	Projected Outturn 2018-19 £m	Budget 2019-20 £m	Budget 2020-21 £m	Budget 2021-22 £m
Income:				
Investment Income	(55.6)	(58.4)	(61.3)	(64.4)
Net profit on disposal of assets and changes in market value	(507.4)	(417.6)	(434.9)	(453.0)
Total Income	(563.0)	(476.0)	(496.2)	(517.4)
Expenditure:				
Pooled charges	31.4	32.9	34.6	36.3
Non-pooled LPP fees	2.1	2.3	2.4	2.5
Non-pooled fees from other investment managers	13.3	14.0	14.7	15.4
Total Expenditure	**46.8**	**49.2**	**51.7**	**54.2**
Net Return on Investments	**(516.2)**	**(426.8)**	**(444.5)**	**(463.2)**

Key planning assumptions on investment returns are:

Investment Income - Investment income has been calculated based on performance in the past as a % of investment assets and assumes this trend will continue.

Changes in Market Value - Change in market value is the required balance to reach targeted growth of 5% per annum in line with actuarial assumptions.

Pooled Charges - The assumption is that the bps charges in accordance with investment agreements will not change but cost movements will be driven by changes in the NAV.

Non-pooled LPP Fees – No change in bps charges over the period with cost movements driven by expected 5% growth in assets.

Non-pooled Fees from Other Investment Managers - Driven by assumed Assets Under Management growth at 5% p.a. average. Charges are calculated on set bps of assets under management as per associated investment management agreements: The bps charge is assumed to remain constant for the planning period.

A full forecast of the pension scheme is set out in Appendix 1.

4. Residual Liabilities

The residual liabilities relate to responsibilities transferred to the LPFA following the abolition of the Greater London Council (GLC), the Inner London Education Authority (ILEA) and the London Residual Body (LRB). The costs are met from a levy charged on London Boroughs.

Income and Expenditure

A summary of the residual liability's income and expenditure budget for the three years of the MTFP is provided in the table below.

Residual Liabilities	Projected Outturn 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22
	£000	£000	£000	£000
Greater London				
Unfunded Pension costs	6,321	6,164	6,013	5,870
Direct costs	146	150	153	157
Asbestosis provision	6,594	2,887	3,166	3,456
Management expenses	255	249	244	239
Interest	(121)	(319)	(319)	(319)
Levy	(10,318)	(10,318)	(10,318)	(10,318)
Net (inflow)/ outflow	**2,877**	**(1,187)**	**(1,061)**	**(915)**
Inner London				
Unfunded Pension costs	10,689	10,475	10,270	10,072
Direct costs	8	8	8	8
Asbestosis provision	887	260	286	312
Management expenses	344	336	329	322
Interest	(43)	(43)	(43)	(43)
Levy	(13,065)	(13,065)	(13,065)	(13,065)
Net (inflow)/ outflow	**(1,198)**	**(2,028)**	**(2,216)**	**(2,394)**

The key planning assumptions in the above projections are as follows:

1. **Unfunded pension payments** – in the short term these represent the main costs and have continued to be broadly in line with budget each year. They are reducing over time in line with historic trends as the number of pensioners decline, although this reduction is in part offset by the annual pension's increase which is based on the CPI as at 31 August.

2. **Direct Costs** - these costs are primarily for legal advice regarding the asbestosis claims and bank charges and should not vary significantly from year to year.

3. **Asbestosis provision** - The Authority's Actuaries forecast that the value of asbestosis claims will rise significantly over the next decade before tailing off to 2035. For the purposes of the MTFP it is assumed that the list of ongoing cases at the start of 2018/19 will be settled in year along with the expected new cases for 2018/19. Whilst this is unlikely to fully occur it reflects a prudent approach.

   These values were audited externally as part of the process for published accounts. LPFA currently levies more than is required to settle known asbestosis cases to build reserves. The Authority does this in order to smooth the cost of the cases to the London Boroughs over the period they are expected to originate.

   In addition, LPFA has been in discussion with the London Boroughs over the past 2 years that the levy will continue to remain at this level in order to pay for the pension fund deficit attributable to the former GLC/ILEA London bodies. As the requirement of the levy to fund asbestosis costs lessens an increasing amount will be used to pay off the pension fund deficit until this is paid off in full.

4. **Management expenses** – these represent a recharge from the Operational Account and are forecast to decline over time in line with the unfunded pension payments.

5. **Interest** – represents income earned on cash held at the GLA.

6. **The levy** for 2019/20 is planned to be held at the current level.

5. Risks and Opportunities

Whilst the MTFP has been developed based on the best information currently available, there are a number of risks and opportunities that could affect the projections and therefore need to be kept under review.

Risks

The key risks facing the Authority over the next three years are as follows:

Outside of direct LPFA Control:

- **Brexit** – There are potential consequences of Brexit, which could impact investment performance, funding levels of fund employers and membership numbers.
- **Enforced Pooling** – the Government may yet enforce pooling on the LGPS in a manner other than the existing format allows for, this would likely lead to significant costs in either dismantling the partnership vehicle or adding additional partners.
- **Future structure of LGPS** - the estimates are constructed based on the current regulations. However, in the three-year time horizon it is possible that further changes emerge that will impact the overall position of the organisation either as one pension scheme or in categories such as Higher Education or Tier 3 sections. There is also cost cap analysis being considered by the Scheme Advisory Board which may introduce more benefit changes in 2019.
- **Market Correction** – many commentators expect to see a significant correction during 2019 and notwithstanding LPFA has less than 50% in equities, this could herald difficult investment return period for the Fund.
- **Valuation** – The budget has been developed ahead of a valuation, this could impact contributions received by the Fund and may use a different growth assumption other than the 5% currently assumed for investments.

Risks that can be mitigated by LPFA:

- **Key Assumptions**– The key assumptions made in producing the MTFP were set out at the beginning of the document, and these will require appropriate monitoring.
- **Employers' default** – whilst LPFA obtains services of considerable effort to manage the risk of employer default, including the obtaining of security and/or charges over assets and/or levying risk adjusted additional contributions, an employer default may impact funding level and may also lead to higher contributions from the other employers in the Fund.
- **Investment performance** – the draft budget has been constructed on the basis of a rolling average 5% p.a. target investment return.
- **Markup Costs** – LPP is an affiliated entity of LPFA and as such is subject to transfer pricing rules. The budget assumes a 0% margin, and this may need to be increased to be compliant with rules governing this area. LPP and LPFA can discuss an appropriate level for this to be set at to ensure future compliance.
- **Success of LPP** – LPFA is a 50% shareholder in LPP and shares in any value generated by LPP. LPFA is able to apply considerable direction and influence on LPP, whilst LPFA operations are also subject to satisfactory delivery by LPP.

Opportunities

- **Administration Transformation** – opportunity exists to work with LPP around financially and operationally building a new Administration business that makes a contribution over the next 3 years, whilst continuing to deliver quality services, and targets profitable business in next 5 years.
- **Financial and corporate structure of LPP** – given some of the lessons learnt this year on LPP budgets and financial management, there may be an opportunity to review financial budgeting over the next 1 and 3 year periods. Reviewing LPP loan and capital structures may well be undertaken during the next 12 months.
- **LPP impact** – LPP has commenced operations with two partner clients, LCC and LPFA. The acquisition of further partners and/or clients could potentially reduce the net costs passed on to LPFA via economies of scale. The introduction of Berkshire as a client and success at winning Employer Risk and Administration business will also be monitored for any impact on LPP operations, finances and risk.

6. Reserves

A summary of the Authority's current reserves and the projections on the balances in these reserves over the next three years are shown in **Appendix 2**. The purpose of each reserve is set out below.

The Authority's General Reserve is maintained to manage the impact of unexpected one-off costs.

General Reserve
During the 2017/18 year four reserves were transferred into the General Reserve, these reserves being: the Business Reserve, the Innovations Reserve, the Organisational Development Reserve and the Valuation Reserve.

Management's judgement on the adequacy of General Reserves reflects perception of the residual risk of emergencies and/or, of unexpected events, in the context of the risk management and financial control processes in place.

The calculation of the potential financial impact of these assessed risks has been done and in the light of this, it is regarded that c£1.3m is an appropriate target level for the General Reserve over the three-year planning period. If there is a reduction in risk, particularly once certainty is obtained around any LGPS Government enforced pooling, this figure will be revised.

Premises Reserve
The reserve was established as the LPFA lease on Dexter House expired in December 2014. The reserve is now maintained to mitigate the financial impact of dilapidation works to Dexter House which could be claimed for a number of years. It is assumed the dilapidation issue will be resolved by 2019/20 as planning permission for a new development on the site has been approved.

Capital Reserve
A non-usable reserve that reflects the value of fixed assets held by LPFA. The only fixed asset held by LPFA during 2018/19 is the Altair Pensions Administration system. This document assumes that LPFA will write down the value of the asset during the 2018/19 financial year as LPFA no longer holds an Altair licence.

7. Treasury Management

As at the end of September 2018, the Fund had cash balances of £153m. LPFA also manages a further £44m of cash held against Residual Liabilities. Day-to-day cash management is currently outsourced to the GLA.

In addition to cash directly held by the Authority, third party investment fund managers may hold cash in various currencies as part of their mandates. The LPP and LPPI Finance and Investment Teams monitor managers' cash policies.

Treasury investment performance is monitored by the Audit & Risk Committee and Investment Panel.

8. Legal Issues

LPFA must prepare a draft budget statement in accordance with section 402 of the Greater London Authority Act 1999 and present this to the Mayor by 31 December; the LPFA must have regard to any comments received from the Mayor by 31 January; and the LPFA is required to set a levy before 15 February.

Glossary

Agency contracts – main administration contracts.

Asbestosis – this is the disease developed from inhaling asbestos dust.

LPFA is liable for residual liabilities, including industrial injuries, in accordance with The London Residuary Body *(Transfer of Compensation Functions Order)* 1991.

The Compensation Act 2006 has increased LPFA's liabilities.

The Greater London Council took the decision to self-insure until the early 1980s. Personal injury insurance was effected from April 1982 until abolition but carried very large excesses (typically £100K). In recent years, a steady stream of claims have been received from former employees who have contracted asbestos related illnesses, pleural plaques (not necessarily life threatening) and mesothelioma (which is terminal), during the course of their employment. Asbestos related diseases do not manifest themselves until between 10-30 years after contamination (and as such are not bound by the three-year time barring ruling for non-latent personal injuries).

The LPFA's liability on injury claims was increased by the Compensation Act 2006, which reversed an earlier decision (Barker v Corus plc) that allowed the LPFA to pay a portion of the compensation awarded on the basis of length of time the claimant was employed by the LPFA related bodies. It is therefore no longer for the Claimant to prove the proportion of damages for which the defendant is liable. Instead it is for LPFA to prove that another defendant is jointly responsible for asbestosis exposure and, to what extent.

CIPFA – Chartered Institute of Public Finance and Accounting. The main accounting body in the local government sector.

Final salary scheme – the LGPS was previously a final salary pension scheme, with the members salary on retirement being used to calculate the value of pension benefits.

Financial year – period for which the budget is set, and accounts prepared – the LPFA financial year is 1 April to 31 March.

Forecast of outturn – this is the estimate of the expenditure for the financial year taken at a point part way through the year. The forecast of outturn will take known expenditure, that actually spent and committed (purchase orders), and add to this expected expenditure for the remainder of the financial year. This then allows comparison to the budget.

GLA – Greater London Authority – strategic London authority set up in 2000. The Mayor's Office is part of the GLA.

GLC – Greater London Council – former London government abolished in the 1980s.

ILEA – Inner London Education Authority – former London body abolished in the 1980s.

LGPS – Local Government Pensions Scheme. The scheme administered by the LPFA.
LPP – Local Pensions Partnership – a private entity of which LPFA is a joint shareholder with Lancashire County Council. They provide pension services to LPFA.

LRB – London Residual Body – former London body set up on abolition of the GLC and ILEA to manage function not allocated to other parts of London government, mainly London boroughs.

Mayor of London – elected representative in London, elected every four years from 2000. The current Mayoral term ends in May 2020. The Mayor appoints the LPFA Board and is a consultee on the LPFA budget and strategic plan.

Reserves – funding received but not yet used is held in reserves, which are either earmarked and held in a specific reserve or are held in the general reserve. The amounts held in reserves are to meet future demands which may be planned, expected or unknown.

Valuation – this is undertaken every three years on all LGPS finds. The next valuation is due in 2019/20. The valuation considers the liability of the pension fund, provides a current funding position and establishes employer pension contribution rates for the coming three years.

Appendix 1

Pension Fund – Net Assets Statement and Movement in Reserves

	Forecast 2018-19 £m	Draft 2019-20 £m	Draft 2020-21 £m	Draft 2021-22 £m
Estimated Opening value of Assets	**5,654.3**	**6,177.8**	**6,487.0**	**6,811.5**
Dealings with Members and Employers				
Contributions	(149.6)	(147.3)	(150.2)	(153.1)
Transfers In	(128.4)	(11.1)	(11.1)	(11.1)
Benefits Payable	255.2	260.2	265.3	270.6
Transfers Out	11.1	11.1	11.1	11.1
Net Dealings with members and Employers	**(11.7)**	**112.9**	**115.1**	**117.5**
Management Expenses				
Oversight & Governance	1.6	1.9	2.0	2.1
Pension Administration Fees per LPP SLA	1.8	1.9	1.9	2.0
Employer Risk Fees per LPP SLA	0.9	1.0	1.0	1.0
Total Management Expenses	**4.3**	**4.8**	**4.9**	**5.1**
Sub-total value of assets	**5,661.7**	**6,060.1**	**6,367.0**	**6,688.9**
Returns on Investments				
Investment Income	(55.6)	(58.4)	(61.3)	(64.4)
Changes in Market Value	(507.4)	(417.6)	(434.9)	(453.0)
Non-pooled fees per LPP SLA	31.4	32.9	34.6	36.3
Other investment management non-pooled fees	15.5	16.2	17.1	17.9
Net Return on investments	**(516.1)**	**(426.9)**	**(444.5)**	**(463.2)**
(Increase)/Decrease in Fund	**(523.5)**	**(309.2)**	**(324.5)**	**(340.6)**
Estimated Closing value of Assets	**6,177.8**	**6,487.0**	**6,811.5**	**7,152.1**

Appendix 2

Reserves Forecast 2018/19 – 2021/22

	General Reserve £000	New Premises Reserve £000	Capital Reserve £000	Total £000
Bal as at 01/04/18	**888**	**400**	**448**	**1,736**
Expected movement		-	(448)	(448)
Projected Bal as at 31/03/19	**888**	**400**	**0**	**1,288**
Expected movement	400	(400)	-	-
Projected Bal as at 31/3/20	**1,288**	**0**	**0**	**1,288**
Expected movement	-	-	-	-
Projected Bal as at 31/3/21	**1,288**	**0**	**0**	**1,288**
Expected movement	-	-	-	-
Projected Bal as at 31/3/22	**1,288**	**0**	**0**	**1,288**