

Public Document Pack



PENSION POLICY & INVESTMENT COMMITTEE
Thursday, 23 July 2020 at 9.30 am
Please use links on the AGENDA FRONT SHEET to join the virtual meeting

Contact: Elaine Huckell
Governance and Scrutiny Secretary
Direct: 020 8132 1178
Tel: 020 8379 1000

E-mail: elaine.huckell@enfield.gov.uk
Council website: www.enfield.gov.uk

TO FOLLOW PAPERS

AGENDA – PART 1

4. **INTERIM INVESTMENT STRATEGY STATEMENT (15 MINS)** (Pages 1 - 30)

To receive an Interim Investment Strategy Statement from BolaTobun.

5. **DRAFT PENSION FUND ACCOUNTS 2019/20 (10MINS)** (Pages 31 - 90)

To receive the Draft Pension Fund Accounts 2019/20 from Bola Tobun.

There will be a 10 minute break after this item.

6. **QUARTERLY PERFORMANCE REPORT - 31 MARCH 2020 (5 MINS)**
(Pages 91 - 100)

To receive a report from Bola Tobun.

7. **KEY DEVELOPMENTS, ECONOMIC AND MARKET OUTLOOK (10 MINS)**

To receive a report from AON

To follow

8. **LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV) QUARTERLY UPDATE (5 MINS)**

To receive a report from Bola Tobun.

To follow

9. LOCAL GOVERNMENT PENSION SCHEME LATEST DEVELOPMENTS AND UPDATE (5 MINS)

To receive an update from Bola Tobun.

To follow

10. REVIEW OF ENFIELD PENSION FUND BUSINESS PLAN, BUDGET AND PPIC WORK PLAN FOR 2020/21 (5 MINS) (Pages 101 - 118)

To receive an update from Bola Tobun.

11. REVIEW TRAINING AND DEVELOPMENT POLICY, MEMBER TRAINING NEEDS ANALYSIS AND TRAINING RECORD LOG (5 MINS)

To receive an update from Bola Tobun.

To follow

12. PROCUREMENT OF SERVICES UPDATE (5 MINS)

To receive an update from Bola Tobun.

To follow

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE**Meeting Date: 23 July 2020**

Subject: Pension Fund Business Plan and Budget for 2020/21**Cabinet Member: Cllr Maguire****Executive Director: Fay Hammond****Key Decision: []**

Purpose of Report

1. This report sets out a revised timetable for the development of the Fund's 2020 Investment Strategy following the 2019 actuarial valuation. It also presents an interim Investment Strategy Statement (ISS), which has been updated to reflect the work done on carbon and environmental footprints of the Fund and to reinforce the investment beliefs and approach of the Committee.
2. The report also outlines the recent decisions made by the committee to allocating all the current passive equities portfolio into Low Carbon and also allocating 10% of the total Fund assets to renewable energy and sustainable funds. This is in an effort to support transition towards a low carbon economy through positive investment in renewable energy, in line with the recent reports that state that a rapid and orderly transition to other energy sources is increasingly urgent, at the same time meeting the Fund strategic investment requirements.
3. The Committee will continue to engage with fossil fuel companies via organisations such as LAPFF in order to influence their future strategies with the aim to influence a wider move from fossil fuels in the world economy.

Proposal(s)

4. Pension Policy and Investments Committee are recommended to:
 - a) note the timetable for development of the 2020 investment strategy attached as Appendix Y;
 - b) consider and approve that the Fund reduce its total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in MtCO₂e – million tonnes of CO₂ emissions) by 50% in over the next 5 years. (September 2025);
 - c) consider and approve the Fund measure the reduction relative to the Fund's total equity portfolio position as at 30th September 2019 and adjusted for Assets Under Management (£AUM); and

- d) approve the interim Investment Strategy Statement (ISS) attached as Appendix Z of this report.

Reason for Proposal(s)

5. The Investment Strategy Statement has been set out to reflect the funding position of the Fund and the investment beliefs of the Committee.
6. Adherence to the principles set out in the Strategy will enable the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.
7. The full consideration and approval of the ISS ensures that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.
8. The Investment Strategy Statement (ISS) is a statutory document for LGPS funds, as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
9. There has been a change (amendments to the Social, Environmental or Corporate Governance section to reflect work carried out and investment beliefs of the Committee) to the Fund's investment strategy since the last ISS was approved in March 2019; this report brings back a revised copy of the ISS incorporating these changes.

Relevance to the Council's Corporate Plan

10. Good homes in well-connected neighbourhoods.
11. Build our Economy to create a thriving place.
12. Sustain Strong and healthy Communities.

Background

Investment Strategy Development Timetable

13. Appendix Y to this report presents a timetable for the development of the Fund's investment strategy. The timetable has been updated to take into account the impact of the Coronavirus pandemic and the pausing of concluding the Investment Consultant tendering exercise.
14. The timetable breaks down the topics to be discussed as part of investment strategy development, including investment beliefs and objectives (including around Responsible Investment), asset allocation, rebalancing and cashflow planning. It sets out an indicative timetable for discussion of these issues and the review of necessary policy documents, including the Investment Strategy Statement (ISS) and the Responsible Investment and Voting & Engagement policies.

15. The timetable increases the time needed for discussion of key issues by including 2 planned workshops during September and October. The proposed agendas for the workshops would not include formal decision making, but instead would allow additional discussion of key topics ahead of formal meetings in February 2021.

Interim Investment Strategy Statement

16. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 requires the Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of 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.
17. The Enfield Pension Fund's policy, based on guidance from the Law Commission, is to take into account any factors which are financially material and affect the financial sustainability of investments. These may include Environmental, Social and Governance (ESG) factors, such as carbon risk. The Fund does not make investment decisions on the basis of non-financial factors.
18. The Pensions Regulator specifically references climate risk in its Defined Benefit investment guidance, stating that 'Most investments in pension schemes are long term and are therefore exposed to long-term financial risks. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. Despite the long-term nature of investments, these risks could be financially significant, both over the short and longer term'
19. Taking all of the above together, the Committee considers it appropriate to take climate risk into account as a material financial risk within its investment strategy. The remainder of the paper sets out actions taken by the Committee to address this risk.

Past Activities on Climate Change Issue

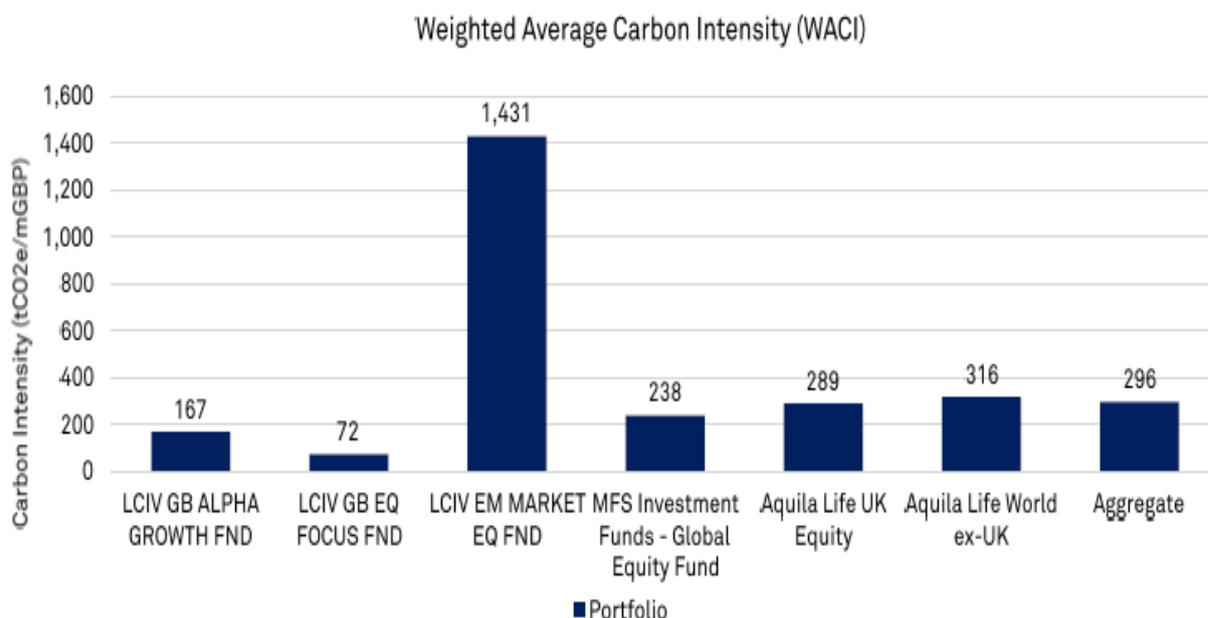
20. Members of this Committee began it's in depth consideration of carbon exposure towards the end of 2019. Between October 2019 and February 2020, the Committee members held several strategy meetings to consider in detail the Fund's approach to investment in fossil fuels and management of the financial risks posed by climate change. At this meeting, the Committee considered and approved a set of recommendations reflecting both its recognition of these risks and a strengthened commitment to factor them into its investment approach
21. The approved recommendations made at its September 2019 and February 2020 meetings are set out below:

- a) *Consider and approve moving all the Fund's passive equity exposure to track a Low Carbon Index Strategy;*
 - b) *Consider options for an initial active investment of approximately 5% of the Fund total assets in a sustainable or fossil fuel free global equity mandate and another 5% of the Fund total assets to be consider for a renewable energy/clean energy fund(s), given the right risk/return profile. Investment in such a fund would demonstrate the Fund's commitment to transition into low carbon economy;*
 - c) *Maintain the Fund's current engagement activities which the Local Authority Pension Fund Forum (LAPFF) carry out on behalf of the Fund;*
 - d) *Consider initiating a programme where the Fund could engage with investee companies (through its managers, the London CIV or possibly directly) on ESG issues;*
 - e) *Following the result of the carbon risk audit carried out by Trucost using the Fund valuation position as at 30th September 2019, to consider setting 2 year and 5 year targets to reduce the carbon footprint of the Fund; and*
 - f) *Agree to monitor carbon risk annually by using a specialist contractor to conduct and assess the progress being made against the Fund's target to reduce the exposure to future CO2 emissions.*
22. The Committee agreed to move the 15% passive equity portfolios into a Morgan Stanley Composite Index (MSCI) Low Carbon index-tracking target strategy which aims to reduce the carbon exposure of the allocation by some 70%, relative to the broad market index, whilst still expecting to perform broadly in line with the wider market over the long term. The work on this was delayed due to market volatility brought about by the current global corona virus pandemic. This work is scheduled to be completed in September 2020.
23. The Fund undertook its first carbon risk audit towards the end of last year, following the recommendation made at the November 2019 meeting to commission a carbon footprint report for the Fund. This analysis was carried out by Trucost, using the end of September 2019 assets data and this audit assessed not only the carbon footprint of the Fund's equity portfolio, but also its exposure to future emissions through fossil fuel reserves.
24. The Fund's view is that exposure to future emissions most accurately represents the risk to the Fund from investing in fossil fuel companies. Assessing exposure to emissions from reserves in this way helps the Fund to take a view on its exposure to potentially stranded assets that may become unusable as a result of the transition to a low carbon economy.
25. The table below summarises the carbon exposure of each portfolio with equity holdings as at 30th September 2019.

Portfolio	Total CO2 Footprint per holding (tCo2e/£m revenue)	Benchmark CO2 Footprint per £m holding (tCo2e/£m revenue)	Variance (- = less than & + = more than BM exposure)	Comment in relation to the benchmark – MSCI ACWI
LCIV GB ALPHA	167	229	-62 or 27%	Efficient
LCIV GB FOCUS	72	229	-157 or 69%	Highly efficient
LCIV EM FUND	1,431	229	+1,202 or -525%	Significantly inefficient
MFS	238	229	+9 or -4%	Inefficient
AQUILA UK	289	229	+60 or -26%	Very inefficient
AQUILA WORLD	316	229	+87 or -38%	Highly inefficient
AGGREGATE	296	229	+67 or -29%	Very inefficient

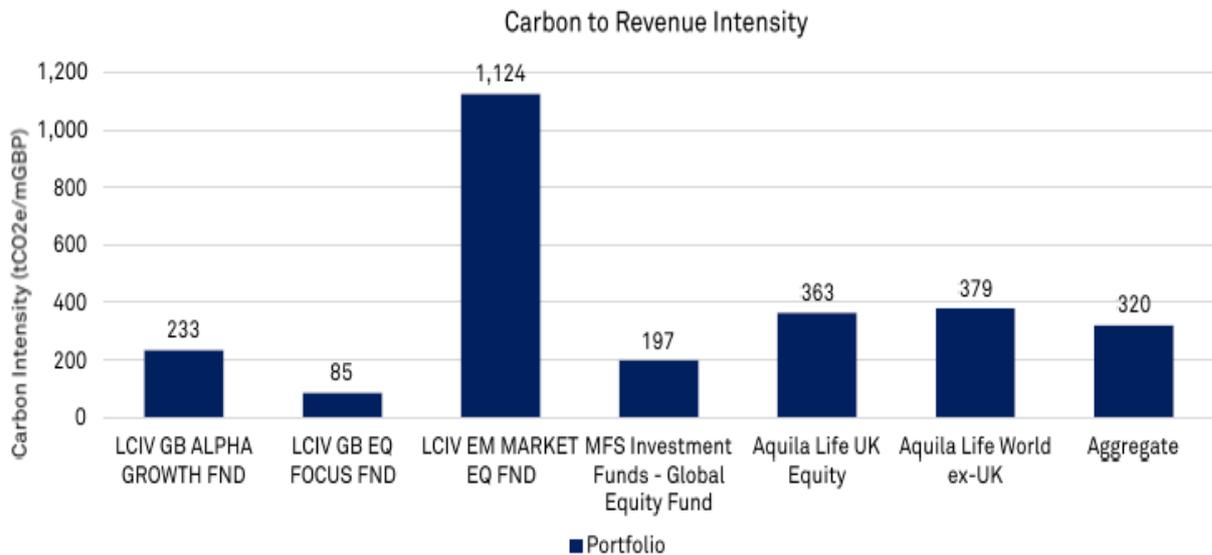
26. The carbon footprint analysis was carried out on the Fund equity holdings with the following portfolios; Blackrock Aquila UK Equity (FTSE), Blackrock Aquila Global Equity (MSCI), MFS (GE) (MSCI), LCIV JPMorgan (EM) (MSCI), LCIV Longview (GE) (MSCI) and LCIV BG (GE) (MSCI). The outcome is shown in the table above and the aggregate portfolio had 296 tCO2e/mGBP of weighted average carbon intensity (WACI). This was the Fund aggregate equity portfolio's exposure to carbon intensive companies as at 30th September 2019.

27. The graphical outcomes produced by Trucost is shown below:



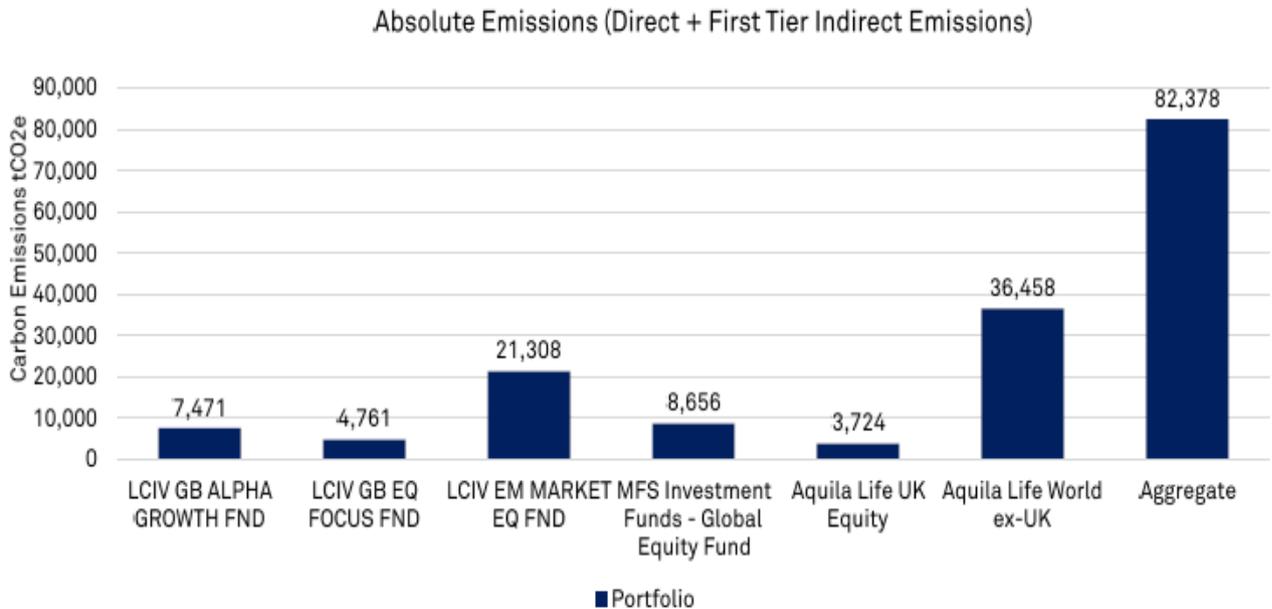
The Weighted Average Carbon Intensity shows a portfolio's exposure to carbon intensive companies.

28. And the aggregate portfolio exhibits 320 tCO₂e/mGBP carbon to revenue intensity, this indicates how operationally efficient the companies are in terms of carbon emitted per unit of “output”.



The revenue method indicates how operationally efficient the portfolio companies are in terms of carbon emitted per unit of “output”

29. Trucost has analysed the carbon emissions embedded within the fossil fuel reserves that are disclosed by the underlying companies within the Fund’s equity portfolio. The emissions measured are the potential future amounts of CO₂ that could be released if the fuel reserves disclosed were to be burnt.
30. Although proposition is to measure performance against our target using emissions intensity, Trucost have also measured the absolute exposure to future CO₂ emissions as shown in the below chart. The total exposure within the Fund’s total equity portfolio as at 30th September 2019 was 82,378 tonnes CO₂e.



Total Carbon Emissions allocated to the portfolio in absolute terms.

31. After careful consideration of how carbon risk could best be reduced within the investment management framework in which LGPS funds operate, it seems the way forward is to propose a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions by asking the Committee to consider the below targets:
 - i) the Fund to reduce its total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in MtCO₂e – million tonnes of CO₂ emissions) by 50% over 5 years (by 30th September 2025)
 - ii) measure the reduction relative to the Fund's total equity portfolio position as at September 2019 and adjusted for Assets Under Management (£AUM)
32. The proposal represents an initial step in ensuring that the Fund is prepared for transition to a low carbon economy. It clearly set out the timeframe for decarbonisation and defined how it should be measured, making it the most ambitious carbon reduction target amongst the London LGPS funds.
33. As the target was to be assessed over 5 years, the Committee will need to have an interim audit carried out just after receiving 2022 formal valuation results to review progress against the target to assist with decision making for the 2023 investment strategy review.
34. Appendix 2 to this report presents a draft interim Investment Strategy Statement (ISS) for review by the Committee. The statement is based on the Fund's current strategy and investments as at 31st March 2020.
35. The updates made to the statement relate primarily to the Fund's asset allocation, which has changed significantly since the statement was last

approved. Changes have also been made to the section concerning pooling, as the Fund has pooled some of its assets since the previous update.

36. It is intended that the ISS should be reviewed again once the new investment strategy (including any changes to the Fund's Responsible Investment approach) has been finalised.

Safeguarding Implications

37. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

38. Public Health Implications

39. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

40. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

41. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

42. Climate change is a key financially material environmental risk. The Committee believe that, over the expected lifetime of Enfield Pension Fund, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. As such, the Committee will consider climate change issues across Enfield Pension Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on Enfield Pension Fund's assets.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

43. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

44. This report sets out a revised timetable for the development of the Fund's 2020 investment and presents a draft interim Investment Strategy Statement for Committee approval. Development of a robust investment strategy helps the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.
45. Spending time developing the investment strategy helps to ensure that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016
46. There are no direct financial implications arising from this report.

Legal Implications

47. The Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. Reviewing the Fund's Investment Strategy following the 2019 actuarial valuation helps to ensure that the Strategy remains appropriate given the funding position and assists the Committee in fulfilling this duty.
48. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy Statement (ISS) in line with guidance published by the Secretary of State. Broad powers allow the Government to intervene if an Administering Authority does not publish and maintain an ISS as set out in the guidance. Updating the ISS at this time ensures that the Fund remains compliant with Regulation 7.

Workforce Implications

49. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

50. None

Other Implications

51. None

Options Considered

52. The Committee could decide to continue with its existing statement. It is however, considered best practice to publish a revised updated statement which reflects the up to date Fund position and investment beliefs of the Committee.

Conclusions

53. The Committee is planning to use the next investment strategy review to consider how the Fund could align its strategy with the Enfield climate action plan for 2020 which is agreed at the cabinet meeting of 15th July 2020 and also to increase its positive contribution to the transition to a low carbon economy by increasing its investment in renewable energy, whilst meeting its own strategic investment requirements.
54. As part of the planned carbon risk audit, the Committee will consider an analysis of its energy exposure against the energy requirements for 2oC and 1.5oC future warming scenarios. This analysis can then be used to consider how the Fund might look to align its exposure to those scenarios.
55. The ISS has been reviewed and revised by the Council as administering authority due to some material changes that took place during the year. The changes are:
 - i) changes to the investment beliefs setting out ESG themes that will be important areas of focus for the Fund Responsible Investment activities, and our core positions in each area. (section 6.2 of the ISS);
 - ii) changes to the pooling governance (section 12 of the ISS);
 - iii) additional information providing greater clarity about the Fund expectations to both investee businesses and other stakeholder and Fund benchmark for robust monitoring and auditing Fund's carbon exposure (section 13); and
 - iv) changes to the Fund actuarial valuation results (section 7.6 of the ISS).
56. Climate change is a key financially material environmental risk. The Committee believe that, over the expected lifetime of Enfield Pension Fund, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. As such, the Committee will consider climate change issues across Enfield Pension Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on Enfield Pension Fund's assets.
57. Taking into account the risks associated with exposure to fossil fuel reserves, the Committee is asked to consider and approve a target set below and for the updated ISS to incorporate the changes set out below, to ensure that the ISS remains current:
 - i) A target to reduce the Fund's total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in tCO₂e – million tonnes of CO₂ emissions) by 50% over next 5 years up until 30th September 2025; and

- ii) Measure the reduction relative to the Fund's total equity portfolio position as at September 2019 and adjusted for Assets under Management (£AUM).

Report Author: Bola Tobun
Finance Manager – Pensions & Treasury
Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588

Date of report 14th July 2020

Appendices

Appendix 1 – Investment Strategy Review Timetable

Appendix 2 – Interim Investment Strategy Statement, July 2020

Background Papers

Trucost Climate Analytics Results

Investment Strategy Review Timetable

Date	Task	Comments
July – August 2020	<ul style="list-style-type: none"> • Private Debt/Equity training and advice • Short investment strategy training focused on current strategy • Interim Investment Strategy Statement review to update the statement with changes to pooled governance, investment beliefs around ESG considerations and triennial valuation results. 	
September -up to 2 workshops and November PPIC	<ul style="list-style-type: none"> • Review investment beliefs • Consider climate/RI objectives (based on discussions from 26th Nov & “7th February Committee and 15th November & 9th January Workshop) • Long term objectives (link in with valuation, CMA objectives, reporting) • Investment strategy/asset class considerations – current and new asset classes, approach to currency hedging, infrastructure, review of equity structure, fixed income, multi asset, property, private debt and private equity • Investment Strategy Review • Asset liability modelling results (including climate risk scenario modelling) • Implementation timeline • Cashflow planning • Voting and engagement training session 	
February 2021 PPIC	<ul style="list-style-type: none"> • Finalise investment strategy - new mandate training, suitability notes etc • Rebalancing framework (“de-risking”) • Update Investment Strategy Statement with new strategy • Finalise RI policy • Finalise voting & engagement policy 	



Appendix z

London Borough of Enfield Pension Fund Investment Strategy Statement as at 30/06/2020

The London Borough of Enfield is the Administering Authority of the London Borough of Enfield Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers

INVESTMENT STRATEGY STATEMENT

1. Introduction

- 1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Enfield Pension Fund adopted by Enfield Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.
- 1.2 The Council has delegated to its Pension Policy & Investment Committee (“the Committee”) “all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer.”
- 1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).
- 1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Strategy with each of its employers and the Pension Board. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

2. Statutory background

- 2.1 Regulation 7(1) of the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

3. Directions by the Secretary of State

- 3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.
- 3.2 The Secretary of State’s power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

4. Advisers

- 4.1 Regulation 7 of the Regulations requires the Council to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Pension Policy & Investment Committee and Council officers such advice is taken from:

- Aon Hewitt Ltd – investment consultancy
- Independent consultant member with Fund management experience
- Actuarial advice, which can have implications for the investment strategy, is provided by Aon Hewitt Ltd.

5. Objective of the Fund

- 5.1 The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.
- 5.2 The target investment strategy is designed to have an expected return in excess of the discount rate while achieving a level of risk the Committee considers to be appropriate. The aim is to ensure contribution rates are set at a level to attain 100% funding within the timescale agreed with the Fund Actuary and set out in the Funding Strategy Statement.

6 Investment beliefs

- 6.1 The Fund's fundamental investment beliefs which inform its strategy and guide its decision making are:
- The Fund has a paramount duty to seek to obtain the best possible return on its investments taking into account a properly considered level of risk
 - A well-governed and well-managed pension fund will be rewarded by good investment performance in the long term
 - Strategic asset allocation is the most significant factor in investment returns and risk; risk is only taken when the Fund believes a commensurate long term reward will be realised
 - Asset allocation structure should be strongly influenced by the quantum and nature of the Fund's liabilities and the Funding Strategy Statement
 - Since the lifetime of the liabilities is very long the time horizon of the investment strategy should be similarly long term
 - Risk of underperformance by active equity managers is mitigated by allocating a significant portion of the Fund's assets to other asset classes
 - Long-term financial performance of companies in which the Fund invests is likely to be enhanced if they follow good practice in their environmental, social and governance policies
 - Costs need to be properly managed and transparent

6.2 At its meeting of 27th February, the Committee approved additional investment beliefs as set out in Appendix 3 of this statement. This set out the ESG themes that will be important areas of focus for the Fund Responsible Investment activities, and our core positions in each area. This provides greater clarity about the Fund expectations to both investee businesses and other stakeholders

7 The suitability of particular investments and types of investments

7.1 The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.

7.2 The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility, risk and the nature of the Fund's liabilities.

7.3 The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members) and the liabilities arising therefrom, together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Fund's projected cash flow requirements.

7.4 Following the triennial valuation in 2016 the Panel, as advised by Aon Hewitt, considered its investment strategy alongside its funding objective and agreed the following structure:

Asset Class	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity)	40	8-11%	30-50%
Bonds	24	4-5%	19-39%
Inflation protection	10		
Hedge Funds	10	9-11%	10-20%
Property (UK)	10	9%	5-15%
Infrastructure/PFI	6	9%	3-9%
Cash	-	-	-
Total	100		

7.5 The most significant rationale of the structure is to invest the majority of the Fund assets in "growth assets" i.e. those expected to generate 'excess' returns over the long term. The structure also includes an allocation to "matching" assets, such as index bonds, gilts and corporate bonds. The investments in

property and infrastructure provide diversification whilst the hedge fund protects the Fund on the downside by targeting absolute returns. This strategy is aimed to provide in excess of the discount rate used to value liabilities in the triennial valuation.

- 7.6 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:
- Suitability and diversification given the Fund's level of funding and liability profile
 - The level of expected risk
 - Outlook for asset returns
- 7.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate from within the target range. If such a deviation occurs, a rebalancing exercise is carried out to ensure that the allocation remains within the range set.
- 7.8 It is intended that the Fund's investment strategy will be reviewed at least every three years, following actuarial valuations of the Fund. The investment strategy review will typically involve the Panel, in conjunction with its advisers, undertaking an in-depth Asset Liability Modelling exercise to understand the risks within the Fund's current investment strategy and establish other potentially suitable investment strategies for the Fund in the future. This approach was adopted following the 2013 triennial valuation.
- 7.9 The results of the 2019 valuation showed a 103% funding level which has since weakened to 96%. The intention is for an Asset Liability Modelling exercise to be undertaken and the strategy reviewed over the first quarter of 2021. Investment Strategy Statement will subsequently be updated to reflect the outcome of this strategy review and to include the expected return and volatility of the investment strategy.

8 Asset classes

- 8.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index linked and corporate bonds, hedge funds, infrastructure and property either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.
- 8.2 In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007"

- 8.3 With investment returns included, the Fund has a positive cash flow that enables investment in illiquid asset classes e.g. property. The majority of the Fund's assets are highly liquid i.e. can be readily converted into cash, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. However, as a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.
- 8.4 For most of its investments the Council has delegated to the fund managers responsibility for the selection, retention and realisation of assets. The Fund retains sufficient cash to meet its liquidity requirements, and cash balances are invested in appropriate interest earning investments pending their use. The investment of these cash balances is managed internally.

9 Fund Managers

- 9.1 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.
- 9.2 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management.
- 9.3 The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.
- 9.4 The investment management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets.
- 9.5 As at the date of this ISS the details of the managers appointed by the Committee are set out in Appendix 1

- 9.6 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.
- 9.7 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser and the independent advisory member. In addition, the Committee requires all managers to attend a separate manager day meeting twice a year, and officers meet each of the managers in the “alternate quarters” (i.e. when there is no “manager day” meeting) to review and scrutinise performance.
- 9.8 The Committee also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

10 Stock lending

- 10.1 The Committee’s current policy is not to engage in stock lending.

11 Approach to risk

- 11.1 The Committee recognise a number of risks involved in the investment of the assets of the Fund.

11.2 Funding risks

i) As described by the investment objectives, the Fund invests in asset classes which are expected to demonstrate volatility when compared to the development of the Fund’s liabilities. This policy is adopted in anticipation of achieving returns above those assumed in the actuarial valuation. The Committee considered a number of investment strategies with varying degrees of risk relative to the Fund’s liabilities. In determining an appropriate level of risk (or expected volatility) the Committee considered:

- a) The strength of the Employer’s covenant and attitude to risk.
- b) Contribution rate volatility.
- c) Likely fluctuations in funding level.
- d) The required return to restore the funding level over a set period in conjunction with the funding policy.
- e) The tolerance to a deterioration in the funding level as a result of taking risk.
- f) The term and nature of the Fund’s liabilities.

ii) To monitor the volatility of the Fund’s funding level and the success or otherwise of the investment decisions the Committee monitors on a regular basis:-

- a) The return on the assets, the benchmark and the liabilities.

- b) Estimated funding level and how it compares to the expected or targeted funding level.
- c) The probability of the Fund achieving its long-term funding objectives.

11.3 **Manager risks**

The Committee monitors the managers' performance on a quarterly basis, and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Committee also examines the risk being run by each of the investment managers. In particular, the performance reporting reviewed by the Committee considers the achieved variation in returns between each manager's portfolio and its benchmark and compares the level of active manager risk and excess return of each manager against a universe of similar mandates and the benchmark.

11.4 **Liquidity risk**

The Committee have adopted a strategy that makes due allowance of the need for liquidity of the Fund's assets.

11.5 **Concentration risk**

The Committee have adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

- by asset class (Global Equities, Diversified Growth Funds, Fixed Interest and Property)
- by region (UK, overseas)
- within asset classes, by the use of a range of products with different risk/return profiles

11.6 **Market risk**

The failure of investment markets to achieve the rate of investment return assumed by the Panel. This risk is considered by the Committee and its advisors when setting the Fund's investment strategy and on an ongoing basis.

11.7 **Operational risk**

The risk of fraud, poor advice or acts of negligence. The Committee has sought to minimise such risks by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

12 **Approach to pooling**

12.1 The Fund is a participating member in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda.

12.2 Since July 2016, the London CIV has made changes to its governance structure, which now operates as follows:

London LGPS CIV Limited (“London CIV”) is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). FCA firm registered as London LGPS CIV Ltd, Reference Number 710618.

- 12.3 Approval for the structure has been signed off by the 32 participating London Authorities.
- 12.4 The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors. This is achieved through:
- The Shareholder Committee, which acts on behalf of the Shareholders as a consultative body, including on the Company’s business plans and financial performance, and topics such as Responsible Investment. It comprises 12 Committee Members made up of 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. A trade union representative sits as an observer.
 - The client services framework, which is informed by shareholder consultation and includes a programme of events for clients collectively.
- 12.5 At the company level for London CIV, it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers

13 Social, environmental and governance considerations

- 13.1 Climate change is a key financially material environmental risk. The Committee believe that, over the expected lifetime of Enfield Pension Fund, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. As such, the Committee will consider climate change issues across Enfield Pension Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on Enfield Pension Fund’s assets.
- 13.2 A fiduciary duty is an obligation to act with loyalty and honesty and in a manner consistent with the best interests of another party. The Enfield Pension Fund Committee has a fiduciary duty to deliver the best risk-adjusted returns for the members of the pension scheme over the long term. And will seek to invest in a way that is financially and socially beneficial to scheme members by ensuring that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers.

- 13.3 The concern over the potential financial risk posed by carbon-intensive investments is therefore a key driver of the fund's carbon exposure management agenda
- 13.4 The Fund is committed to be 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.
- 13.5 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.
- 13.6 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.
- 13.7 Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In Autumn 2019, Trucost were commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.
- 13.8 Having taken into account the risks associated with exposure to fossil fuel reserves, the Committee has approved a target to:
- a. Reduce the Fund's total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in MtCO₂e – million tonnes of CO₂ emissions) by 50% over 5 years up to 30 September 2025.
 - b. Measure the reduction relative to the Fund's total equity portfolio position as at 30 September 2019 and adjusted for Assets Under Management (£AUM)
- 13.9 The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

- 13.10 The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.
- 13.11 Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.
- 13.12 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.
- 13.13 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to non-financial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.
- 13.14 The Fund does not at the time of preparing this statement hold any assets which it deems to be social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.
- 13.15 The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

14 Exercise of the rights (including voting rights) attaching to investments

- 14.1 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.

- 14.2 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.
- 14.3 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum 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.

15 Stewardship

- 15.1 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the Principles of the Stewardship Code.
- 15.2 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 15.3 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests. In addition, the Fund gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund's interest.

16 Compliance with "Myners" Principles

- 16.1 In Appendix 2 are set out the details of the extent to which the Fund complies with the six updated "Myners" principles set out in the CIPFA publication "Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

Appendix 1**Fund Manager Structure (This prescribed in the ISS regulations)**

The fund manager structure and investment objectives for each fund manager (“mandates”) are as follows:

Fund manager	Investment objectives
Equities & Private Equity	
BlackRock Advisers UK Ltd (Passively Managed Global Equity and UK Equity)	<i>To perform in line with the prescribed Equity and Bond indices.</i>
MFS (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.</i>
London CIV – Baillie Gifford (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI All country World Index by 2-3% per annum gross of fees over rolling three year periods.</i>
London CIV – Longview (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 2% per annum gross of fees over rolling three year periods.</i>
London Collective Investment Vehicle (LCIV) – JP Morgan (Actively Managed EM Equity Portfolio)	<i>To outperform the MSCI Emerging Market Index (Total return) by 2.5% per annum net of fees over rolling three year periods.</i>
Adam Street Partners (Private Equity Portfolio)	<i>To outperform the MSCI World Index.</i>
Bonds	
BlackRock Advisers UK Ltd (Passively Managed Bond & Index linked Portfolios)	<i>To perform in line with the prescribed Bond indices.</i>
Insight Bond Fund Absolute bond return	<i>3 month LIBOR +4% per annum over rolling three period.</i>
London CIV – CQS (Actively Managed Multi Asset Credit Portfolio)	<i>To seek to achieve 3 month LIBOR +4% per annum net of fees over rolling four year period.</i>
Western Asset Management (Actively Managed corporate Bond Portfolio)	<i>To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.</i>
Inflation Protection	
M&G Inflation Opportunities Fund	<i>To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.</i>

CBRE – Inflation protection illiquid	<i>UK LPI +2.5%pa over a rolling ten year period</i>
Property	
Brockton Opportunistic property	<i>15% net IRR and 1.5xnet multiple</i>
BlackRock Advisers UK Ltd (Actively UK Property Fund) Equity and emerging Portfolios)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>
Legal & General Investment Management Ltd (Active UK Property Fund)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>
RREEF Management (Active UK Property Fund)	<i>To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK Retail Prices Index over 5 to 10 years.</i>
Infrastructure	
Antin	<i>15% Gross IRR with a gross target of 5% p.a.</i>
International Public Partnerships Limited (Private Finance Initiative)	<i>To achieve a return of at least 4.5% per annum.</i>
Hedge Funds	
CFM-Stratus Multi asset strategy	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Davidson Kempner (Events driven)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Lansdowne Partners (Long/Short UK Equities Hedge Fund)	<i>To generate an absolute return. The benchmark is the FTSE All Share index</i>
York Capital Management (Distressed Debt Fund)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>

Appendix 2**Compliance with “Myners” Principles”****Principle 1: Effective Decision Making**

Compliant: The Borough of Enfield has an appointed Pension Fund Committee consisting of elected members and there is a clearly defined decision-making process. The Committee is supported by named offices on investment and administration issues. The Committee has appointed an independent advisory member with experience in investment advice. It also employs an investment consultant and actuary. The Local Pension Board made up of Fund employers and employees has an oversight and scrutiny body.

Training on investment issues is provided by the Investment Managers at the regular meetings of the Committee. Members of the Committee are also encouraged to attend training sessions offered from time to time by other external bodies.

Principle 2: Clear Objectives

Compliant: The overall objective for the Fund is to keep the employers’ contribution rates as low and stable as possible while achieving full funding on an ongoing basis. The Committee had as its starting point the latest actuarial valuation when reviewing the investment arrangements to adopt the risk budget and set the investment strategy. The independent investment adviser gave comprehensive training and advice throughout this exercise. The Investment Managers have been advised of the strategy and have clearly defined investment performance targets. The objectives will be reconsidered following the next actuarial valuation and investment strategy review to ensure they remain appropriate.

Principle 3: Risk and Liabilities

Compliant: The Committee has given due consideration to risks and liabilities as explained in the ‘Risk’ section above. A strategic asset allocation benchmark has been set for the Fund. The Fund also subscribes to the Pensions & Investment research consultants (PIRC) Local Authority Universe as a broad comparison with other local authority schemes.

Principle 4: Performance Assessment

Compliant: The returns of the Investment Managers are measured independently against their performance objectives and they are required to report on investment performance each quarter.

Principle 5: Responsible Ownership

Compliant: The Panel’s policy on Sustainability is detailed in an earlier section of this document. The Investment Managers have been asked to adopt the Institutional Shareholders’ Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents, and to report to the Committee on related activity at the regular meetings.

Principle 6: Transparency and Reporting

Compliant: Documents relating to the management of the Pension Fund investments are published on the Council’s website – these include the Investment Strategy

Statement, the Annual Report and Accounts, the Funding Strategy Statement and the Governance Compliance Statement. The 'Pensions Charter' is published on the website and this details the information which is provided to scheme members.

Appendix 3

London Borough of Enfield – Investment Beliefs (9/1/2020)

The Pension Policy and Investment Committee of London Borough of Enfield believes that: -

1. Responsible investment is **supportive of long-term risk-adjusted returns**, across all asset classes. As a long-term investor, the Fund should invest in assets with sustainable business models in fulfilling its fiduciary duty to the scheme members.
2. Investee companies and asset managers with robust governance structures are better positioned to handle shocks and stresses. They capture opportunities by investing in companies which have weak but improving governance of financially material Environmental, Social and Governance (ESG) issues. *[An opportunity is defined by its potential and intention to become aligned with the Fund's objectives and strategy].*
3. The Fund Investment managers should include the Fund ESG considerations in their investment processes.
4. It is important to consider a range of ESG risks and opportunities. **Investible priorities should be based on the United Nations Sustainable Development Goals (UN SDGs).**
5. **Climate change** (SDG 13, Climate Action) represents a long term material financial risk for the Fund, and will impact our members, employers and our portfolio holdings, and is therefore one of these priorities.
6. It must prioritise the following SDGs in its investment strategy:
 - a. SDG 7 – Affordable and Clean Energy
 - b. SDG 9 – Industry, Innovation and Infrastructure
 - c. SDG 11 - Sustainable Cities and Communities
 - d. SDG 12 – Responsible Consumption and Production
 - e. SDG 13 - Climate Action
7. The Fund's appointed Investment Managers are **accountable for implementing** appropriate responsible Investment policies, **tailored to these priorities**. The Investment managers should report back on these priorities.
8. **Divestment** mitigates ESG-related risk, when **collaborative engagement** with companies by investors and investment managers fails to produce positive responses, which meet its ESG-related priorities.
9. The exercise of **voting rights** is consistent with an asset owner's fiduciary duty: The Committee expects its managers to exercise this right fully and reserves the right to **direct votes**.

Supporting evidence (not for publication)**Investment Theses behind the chosen SDGs (G applies to all)**

- SDG7 - Affordable and Clean Energy. Governmental pressure to meet carbon emission goals presents a serious risk to the profitability and assets of traditional energy companies. At the same time, climate-related investment opportunities are available in areas such as energy efficiency and renewable energy sources. **(E)**
- SDG9 - Industry, Innovation and Infrastructure. Industrial and Infrastructure development represent a long term source of investment and social opportunity as well as a risk of increased emissions / social stress. It also supports goals of social inclusion and gender equality. **(E, S)**
- SDG11 - Sustainable Cities and Communities. Increasing urbanisation represents a long term source of investment and social opportunity as well as a risk of increased emissions / social stress **(E, S)**
- SDG12 - Responsible Consumption and Production. Companies running energy efficient and socially responsible operations and supply chains are less exposed to risk and are likely to be favoured by customers and regulators. **(E, S)**
- SDG13 - Climate change. Climate change and the response of policy makers has the potential to have a serious impact on financial markets. **(E)**

A fiduciary duty is an obligation to act with loyalty and honesty and in a manner consistent with the best interests of another party.

The concern over the potential financial risk posed by carbon-intensive investments is therefore a key driver of the fund's carbon exposure management agenda.

The Enfield Pension Fund Committee has a fiduciary duty to deliver the best risk-adjusted returns for the members of the pension scheme over the long term. And will seek to invest in a way that is financially and socially beneficial to scheme members by ensuring that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers.

Until this report is published, even if it is ultimately to be considered in Part 1, it should not be circulated beyond the Cabinet (excepting officers writing and reviewing the paper through this process) or sent externally, and its contents should be treated as confidential.

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 23 July 2020

Subject: Draft Pension Fund Year End Financial Statements For 2019/2020

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. This report updates members on the arrangements for the preparation of the Pension Fund Annual Report and Financial Statements 2019/20 in accordance with regulations and the arrangements for the separate audit engagement, opinion and certificate for the Fund.
2. The Draft Pension Fund Financial Statements 2019/20 is attached as Appendix A to this report. The Pension Fund Account is subject to the normal audit of accounts process, which is to be completed by end of July 2020 and it forms part of the overall external audit programme for the Council.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:
 - i) Note the contents of this report;
 - ii) Note and consider the draft Pension Fund Financial Statements for 2019/20. (attached as Appendix A to this report);
 - iii) Note the Enfield Pension Fund ranking and returns as prepared and produced by PIRC (Pensions & Investment Research Consultants Ltd) UK Local Authority League table for 2019/20, set in section 25 to 28 and Appendix B of this report.

Reason for Proposal(s)

4. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The Committee's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013,

Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.

5. The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and also helps to demonstrate effective management of Fund assets

Relevance to the Council's Corporate Plan

6. Good homes in well-connected neighbourhoods.
7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

Background

OVERVIEW OF THE WORK OF THE COMMITTEE

9. The Council as an administering authority under the Local Government Pension Scheme Regulations and is therefore required to produce a separate set of accounts for the scheme's financial activities and assets and liabilities.
10. The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA) in their Service Code of Recommended Practice (SERCOP). The account has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 and includes all the items required.
11. The London Borough of Enfield is the Administering Authority for the London Borough of Enfield's Pension Fund and the Pension Policy & Investments Committee act as trustees of the Pension Fund which includes overseeing the accounting and financial management of the Pension Fund.

The Statement of Accounts

12. The Accounts comprise two main statements with supporting notes. The main statements are:
 - i) Dealings with Members Employers and Others which is essentially the fund's revenue account; and
 - ii) The Net Assets Statement which can be considered as the fund's balance sheet.
13. The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:
 - i) The financial transactions relating to the administration of the fund; and
 - ii) The transactions relating to its role as an investor.

14. Overall, the Fund's assets had decreased by £16.7m in the financial year. The reduction was due to the financial markets under performance in which the Fund held its investments and the contribution of the net withdrawals of the fund expenditure over income.
15. The net asset statement represents the net worth (£1,169m) of the Fund as at the 31st March 2020. The statement reflects how the transactions outlined in the other statement have impacted on the value of the Fund's assets.
16. The Fund income section of the report principally relates to the receipt of contributions, from employers and active members, and the payment of pensions benefits. The section indicates that the Fund is cash positive in that that the receipt of contributions exceeds payments, which stood at £7.1m net additions for 2019/20 compared to net addition of £4.1m in 2018/19.
17. Investment income decreased slightly over the year as expected in line with weakened assets value by some £0.5m. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) was slightly less by £40k over the year. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly. The total contributions increased over the year by £3.9m compared to last year this was due to LB Enfield employer contribution rate increasing from 24.4% to 24.9%.
18. In 2019/20 the overall expenditure increased by some £875k. The major contributors were the overall benefits paid which increased by some £810k over the year. The management expenses went up by £190k and this is solely and increase from administration costs.
19. Overall, fund membership has increased slightly from 22,281 to 23,380, an increase in membership number of 1,099. The active members increased by 259 members over the year whilst deferred members increased significantly by 268. Retired membership increased significantly by 440 members.
20. The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments.
21. The Audit Plan for the Pension Fund and any reports arising from the audit will be reported to the Pension Policy & Investments Committee. However, as the pension fund accounts remain part of the financial statements of the Council as a whole, the Audit Committee retain ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit.
22. The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance. The external auditor is required to issue an ISA 260 report, an opinion on the Council's accounts and this will include an opinion on the Pension Fund accounts. The ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.

23. The audit of the Pension Fund accounts is yet to be completed and an ISA 260 report will be issued by the auditor once completed.
24. The Pension Fund audit is being undertaken by BDO and the audit fee is being maintained at £19,000, this would be charged to the Pension Fund.

PIRC League Table Performance

25. PIRC measures the performance of the Fund against their Local Authority Universe data. The PIRC Local Authority Universe is an aggregation of Funds (currently 63 Funds) within the LGPS sector that is used for peer group comparisons. The performance results set out in this section are from the league tables.
26. The PIRC universe average for local authority Pension Fund return for 2019/20 was -4.8% compared to the Fund benchmark of -0.84%, the Fund underperformed its benchmark but outperformed the PIRC universe and ranked at 10th position for this period.
27. The PIRC universe 3-year average performance return for 2019/20 was 1.9% and the Fund benchmark return was 2.4%, the Enfield Fund outperformed its benchmark by 0.3% and the PIRC universe by 0.6% and was ranked in 23rd position for this period.
28. Over the longer period of 5, 10, 20 and 30 year are shown in below table:

	One year	3 years	5 years	10 years	20 years	30 Years
Enfield Fund % p.a.	-1.5	2.5	5.4	6.8	5.4	8.1
Benchmark % p.a.	-0.8	2.2	5.0	-	-	-
PIRC Universe % p.a.	-4.8	1.9	5.2	6.9	5.5	7.9
Ranking	10	23	27	48	35	22

Funding Update

29. This funding update has been provided to give the result of the Fund funding level compared to its last formal valuation of 31 March 2019. At the last 2019 formal valuation, the funding ratio of 103%, with Fund assets of £1,185m and liabilities of £1,146m, generating a surplus of some £39m as at 31st March 2019.
30. The update position as at 31st March 2020 indicates a weakened funding level position of 96%, a 7% reduction from 2019 funding level of 103%, creating a deficit of some £50m as at 31st March 2020 as shown below.
31. Liabilities increased significantly on a gilts basis over the quarter as long-dated bond yields fell sharply. This, along with the risk asset selloff, led to deteriorating funding ratios. Long-dated fixed interest gilt yields (20-year duration) decreased by 48bps to 0.87% over the quarter. 20-year real yields also fell over the quarter but by comparatively less due to the fall in breakeven inflation.

Assumption	31st March 2016 Valuation Results	31st March 2019 Final Valuation Results	31st March 2020 Estimated Valuation Update
Main scheduled body funding target:			
Probability of funding success	69%	80%	80%
Discount rate	4.50%	4.20%	4.20%
Ongoing orphan funding target:			
In service discount rate	4.10%	3.30%	3.30%
Left service discount rate	2.50%	1.60%	1.60%
RPI inflation	3.10%	3.20%	3.10%
CPI inflation (pension increases / CARE rev)	2.00%	2.10%	2.20%
Post 88 GMP pension increases	1.80%	1.90%	1.70%
Pay inflation	3.50%	3.60%	3.40%
Value of Assets	£916.3m	£1,185.5m	£1,170m
Value of Liabilities	(£1,048.2m)	(£1,146.2m)	(£1,167m)
(Deficit)/Surplus	(£131.9m)	£39.3m	(£50m)
Funding Ratio	87%	103%	96%
Primary Contribution	17.70%	18.50%	18.50%
Secondary Contribution (to reduce deficit)	5.10%	0%	0%
Extra -ordinary Contribution (possible cost of McCloud)		1.50%	1.50%
Total Employer Contribution	22.80%	20.00%	20.00%

Safeguarding Implications

32. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

33. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

34. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

35. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

36. Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

37. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

38. The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and efficiently and that arrangements for financial management are properly scrutinised. The performance of the fund affects the level of employer's contribution to the fund.

39. The Pension Fund Annual Account sets out the financial position of the Pension Fund as at 31st March 2020 and acts as the basis for understanding the financial wellbeing of the Pension Fund. It enables Members to manage and monitor the Scheme effectively, helping to ensure that they are able to fully understand the financial implications of the decisions they make.

Legal Implications

40. Regulation 57 of the Local Government Pension Scheme Regulations 2013 imposes a duty on the Council as an administering authority to prepare a pension fund annual report. The report must be published by 1st December following the financial year end.

41. The report should deal with the following matters:
- a. management and financial performance during the year of the pension;
 - b. an explanation of the investment policy for the fund and a review of performance;
 - c. a report on arrangements made during the year for administration of the fund;
 - d. a statement by an actuary who carried out the most recent valuation of the fund and the level of funding disclosed by that valuation;
 - e. a Governance Compliance Statement;
 - f. a Fund Account and Net Asset Statement;

- g. an Annual Report dealing with levels of performance set out in the pension administration strategy and any other appropriate matters arising from the administration strategy;
 - h. the Funding Strategy Statement;
 - i. the Investment Statement Strategy;
 - j. statements of policy concerning communications with members and employing authorities; and
 - k. any other material which the authority considers appropriate.
42. When performing its functions as administrator of the Enfield pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Workforce Implications

43. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

44. None

Other Implications

45. None

Options Considered

46. There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement.

Conclusions

47. The Fund assets reduced by £16.7m over the year. The net asset statement represents the net worth (£1,168.8m) of the Fund. This reduction was because of the Covid-19 outbreak turned into a global pandemic. Whereby, global equities sold off sharply after reaching all time highs in mid-February.
48. The PIRC average universe for Local Authority Pension Fund return in 2019/20 was -4.8%. The Enfield Pension Fund had a return on investment of -1.5% and ranked 10th in the performance league table. Looking at the longer-term performance, the three-year return for the Fund was 2.5% per

annum and for over five years, the Fund posted a return of 5.4% p.a. the Fund outperforming the universe average return of 1.9% and 5.2% respectively.

49. At the last formal valuation (31st March 2019) the funding level increased to 103%, with assets of £1,185m and liabilities of some £1,146m, giving rise to a surplus of over £39m. This reduction in funding level gave rise to a deficit position of some £50m.
50. The valuation updates as at 31st March 2020 was received from the Fund actuary 4th May 2020 and this demonstrated the Fund funding level is slightly weakened from the last formal valuation by 7% from 103% to 96%.

Report Author: Bola Tobun
Finance Manager – Pensions & Treasury
Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588

Date of report 14th July 2020

Appendices

Appendix A – Enfield Pension Fund Financial Statements For 2019/20
Appendix B - PIRC UK Local Authority League table for 2019/20

Background Papers

None

PENSION FUND ACCOUNTS – 2019/20

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT			
2018/19 £000s		Notes	2019/20 £000s
	Dealings with members, employers and others directly involved in the Fund		
47,179	Contributions	7	51,044
4,009	Transfers in from other pension funds	8	3,971
51,188			55,014
(41,966)	Benefits payable	9	(42,777)
(5,116)	Payments to and on account of leavers	10	(5,173)
(47,082)			(47,950)
4,106	Net additions/(withdrawals) from dealings with members		7,064
(9,442)	Management expenses	11	(9,156)
(5,336)	Net additional/(withdrawals) including fund management		(2,092)
	Returns on investments		
12,643	Investment income	12	12,093
(462)	Taxes on income	13a	
79,653	Profit & losses on disposal of investments and changes in the market value of investments	14a	(26,738)
91,834	Net returns on investments		(14,645)
86,498	Net change in assets available for benefits during the year		(16,737)
1,099,002	Opening net assets of the scheme		1,185,500
1,185,500	Closing net assets of the scheme		1,168,763

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2020			
2018/19 £000s		Notes	2019/20 £000s
1,124,026	Investment assets	14	1,112,892
(150)	Investment liabilities		(84)
1,123,876			1,112,809
58,091	Cash deposits	14	52,855
3,533	Other investment balances -assets	14	2,438
(183)	Other investment balances - liabilities	14	(149)
1,185,317	Total net investments	14	1,167,952
14	Long term debtor	21a	53
801	Current assets	21	1,317
(632)	Current liabilities	22	(559)
1,185,500	Net assets of the fund available to fund benefits at the end of the reporting period		1,168,763

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Signed:

Fay Hammond

Executive Director Resources

31st May 2020

PENSION FUND ACCOUNTS – 2019/20

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PENSION FUND ACCOUNTS – 2019/20

1. Description of the Fund

The Enfield Pension Fund ('the fund') is part of the LGPS and is administered by London Borough of Enfield. The council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the scheme.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

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

It is a contributory defined benefit pension scheme administered by London Borough of Enfield to provide pensions and other benefits for pensionable employees of London Borough of Enfield and a range of other scheduled and admitted bodies within the borough. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Enfield Pension Policy & Investment Committee, which is a committee of London Borough of Enfield.

b) Membership

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

Organisations participating in the fund include the following:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

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

There are 39 employer organisations within the fund (including the Council itself), and 23,380 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2019	31 March 2020
Number of employers with active members	7,246	7,505
Number of pensioners	5,453	5,893
Deferred pensioners	5,930	6,198
Frozen/undecided	3,652	3,784
Total number of members in pension scheme	22,281	23,380

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The results of recent formal valuation as at 31 March 2019 has employer contribution rates range from 0% to 25.0% of pensionable pay.

PENSION FUND ACCOUNTS – 2019/20

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x pension. 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 sum. 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.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

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 financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

PENSION FUND ACCOUNTS – 2019/20

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) 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 accruals 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 the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

iv) **Movement in the net market value of investments** Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items**d) Benefits payable**

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

e) Taxation

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

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses; however, it requires the disclosure of investment management transaction costs. For greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016), which shows the breakdown of administrative expenses, including transaction costs.

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

ii) **Oversight and governance costs** All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the

PENSION FUND ACCOUNTS – 2019/20

fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

iii) **Investment management expenses** All investment management expenses are accounted for on an accruals basis.

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

In addition the fund has negotiated with the following managers that an element of their fee be performance related. Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Net assets statement**g) Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

Foreign currency transactions**h) Dividends**

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

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see Note 15).

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, highly 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

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

PENSION FUND ACCOUNTS – 2019/20

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 20).

m) Additional voluntary contributions

The Enfield Pension Fund provides an additional voluntary contribution (AVC) scheme for its employers and are specifically for providing additional benefits for individual contributors. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Contingent assets and contingent liabilities

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.

4. Critical judgements in applying accounting policies

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

5. Assumptions made about the future and other major sources of estimation uncertainty

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates. This will have not had an affect on either the fun account or the nest asset statement but on the disclosure in Note 20.

The items in the net assets statement at 31 March 2020 (for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table below:

PENSION FUND ACCOUNTS – 2019/20

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial present value of promised retirement benefits (Note 20)</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> a. 1% decrease in the discount rate assumption would result in a increase in the pension liability of approximately £300m. b. 1% increase in assumed earnings inflation would increase the value of liabilities by approximately £50m. c. three-year increase in assumed life expectancy would increase the liability by approximately £90m. <p>It should be noted that any changes in the above would not have an effect on either the Fund Account or the Net Asset Statement.</p>
<p>Private equity investments (Note 16)</p>	<p>Private equity investments are valued at fair value in accordance with generally accepted accounting principles. The valuation basis is U.S. GAAP. and all investments are recorded at fair value in accordance with ASC 820, Fair Value Measurements and Disclosures.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>Private equity investments are valued at £69m in the financial statements. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £3.5 million.</p>
<p>Private equity property investments (Note 16)</p>	<p>The estimate of the value of the investment in Portfolio Companies and Intermediate Vehicles requires considerable judgment and estimation techniques. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.</p>	<p>Given a tolerance of +/-5% around the effect of variations in the factors supporting the valuation would be an increase or decrease in the value of held property of £1.3m, on a fair value of £25m.</p>

PENSION FUND ACCOUNTS – 2019/20

NOTE 6: EVENTS AFTER THE REPORTING DATE

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

NOTE 7: CONTRIBUTIONS

By category

2018/19 £000s		2019/20 £000s
10,151	Employees' contributions	11,078
	Employers' contributions: -	
27,460	Normal	29,648
8,206	Deficit recovery contributions	9,503
1,362	Augmentation contributions	815
37,028	Total employers' contributions	39,966
47,179		51,044

By authority

2018/19 £000s		2019/20 £000s
38,245	Administering authority	39,237
7,296	Scheduled bodies	9,724
1,638	Admitted bodies	2,083
47,179		51,044

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2018/19 £000s		2019/20 £000s
4,009	Individual transfers	3,971
4,009		3,971

NOTE 9: BENEFITS PAID/PAYABLE

By category

2018/19 £000s		2019/20 £000s
(34,195)	Pensions	(35,828)
(6,485)	Commutation and lump sum retirement benefits	(6,684)
(1,286)	Lump sum death benefits	(266)
(41,966)		(42,777)

By authority

2018/19 £000s		2019/20 £000s
(40,355)	Administration authority	(40,988)
(1,248)	Scheduled bodies	(1,404)
(363)	Admitted bodies	(384)
(41,966)		(42,777)

PENSION FUND ACCOUNTS – 2019/20

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19		2019/20
£000s		£000s
(108)	Refunds to members leaving service	(129)
(5,008)	Individual transfers	(5,173)
(5,116)		(5,302)

NOTE 11: MANAGEMENT EXPENSES

2018/19		2019/20
£000s		£000s
(935)	Administrative costs	(1124)
(350)	Oversight and governance costs	(108)
(8,157)	Investment management expenses	(7,925)
(9,442)		(9,156)

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2018/19		2019/20
£000s		£000s
(6,494)	Management fees	(6,397)
(186)	Performance related fees	(304)
(1,405)	Transaction costs	(1,031)
(66)	Custody fees	(63)
(6)	Other	(130)
(8,157)		(7,925)

NOTE 12: INVESTMENT INCOME

2018/19		2019/20
£000s		£000s
5,066	Income from equities	4,079
3,290	Income from bonds	3,476
1,704	Pooled property investments	1873
1,855	Pooled investments – unit trusts and other managed funds	2,095
728	Interest on cash deposits	607
12,643		12,093

NOTE 13: TAXES ON INCOME

2018/19		2019/20
£000s		£000s
	<i>Withholding tax</i>	
(320)	Income from equities	(0)
(142)	Pooled investments – unit trusts and other managed funds	(0)
(462)		(0)

NOTE 13A: EXTERNAL AUDIT FEES

2018/19		2019/20
£000s		£000s
19	Paid in respect of external audit (excluding VAT)	19
19		19

PENSION FUND ACCOUNTS – 2019/20

NOTE 14: INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
	Investments	
88,279	Fixed interest securities	90,621
43,141	Equities	45,015
824,211	Pooled investments	776,130
69,598	Pooled property investments	91,368
98,549	Private equity	109,758
	Derivative contracts:	
215	- Futures	0
33	- Forward currency contracts	0
1,124,026	Total investment assets	1,112,892
58,091	Cash deposits	52,855
2,386	Investment income due	2,438
1,147	Amounts receivable for sales	0
1,185,650	Total investment assets	1,168,185
	Investment liabilities	
	Derivative contracts:	
(150)	- Futures	99
-	- Forward currency contracts	(183)
(183)	Investment expenditure due	(149)
(333)	Total investment liabilities	(233)
1,185,317	Net investment assets	1,167,952

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

	Market value 1 April 2019	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2020
Period 2019/20	£000s	£000s	£000s	£000s	£000s	£000s
Bonds	88,278	30,830	(27,041)		(1,446)	90,621
Equities	43,141	989	0		885	45,015
Pooled investments	824,211	10,115	(8,764)	(3,853)	(44,579)	776,130
Pooled property	69,598	23,508	0	(178)	(1,560)	91,368
Private equity	98,549	4,826	(10,973)	(1,610)	18,996	109,758
	1,123,777	70,268	(46,778)	(5,641)	(28,734)	1,112,892
Derivatives contracts:						
Futures	66	901	(1,291)	-	423	99
Options						
Forward foreign exchange	33	486	(455)	-	(247)	(183)
	99	1,387	(1,746)	-	176	(84)
	1,123,876	71,655	(48,524)	(5,641)	(28,558)	1,112,809
Other investment balances						
Cash deposits	58,091				1,829	52,855
Investment income due	2,386					2,438
Pending investment sales	1,147					(149)
Other investment expenses	(183)				(9)	-
Net investment assets	1,185,317				(26,738)	1,167,952

PENSION FUND ACCOUNTS – 2019/20

	Market value 1 April 2018	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2019
Period 2018/19	£000s	£000s	£000s	£000s	£000s	£000s
Fixed interest securities	82,344	23,989	(18,982)	-	927	88,278
Equities	192,565	143,829	(301,690)	-	8,437	43,141
Pooled investments	620,173	193,379	(32,356)	(3,474)	46,489	824,211
Pooled property	67,887	-	(1)	-	1,712	69,598
Private equity	63,333	29,985	(13,045)	(2,092)	20,368	98,549
	1,026,302	391,182	(366,074)	(5,566)	77,933	1,123,777
Derivatives contracts:						
Futures	173	4,078	(2,130)	-	(2,055)	66
Forward foreign exchange	43	1,612	(2,288)	-	666	33
	216	5,690	(4,418)	-	(1,389)	99
	1,026,518	396,872	(370,492)	(5,566)	76,544	1,123,876
Other investment balances						
Cash deposits	69,956				3,553	58,091
Investment income due	2,346					2,386
Pending investment sales	-					1,147
Other investment expenses	(476)				(444)	(183)
Net investment assets	1,098,344				79,653	1,185,317

Purchases and sales of derivatives are recognised in Note 14a above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

PENSION FUND ACCOUNTS – 2019/20

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
	Bonds	
	UK	
4,703	Public sector quoted	2,702
39,103	Corporate quoted	42,101
	Overseas	
1,868	Public sector quoted	806
42,604	Corporate quoted	45,013
88,278		90,622
	Equities	
43,141	UK –quoted	45,015
-	Overseas –quoted	-
43,141		45,015
	Pooled funds –additional analysis	
89,072	Indexed linked securities	90,762
458,410	Equities	425,648
50,041	Developed markets equity long short fund	38,925
46,806	Events driven fund hedge fund	43,676
72,354	Inflation opportunities fund	78,268
30,911	Absolute bond fund	29,321
25,921	Multi-strategy equity hedge fund	25,569
50,696	Multi asset credit fund	43,676
824,211		776,549
	Pooled property investments	
69,598	UK property investments	68,156
69,598		68,156
	Private equity	
4,610	Opportunistic property	6,778
17,045	European infrastructure	22,201
72,283	Fund of Funds global private equity	80,779
4,611	UK secured long income fund	23,212
98,549		132,970
	Derivatives- Assets	
215	Futures	168
33	Forward foreign exchange	-
248		168
1,124,025	Total Investment Assets	1,113,060
58,091	Cash deposits	52,855
2,386	Investment income due	2,438
1,147	Amounts receivable from sales	-
1,185,649		1,168,353
	Investment liabilities	
(149)	Derivatives- futures	-
-	Derivatives- forward foreign exchanges	(252)
(183)	Investment expenses	(149)
(332)		(401)
1,185,317	Net investment assets	1,167,952

PENSION FUND ACCOUNTS – 2019/20

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2019			Market value 31 March 2020	
£000s	%		£000s	%
Fixed income securities				
90,940	7.7%	Western Asset Management	91,756	7.9%
Equities				
765	0.1%	Trilogy	882	0.1%
43,141	3.6%	International Public Partnerships	45,015	3.9%
Pooled investments				
89,072	7.5%	Blackrock indexed linked bonds	90,762	7.8%
12,022	1.0%	Blackrock UK passive fund	9,782	0.8%
155,836	13.2%	Blackrock Global passive	148,736	12.7%
110,109	9.3%	MFS global equities	102,567	8.8%
75,336	6.4%	LCIV Baillie Gifford global equities	74,376	6.4%
28,156	2.4%	LCIV JP Morgan emerging equities	23,420	2.0%
76,950	6.5%	LCIV Longview	67,187	5.8%
50,696	4.3%	LCIV CQS Multi asset	43,676	3.7%
50,041	4.2%	Lansdowne hedge fund	38,925	3.3%
19,147	1.6%	York Capital hedge fund	13,058	1.1%
72,354	6.1%	M&G inflation opportunities	78,268	6.7%
30,911	2.6%	Insight hedge fund	29,321	2.5%
27,659	2.3%	Davidson Kempner hedge fund	30,483	2.6%
1,147	0.1%	Gross hedge fund	-	-
25,921	2.2%	CFM hedge fund	25,569	2.2%
Pooled property				
338	-	RREEF commercial property	-	-
36,797	3.1%	Blackrock commercial property	35,147	3.0%
33,032	2.8%	Legal & General commercial prop.	33,256	2.8%
Private equity				
72,283	6.1%	Adam St Partners fund of funds	80,779	6.9%
17,045	1.4%	Antin European infrastructure	22,201	1.9%
4,610	0.4%	Brockton opportunistic property	6,778	0.6%
4,611	0.4%	CBRE UK secured long income fund	23,212	2.0%
Cash & accruals				
34,474	2.9%	Goldman Sachs cash	35,868	3.1%
17,063	1.4%	Northern Trust cash	16,587	1.4%
35	-	Blackrock MMF	-	-
(183)	-	Enfield Investment accruals	-	-
1,185,317	100.0%		1,167,952	100.0%

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The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

Security	Market value 31 March 2019 £000s	% of total Fund	Market value 31 March 2020 £000s	% of total Fund
Trilogy global equities	-	-	-	-
Blackrock –global equities	155,836	13.2%	158,518	13.6%
MFS – global equities	110,109	9.3%	102,567	8.8%
Western Asset – corporate bonds	90,940	7.7%	91,756	7.9%
Blackrock – indexed linked bonds	89,072	7.5%	90,762	7.8%
LCIV – Longview global equities	76,950	6.5%	67,187	5.8%
LCIV – Baillie Gifford global equities	75,336	6.4%	74,376	6.4%
M&G Inflation opportunities	72,354	6.1%	78,268	6.8%
Adam Street Partners – private equity	72,283	6.1%	80,779	6.9%
Lansdowne – equity hedge fund	50,041	4.2%	38,925	3.3%

NOTE 14D: STOCK LENDING

The Fund's investment strategy does not permit stock lending.

NOTE 15a: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers.

a) Futures

The fund had to hold cash assets towards the end of the year in order to meet an expected peak in retirements. The pension fund committee did not want this cash to be 'out of the market' and so bought index-based futures contracts which had an underlying economic value broadly equivalent to the cash held in anticipation of the cash outflow for year-end retirements. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity and bond portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the relevant fund manager currency programme in place managed by the global custodian, and hedges a proportion of the overseas holdings

PENSION FUND ACCOUNTS – 2019/20

Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
1-6 months	GBP	693	EUR	(804)	0	(19)
1-6 months	GBP	3,427	USD	(4,434)	0	(146)
1-6 months	USD	663	GBP	(553)	0	(18)
Open forward currency contracts at 31 March 2019					0	(183)
Net forward currency contracts at 31 March 2019						(183)
Prior year comparative						
Open forward currency contracts at 31 March 2019					33	-
Net forward currency contracts at 31 March 2019						33

Futures

Outstanding exchange traded futures contracts are as follows:

Type Assets	Expires	Economic exposure £000s	Market value 31 March 2019 £000s	Economic exposure £000s	Market value 31 March 2020 £000s
UK Fixed income	Less than a year	-	-	6,129	89
Overseas fixed income	Less than a year	11,665	215	430	79
Total assets			215		168
Overseas fixed income		(5,646)	(149)	(716)	(69)
Total liabilities			(149)		(69)
Net Futures			66		99

NOTE 15b: HEDGE ACCOUNTING

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a particular type of risk. This is achieved because expected changes in the value or cash flows of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

NOTE 16: FAIR VALUE – BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable & unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required

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Unquoted bonds	Level 2	Average of broker prices	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Property held in a limited partnership	Level 3		Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Private equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above are likely to be accurate to 10% within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2020 £000s	Value on increase £000s	Value on decrease £000s
UK secured long income fund	10%	23,212	+2,321	-2,321
UK opportunistic property	10%	6,778	+678	-678
European Infrastructure	10%	22,201	+2,201	-2,201
Private equity fund of funds	10%	80,779	+8,078	-8,078
Total		132,970	+13,297	-13,297

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NOTE 16A: 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 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.

Level 3

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	131,420	894,057	132,970	1,124,026
Financial liabilities at fair value	-	(150)	-	(150)
Net investment assets	131,420	893,907	132,970	1,123,876

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	131,420	894,057	98,549	1,124,026
Financial liabilities at fair value	-	(150)	-	(150)
Net investment assets	131,420	893,907	98,549	1,123,876

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2019/20.

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NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1 April 2019	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Property	5,888	-	432	(3,066)	-	1,356	4,610
Infrastructure	2,178	-	13,195	-	1,672	-	17,045
Venture capital	55,267	-	11,408	(9,979)	9,729	5,858	72,283
Pooled Hedge Funds	8,831	(8,831)	-	-	-	-	-
UK secured long income fund	-	-	4,950	-	(339)	-	4,611
	72,164	(8,831)	29,985	(13,045)	11,062	7,214	98,549

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period

31 March 2019			31 March 2020		
Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000s	£000s	£000s	£000s	£000s	£000s
				Financial assets	
88,278				Bonds	90,621
43,141				Equities	45,015
824,211				Pooled investments	776,130
69,598				Pooled property	91,368
98,549				Private equity	109,758
248				Derivative contracts	168
	58,091			Cash deposits	52,855
	2,547			Other investment balances	2,438
	815			Trade debtors	1370
1,124,025	61,453	-		Total financial assets	1,113,060
				Financial liabilities	
(149)				Derivative contracts	(252)
		(183)		Other investment balances	(149)
		(632)		Trade creditors	(560)
(149)	-	(815)		Total financial liabilities	(709)
1,123,876	61,453	(815)		Grand total	1,112,808
					56,663
					(709)

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NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2019 £000s		31 March 2020 £000s
	Financial assets	
76,544	Designated at fair value through profit & loss	(28,242)
3,109	Loans & receivables	1,829
79,653	Total	(26,413)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that its 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 fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council'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, while 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 council 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

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

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The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period (based on assumption made in December 2019 on data provided by the Fund's investment consultant. The sensitivities are consistent with the assumptions contained in the investment advisor's 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 movements (+/-) 2018/19	Potential market movements (+/-) 2019/20
Fixed income government bond	1.2%	1.4%
Inflation-linked government bonds	1.2%	1.2%
Investment grade corporate bonds	2.0%	2.2%
Equities	7.0%	6.5%
Private equity	9.3%	8.7%
Real estate	5.3%	5.5%
Hedge funds	4.2%	3.7%

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

Asset type	Value at 31 March 2020 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	44,803	+627	-627
Inflation-linked government bonds	90,778	+ 1,089	- 1,089
Investment grade corporate bonds	45,819	+1008	-1008
Equities	472,119	+30,688	-30,688
Private equity	80,779	+7,030	-7,030
Real estate	98,805	+5,434	-5,434
Hedge funds	282,512	+10,453	-10,453
Cash & accruals	55,060	-	-
	1,170,675	+56,329	-56,329

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Asset type	Value at 31 March 2019	Potential value on increase	Potential value on decrease
	£000	£000	£000
Fixed income government bond	43,806	+526	-526
Inflation-linked government bonds	89,072	+ 1,069	- 1,069
Investment grade corporate bonds	44,473	+889	-889
Equities	501,551	+35,109	-35,109
Private equity	72,283	+6,722	-6,722
Real estate	91,253	+4,836	-4,836
Hedge funds	281,340	+11,816	-11,816
Cash & accruals	61,539	-	-
	1,185,317	+60,967	-60,967

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 council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The council 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 point (BPS) 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 and experience suggests that such movements are likely.

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

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	-	-	-	-
Cash & cash equivalents	52,855	529	-	-
Cash balances	13	-	-	-
Bonds	181,400	1,814	183,214	179,586
Total	234,268	2,343	183,214	179,586

Assets exposed to interest rate risk	Value as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	5,000	50	-	-
Cash & cash equivalents	53,091	531	-	-
Cash balances	13	-	-	-
Bonds	177,350	1,774	179,124	175,576
Total	235,454	2,355	179,124	175,576

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Income exposed to interest rate risks	Amount receivable as at 31 March 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	607	6	613	601
Bonds	3,440	34	3,474	3,406
Total	4,047	40	4,087	4,007

Income exposed to interest rate risks	Amount receivable as at 31 March 2019 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	728	7	735	721
Bonds	3,290	33	3,323	3,257
Total	4,018	40	4,058	3,978

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and 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 (UK sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

The fund's currency rate risk is routinely monitored by the council 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 council considers the likely volatility associated with foreign exchange rate movements to be 10%.

A 10% fluctuation in the currency is considered reasonable. This analysis assumes that all other variables, in particular interest rates, remain constant.

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Assets exposed to currency risk	Assets value as at 31 March 2020	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Canadian Dollar	1,079	108	1,187	971
Danish Krone	4,091	409	4,500	3,682
Euro	34,661	3,466	38,127	31,195
Hong Kong Dollar	7,993	799	8,792	7,194
Japanese Yen	18,787	1,879	20,666	16,908
Swedish Krona	5	1	6	4
Norwegian Krone	611	61	672	550
Swiss Franc	1,153	115	1,268	1,038
US Dollar	222,875	22,288	245,163	200,587
	291,255	29,126	320,381	262,129

Assets exposed to currency risk	Assets value as at 31 March 2019	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Australian Dollar	1,562	156	1,718	1,406
Canadian Dollar	1	-	1	1
Danish Krone	737	74	811	663
Euro	39,617	3,962	43,579	35,655
Japanese Yen	291	29	320	262
Mexican Peso	677	68	745	609
Norwegian Krone	6	1	7	5
Singapore Dollar	1,143	114	1,257	1,029
South African Rand	480	48	528	432
Swedish Krona	541	54	595	487
Swiss Franc	1,089	109	1,198	980
US Dollar	161,988	16,199	178,187	145,789
	208,132	20,814	228,946	187,318

b) Credit risk

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

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives' positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed

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percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2020 was £52.9m (31 March 2019 - £58.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019 £000	Balances as at 31 March 2020 £000
Termed deposits			
Close Brothers	A-	5,009	-
Money market funds			
Goldman Sachs money market fund	AAAm	34,474	35,868
Blackrock money market fund	AAAm	35	-
Bank current accounts			
HSBC	AA-	12	53
Northern Trust Custodian	AA-	17,063	4,705
Cash held by fund managers		1,510	12,282
		58,103	52,908

c) Liquidity risk Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its pension fund cash holdings.

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

All financial liabilities at 31 March 2020 are due within one year.

d) Refinancing risk - The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its investment strategy

NOTE 19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the results was approved by the Pension Policy & Investment Committee at their February 2020 meeting, for implementation from 01 April 2020.

The key elements of the funding policy are:

- 1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- 2) to ensure that employer contribution rates are as stable as possible
- 3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- 4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so, and

PENSION FUND ACCOUNTS – 2019/20

- 5) 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.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 103% funded.

Financial assumptions

The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates are shown in note 20 in the financial assumption section.

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

- a) The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £1,185.5M) covering 103% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

- b) The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 18.5% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 1.5% of pay for McCloud and cost management – see paragraph i below,
- c) In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are

PENSION FUND ACCOUNTS – 2019/20

estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.8	0.008
2021	19.8	0.008
2022	19.8	0.009

- d) The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
- e) The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Summary of Assumptions	31 March 2016 Valuation	31 March 2019 Valuation
Discount rate for periods in service		
Scheduled body funding target *	4.5%pa	4.2%pa
Orphan body funding target	4.1%pa	3.3%pa
Discount rate for periods after leaving service		
Scheduled body funding target*	4.5%pa	4.2%pa
Orphan body funding target	2.5%pa	1.6%pa
Rate of inflationary pay increases	3.5%pa	3.6%pa
Rate of increase to pension accounts	2.0%pa	2.1%pa
Rate of increases in pensions in payment	2.0%pa	2.1%pa

* The scheduled and subsumption body discount rate was used for scheduled bodies and other employers whose liabilities will be subsumed after exit by a scheduled body

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

- f) The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Fund's postcode data using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with s_k of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

- g) The valuation results summarised in paragraphs a and b above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph j below.
- h) The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on

PENSION FUND ACCOUNTS – 2019/20

31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):

i) There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to GMPs:**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in the summer of 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

j) Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.20% over the year to 31 March 2020, on its own leading to a reduction in the funding level. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

k) This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, London Borough of Enfield, the Administering Authority of the Fund, in respect of this Statement.

l) The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://new.enfield.gov.uk/pensions/wp-content/uploads/2017/10/London-Borough-of-Enfield-Pension-Fund-Actuarial-valuation-as-at-31-March-2019-.pdf>

PENSION FUND ACCOUNTS – 2019/20

NOTE 21: CURRENT ASSETS

31 March 2019		31 March 2020
£000s		£000s
	Debtors	
168	Contributions due - employees	208
495	Contributions due - employers	636
72	Sundry debtors	460
53	Prepayments	53
788		1,356
	Cash balances	
13	Current account	13
801		1,370

NOTE 21A: LONG TERM DEBTORS

31 March 2019		31 March 2020
£000s		£000s
	Debtors	
14	Pensioner Tax liability	14
14		14

NOTE 22: CURRENT LIABILITIES

31 March 2019		31 March 2020
£000s		£000s
(19)	Sundry creditors	(275)
(613)	Benefits payable	(285)
(632)		(560)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

The current provider is Prudential. Funds held are summarised below:

	Opening Balance at 1 st April 18	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s
With profits cash accumulation	1,350	477	(410)	2	1,350
Cash statement	135	130	(9)	1	135
Deposit fund statement	895	300	(352)	3	895
Discretionary fund	800	165	(42)	37	800
	3,180	1,072	(813)	43	2,871

PENSION FUND ACCOUNTS – 2019/20

NOTE 24: AGENCY SERVICES

The Enfield Pension Fund does not use any agency services to administer the pension service.

NOTE 25: RELATED PARTY TRANSACTIONS

London Borough of Enfield

The Enfield Pension Fund is administered by the London Borough of Enfield. Consequently, there is a strong relationship between the Council and the Pension fund.

During the reporting period, the Council incurred costs of £1.124m (2018/19: £935k) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The Council is also the single largest employer of members of the pension fund and contributed £39.2m to the fund in (2018/19 £38.2m). At year end the London Borough of Enfield owed the Pension Fund £460k (£72k in 2018/19).

Scheduled and admitted bodies owed the Fund £854k (£664k in 2018/19) from employer & employee contributions. All payments were received by 19th April 2020.

Governance

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund. Councillor Taylor, a member of the Pension Policy & Investment Committee, is also a Governor of Capel Manor, a scheduled body.

No allowances are paid to Members directly in respect of the Pension Policy & Investment Committee. The Chair of the Pension Policy & Investment Committee, however, is paid a special responsibility allowance.

During the year, no member or Council Officer with direct responsibility for pension fund issues had undertaken any declarable material transactions with the Pension Fund. Each member of the Pension Committee is required to declare their interests at meetings.

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Pension manager, Finance Manager (Pensions & Treasury) and the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2019/20 the figures below show the total remuneration and the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2019		31 March 2020
£000s		£000s
197	Short-term benefits	201
62	Post-employment benefits	45
259		226

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2020 totalled £70m (31 March 2019 totalled £100.6m).

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

2019/20 Local Authority Fund Statistics

UNIVERSE OVERVIEW

	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Universe average	-4.8	1.9	5.2	6.9	5.5	7.9
Range of Results						
Top Quartile	-2.7	2.5	5.7	7.3	5.6	8.0
Median	-4.1	1.7	4.8	6.8	5.1	7.7
Bottom Quartile	-6.4	1.1	4.1	6.3	4.8	7.5
Total Equity	-12.5	-0.7	4.3	6.9	5.1	8.0
Global	-11.9	0.2	5.8	7.6		
UK	-18.2	-4.3	0.5	4.9	3.8	7.3
Overseas	-8.8	0.5	5.9	7.7	5.5	7.8
Total Bonds	1.7	2.2	3.7	5.6	5.9	7.7
UK Govt	8.1	5.0	5.0	2.5		
UK Corp	0.1	2.0	3.5	1.7		
UK IL	2.0	2.5	5.4	7.8		
Non UK Bonds	1.7	1.9	4.8	4.6		
Absolute Return Bonds	-4.1	-0.2	0.9			
Multi Asset Credit	-11.8					
Alternatives	7.4	7.8	9.5	8.4	7.4	
Private Equity	12.1	12.0	14.0	11.8		
Hedge Funds	5.7	3.2	3.9	4.4		
Infrastructure	5.5	7.8	10.0			
Diversified Growth	-5.2	-1.1	0.2			
Property	1.7	5.8	6.8	7.8	7.0	7.3

At the end of March 2020 the Universe was comprised of 63 funds with a combined value of £180 bn.

The two closed Transport Funds are included in the Universe but excluded from the League tables.

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-4.8		1.9		5.2		6.9		5.5		7.9	
Range of Results												
Top Quartile	-2.7		2.5		5.7		7.3		5.6		8.0	
Median	-4.1		1.7		4.8		6.8		5.1		7.7	
Bottom Quartile	-6.4		1.1		4.1		6.3		4.8		7.5	
Avon Pension Fund	-6.5	75	0.9	82	3.4	93	6.1	83	4.8	80	7.5	78
Barking and Dagenham	-4.9	57	1.8	47	4.7	57	5.8	93	4.0	98	7.5	74
Barnet Pension Fund	-5.4	60	1.0	80	3.3	95	5.2	100	4.6	93	7.1	98
Bexley Pension Fund	0.0	2	3.9	5	6.5	7	8.1	9	6.4	4	8.7	4
Brent Pension Fund	-3.9	42	1.5	60	4.6	60	6.0	88	3.9	100	6.7	100
Bromley Pension Fund	-2.7	22	3.9	3	7.3	3	9.0	2	7.0	1	8.8	1
Cambridgeshire Pension Fund	-5.7	67	1.4	65	4.9	47	6.5	64	4.8	80	7.6	72
Camden Pension Fund	-6.7	83	0.6	88	4.1	82	5.8	93	5.1	54	7.6	64
Cardiff & Glamorgan Pension Fund	-7.4	92	0.1	98	3.7	90	6.5	69	4.8	82	7.5	80
City of London Corporation Pension F	-4.1	47	1.8	43	4.5	63	6.5	64	4.4	95		
Cornwall Pension Fund	-1.6	15	2.9	17	3.8	88	5.4	98				
Cumbria Pension Fund	-2.7	20	2.8	20	5.7	23	7.7	14	6.2	8	8.0	26
Devon Pension Fund	-8.0	95	0.4	92	3.5	92	5.4	97	5.1	48	7.4	86
Dyfed Pension Fund	-7.2	88	1.1	75	5.2	35	7.3	26	6.0	9	8.3	10
Ealing Pension Fund	-5.7	65	1.3	68	4.1	82	6.7	59	5.7	19	8.0	32
East Riding Pension Fund	-4.8	55	1.8	42	5.2	35	7.0	41	5.4	37	7.9	40
East Sussex Pension Fund	-3.9	40	1.8	47	5.2	30	6.8	45	5.6	24	8.0	30
Enfield Pension Fund	-1.5	10	2.5	23	5.4	27	6.8	48	5.4	35	8.1	22
Flintshire (Clywd)	-3.3	32	1.9	38	5.2	35	6.1	81	4.9	72	7.4	90
Gloucestershire Pension Fund	-6.2	73	1.1	78	4.3	72	6.8	47	5.0	59	7.8	46
Greater Manchester Pension Fund	-6.6	80	0.9	83	4.8	50	6.5	66	6.3	6	8.3	8
Greenwich Pension Fund	-6.6	82	0.2	97	3.3	97	5.7	95	4.2	96		
Gwynedd Pension Fund	-6.5	78	1.3	68	5.1	38	6.6	60	5.3	41	7.6	64
Hackney Pension Fund	-4.2	48	1.9	40	4.1	73	6.1	85	4.9	69	7.5	76
Hammersmith and Fulham	-2.2	18	1.5	62	4.3	68	7.2	31	5.5	33	7.7	52
Haringey Pension Fund	-3.7	38	2.1	33	6.1	13	7.7	16	4.8	85	7.7	54

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-4.8		1.9		5.2		6.9		5.5		7.9	
Range of Results												
Top Quartile	-2.7		2.5		5.7		7.3		5.6		8.0	
Median	-4.1		1.7		4.8		6.8		5.1		7.7	
Bottom Quartile	-6.4		1.1		4.1		6.3		4.8		7.5	
Harrow Pension Fund	-8.1	97	0.4	93	4.0	85	6.7	57	5.3	39	7.9	42
Havering Pension Fund	-1.6	13	2.2	30	4.4	67	6.8	54	4.8	87	7.8	48
Hillingdon Pension Fund	-6.1	72	0.5	90	4.1	77	5.8	90				
Hounslow Pension Fund	-6.5	78	1.3	70	4.1	82	6.4	73	5.2	46	7.9	40
Isle of Wight Pension Fund	-5.5	63	1.1	78	4.1	75	7.3	24	5.8	15	8.0	26
Islington Pension Fund	-1.3	8	3.2	13	5.0	43	6.7	55	4.8	89	7.7	50
Kensington and Chelsea	-3.4	33	3.7	8	7.4	2	9.4	1				
Kent Pension Fund	-7.5	93	1.2	73	4.9	45	7.0	38	5.1	50	7.7	58
Kingston upon Thames	-3.1	27	2.0	35	5.0	40	7.3	28	5.1	56	7.7	58
Lambeth Pension Fund	-0.8	5	2.2	32	4.6	62						
Lancashire Pension Fund	1.8	1	5.9	1	8.1	1	8.5	7	6.0	11	8.4	6
Lewisham Pension Fund	-1.5	12	2.8	18	6.2	12	7.4	23	4.8	80	7.9	36
Lincolnshire Pension Fund	-5.8	70	1.7	48	4.7	55	6.4	76	4.6	91	7.6	66
Merseyside Pension Fund	-1.9	17	2.5	25	5.8	20	7.2	33	5.8	17	8.1	20
Merton Pension Fund	-4.3	50	1.6	55	4.8	48	6.8	50	5.5	30	8.0	28
Newham Pension Fund	-3.6	37	2.3	28	5.8	18	7.7	12	5.2	45	7.4	84
Northamptonshire Pension Fund	-4.7	53	1.7	52	5.1	37	6.9	43	5.3	43	7.8	44
Orkney Islands Pension Fund	-4.0	43	3.4	10	6.5	8	8.9	4	6.9	2	8.7	4
Oxfordshire Pension Fund	-5.8	68	1.6	57	5.0	43	7.1	36	4.8	85	7.4	90
Powys Pension Fund	-1.0	7	2.9	15	5.7	25	7.5	21	5.0	58	7.4	92
Redbridge Pension Fund	-5.4	60	1.4	63	4.0	83	6.4	74	4.9	70	7.5	82
Rhondda Cynon Taf Pension Fund	-2.8	23	4.1	2	6.9	5	8.5	5	5.7	22	8.2	16
South Yorkshire Pension Authority	-3.2	28	2.4	27	5.7	22	7.6	17	5.9	13	8.0	34
Southwark Pension Fund	-2.8	25	3.2	13	5.9	17	7.8	10	5.6	26		
Strathclyde Pension Fund	-3.5	35	2.7	22	6.4	10	7.5	19	5.7	22	8.3	12
Suffolk Pension Fund	-4.5	52	1.7	50	4.7	52	6.8	54	5.0	65		
Surrey Pension Fund	-11.2	100	-0.8	100	3.0	98	6.0	86	5.0	67	7.3	96

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-4.8		1.9		5.2		6.9		5.5		7.9	
Range of Results												
Top Quartile	-2.7		2.5		5.7		7.3		5.6		8.0	
Median	-4.1		1.7		4.8		6.8		5.1		7.7	
Bottom Quartile	-6.4		1.1		4.1		6.3		4.8		7.5	
Sutton Pension Fund	-3.3	30	2.0	37	5.3	28						
Swansea Pension Fund	-4.1	45	1.5	58	4.6	58	6.3	78	5.0	61	7.7	60
Torfaen (Gwent)Pension Fund	-7.0	87	0.4	95	4.0	87	6.2	79	4.9	74	7.3	94
Tower Hamlets Pension Fund	-0.4	3	3.8	7	5.9	15	7.0	40	5.1	52	7.6	70
Waltham Forest Pension Fund	-5.4	62	1.6	53	2.9	100	6.4	73	5.0	63	7.6	70
West Yorkshire Pension Fund	-7.4	90	0.8	85	4.7	53	6.5	67	5.6	28	8.1	18
Westminster Pension Fund	-7.0	85	1.3	72	4.3	70	7.2	35				
Wandsworth & Richmond Fund	-8.4	98	0.7	87	4.4	65	7.2	31	5.5	32	8.2	14

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-12.5		-0.7		4.3		6.9		5.1		8.0	
Range of Results												
Top Quartile	-6.9		1.6		5.7		7.8		5.4		8.3	
Median	-9.8		0.4		4.8		7.1		5.1		8.1	
Bottom Quartile	-11.6		-0.4		4.0		6.6		4.6		7.7	
Avon Pension Fund	-12.8	88	-2.6	95	2.9	95	6.2	87	4.4	86	7.5	91
Barking and Dagenham	-10.3	61	1.3	31	6.7	18	7.8	27	4.6	76	8.4	17
Barnet Pension Fund	-12.4	87	-0.8	83	3.4	89	7.9	23	5.4	28	8.2	44
Bexley Pension Fund	-5.3	12	3.0	14	6.7	18	8.8	13	6.7	4	9.3	4
Brent Pension Fund	-8.9	39	0.6	46	5.1	40	6.7	72	4.2	98	7.0	100
Bromley Pension Fund	-2.3	1	5.3	2	9.3	1	10.7	2	7.5	1	9.5	2
Cambridgeshire Pension Fund	-11.6	76	-0.3	75	4.2	73	6.6	76	4.5	78	7.6	81
Camden Pension Fund	-10.1	58	-0.1	70	4.6	62	6.5	77	5.2	44	8.2	35
Cardiff & Glamorgan Pension Fund	-14.9	97	-2.9	98	2.6	96	6.3	85	4.5	82	7.6	81
City of London Corporation Pension F	-6.4	22	1.3	31	5.0	44	7.8	27	5.0	60		
Cornwall Pension Fund	-4.6	9	2.1	22	6.1	24	7.7	30				
Cumbria Pension Fund	-10.4	63	1.0	34	5.0	46	7.6	34	5.8	16	8.2	37
Devon Pension Fund	-12.9	92	-1.4	92	3.2	91	6.0	93	4.7	66	7.6	83
Dyfed Pension Fund	-10.7	70	-0.7	78	4.9	47	7.1	51	5.4	32	8.2	35
Ealing Pension Fund	-11.1	73	-0.1	71	3.9	76	6.6	76	5.5	22	8.2	31
East Sussex Pension Fund	-12.2	85	-0.8	80	5.0	44	7.2	45	5.3	34	8.1	52
Enfield Pension Fund	-7.1	27	2.1	20	6.9	13	8.9	11	5.8	12	8.7	11
Flintshire (Clywd)	-10.5	66	0.2	58	4.8	49	6.4	83	4.6	76	7.4	94
Gloucestershire Pension Fund	-10.5	65	0.2	59	4.2	69	7.0	57	4.9	62	8.0	54
Greater Manchester Pension Fund	-16.6	100	-3.1	100	2.9	93	6.0	94	5.5	24	8.3	22
Greenwich Pension Fund	-12.2	83	-1.0	85	3.6	86	5.9	96	4.0	100		
Gwynedd Pension Fund	-9.9	54	-0.2	73	4.7	58	6.7	70	5.0	56	7.8	63
Hackney Pension Fund	-9.8	51	0.1	65	3.7	84	6.4	81	4.6	72	7.7	74
Hammersmith and Fulham	-7.0	26	1.0	36	5.7	27	8.9	10	6.5	6	8.9	7
Haringey Pension Fund	-9.5	46	0.3	54	5.1	36	7.2	49	4.2	94	7.6	87
Harrow Pension Fund	-10.2	59	0.3	56	5.1	40	7.5	38	5.1	54	8.2	39

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-12.5		-0.7		4.3		6.9		5.1		8.0	
Range of Results												
Top Quartile	-6.9		1.6		5.7		7.8		5.4		8.3	
Median	-9.8		0.4		4.8		7.1		5.1		8.1	
Bottom Quartile	-11.6		-0.4		4.0		6.6		4.6		7.7	
Havering Pension Fund	-6.3	19	3.1	10	7.6	7	6.1	91	4.4	84	7.8	65
Hillingdon Pension Fund	-15.4	98	-2.7	97	2.0	98	5.1	100				
Hounslow Pension Fund	-9.4	42	0.9	37	4.3	67	6.9	64	5.0	58	8.1	48
Isle of Wight Pension Fund	-9.4	44	0.1	63	4.5	64	8.2	19	5.8	16	8.3	28
Islington Pension Fund	-9.5	48	0.6	42	4.7	55	6.9	64	4.2	98	7.6	89
Kensington and Chelsea	-6.4	20	3.5	5	8.2	6						
Kent Pension Fund	-11.8	80	-1.4	90	3.9	80	7.1	55	4.7	70	7.7	76
Kingston upon Thames	-3.4	5	3.0	12	7.5	9	9.0	8	5.3	36	8.3	24
Lambeth Pension Fund	-2.5	3	3.4	9								
Lancashire Pension Fund	-2.5	2	4.7	3	8.7	4	9.5	6	6.0	8	8.7	9
Lewisham Pension Fund	-7.6	32	1.6	26	6.2	20	7.3	42	4.2	92	7.8	67
Lincolnshire Pension Fund	-11.7	78	0.0	66	4.8	53	7.1	53	4.5	80	7.8	70
Merseyside Pension Fund	-9.7	49	-0.8	81	4.2	71	6.5	79	4.7	68	7.6	85
Merton Pension Fund	-5.3	14	2.2	17	5.3	35	7.2	45	5.2	46	8.2	44
Newham Pension Fund	-10.6	68	0.4	51	5.8	26	8.4	17	5.6	20	8.3	26
Northamptonshire Pension Fund	-7.1	31	1.1	32	5.5	31	7.7	32	5.4	26	8.4	20
Orkney Islands Pension Fund	-3.5	7	5.7	1	8.9	2	11.1	1	7.5	2	9.6	1
Oxfordshire Pension Fund	-12.1	81	-0.7	76	4.0	75	6.8	68				
Powys Pension Fund	-9.3	41	0.3	53	4.7	60	7.8	28	4.4	88	7.1	98
Redbridge Pension Fund	-8.2	34	0.6	46	3.9	78	5.9	98	4.3	90	7.3	96
Rhondda Cynon Taf Pension Fund	-6.6	24	3.4	7	7.3	11	9.5	4	5.9	10	8.7	13
South Yorkshire Pension Authority	-10.7	71	0.0	68	4.7	56	6.9	66	5.3	40	7.9	61
Southwark Pension Fund	-4.9	10	2.2	19	6.9	15	8.5	15	5.4	30		
Strathclyde Pension Fund	-9.8	53	0.7	41	5.6	29	7.6	36	5.6	18	8.5	15
Suffolk Pension Fund	-8.2	36	1.5	27	5.3	33	7.5	40	4.7	64		
Surrey Pension Fund	-13.6	95	-1.7	93	3.8	82	6.9	60	5.3	38	8.0	57
Sutton Pension Fund	-5.6	17	1.7	24								

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	-12.5		-0.7		4.3		6.9		5.1		8.0	
Range of Results												
Top Quartile	-6.9		1.6		5.7		7.8		5.4		8.3	
Median	-9.8		0.4		4.8		7.1		5.1		8.1	
Bottom Quartile	-11.6		-0.4		4.0		6.6		4.6		7.7	
Swansea Pension Fund	-7.1	29	0.8	39	4.8	51	7.2	47	5.1	52	7.9	59
Torfaen (Gwent)Pension Fund	-8.4	37	0.1	63								
Tower Hamlets Pension Fund	-5.3	15	2.7	15	6.2	22	8.0	21	5.2	48	7.7	72
Waltham Forest Pension Fund	-13.5	93	-1.2	87	1.1	100	7.0	59	5.3	42	8.1	48
West Yorkshire Pension Fund	-12.9	90	-1.4	88	3.5	87	6.1	89	5.1	52	8.1	52
Westminster Pension Fund	-10.1	56	0.4	49	4.3	66						
Wandsworth & Richmond Fund	-11.6	75	0.6	48								

FIXED INCOME PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		2.2		3.7		5.6		5.9		7.7	
Range of Results												
Top Quartile	2.7		2.8		4.3		6.5		6.3		8.0	
Median	1.0		2.0		3.2		5.8		5.8		7.5	
Bottom Quartile	-3.4		0.3		2.0		4.2		4.9		7.1	
Avon Pension Fund	-4.7	86	-1.0	89	2.0	78	5.9	48				
Barking and Dagenham	2.8	24	0.7	67	0.6	90	3.1	90	4.6	90	7.0	82
Barnet Pension Fund	-1.9	67	1.5	58	2.6	63	5.9	46	6.1	37	7.3	64
Bexley Pension Fund	2.0	35	2.4	36	2.2	72	4.2	75	5.5	64	7.1	74
Brent Pension Fund	7.9	2	4.0	9	3.6	43	4.3	73	4.7	88	7.4	54
Bromley Pension Fund	-4.1	81	-0.4	82	2.0	76	5.4	63	5.4	66	7.2	67
Cambridgeshire Pension Fund	-4.3	83	-0.8	86	2.5	69	4.1	77	4.8	83	6.8	90
Camden Pension Fund	-6.0	91	-2.9	96	0.1	96	3.3	86	4.9	73	6.7	92
Cardiff & Glamorgan Pension Fund	3.1	21	2.7	27	2.6	65	4.7	69	6.0	46	7.8	28
City of London Corporation Pension F	-13.9	100										
Cornwall Pension Fund	-6.7	93	-4.7	100	-3.2	100	-0.3	100				
Cumbria Pension Fund	-3.9	78	-0.5	84	3.5	45	6.8	19				
Devon Pension Fund	-0.1	59	1.4	60	2.8	57	3.0	92	5.2	71	7.2	69
Dyfed Pension Fund	2.6	26										
Ealing Pension Fund	1.3	48	3.0	24	4.0	33	7.0	15	6.2	29	8.0	26
East Sussex Pension Fund	3.3	19	3.4	16	5.7	6	8.1	6	6.9	10	8.3	18
Enfield Pension Fund	0.5	55	1.6	53	3.2	51	5.8	54	6.0	39	7.8	39
Flintshire (Clywd)	-7.9	97	-1.6	93	-0.3	98	5.1	65	4.9	78	7.6	49
Gloucestershire Pension Fund	-1.4	62	0.6	71	3.1	53	5.8	54	5.6	56	7.8	31
Greater Manchester No 2	0.6	52	2.0	47	1.6	84	2.6	94	4.2	95		
Greater Manchester Pension Fund	2.8	23	2.2	42	4.2	27	5.6	61	6.4	20	7.8	36
Greenwich Pension Fund	0.5	54	1.2	64	2.7	61	5.8	56	6.0	46		
Gwynedd Pension Fund	-1.4	64	-1.0	91	0.2	92	1.9	98	4.1	100	6.3	100
Hackney Pension Fund	7.2	4	4.1	7	5.3	12	6.8	21				
Hammersmith and Fulham	-2.0	69	1.3	62	3.2	51	6.1	40	5.8	51	7.4	59
Haringey Pension Fund	1.0	50	2.5	35	4.4	23	7.6	8	6.6	15	8.5	8

FIXED INCOME PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		2.2		3.7		5.6		5.9		7.7	
Range of Results												
Top Quartile	2.7		2.8		4.3		6.5		6.3		8.0	
Median	1.0		2.0		3.2		5.8		5.8		7.5	
Bottom Quartile	-3.4		0.3		2.0		4.2		4.9		7.1	
Harrow Pension Fund	-5.0	88	0.7	69	3.4	47	7.0	13	7.0	7	8.1	23
Havering Pension Fund	1.7	36	3.3	20	5.5	8	9.2	1	7.1	5	8.5	10
Hillingdon Pension Fund	1.4	47	2.5	35	5.1	16	6.0	42				
Hounslow Pension Fund	1.7	40	2.5	35								
Isle of Wight Pension Fund	7.2	5	3.9	11	4.7	18	6.5	25				
Islington Pension Fund	2.6	28	2.6	29	3.6	43	6.1	38	5.6	61	7.7	41
Kent Pension Fund	-7.2	95	-0.9	87	0.7	88	3.3	88	4.4	93	7.0	80
Kingston upon Thames	-2.5	71	0.4	73	1.9	84	4.8	67	5.6	59	7.1	77
Lambeth Pension Fund	2.3	31	2.0	49								
Lancashire Pension Fund	3.6	17	4.2	6	6.3	2	6.1	36	6.0	46	7.6	46
Lewisham Pension Fund	6.6	9	4.3	4	6.1	4	8.3	4	7.2	3	8.6	5
Lincolnshire Pension Fund	1.7	38	1.9	51	2.6	69	3.9	79	4.8	85	6.5	95
Merseyside Pension Fund	20.1	1	8.2	1	8.2	1	8.6	2	7.2	3	9.0	1
Merton Pension Fund	-4.6	85	-0.2	80	3.9	37	6.2	33	6.2	32	7.7	44
Newham Pension Fund	4.8	14	3.3	20	2.7	61	5.8	54	5.7	54	7.3	62
Northamptonshire Pension Fund	1.6	43	2.3	38	4.1	31	5.7	58	6.1	34	7.5	51
Orkney Islands Pension Fund	5.9	10	3.5	13	5.3	14	6.4	27	6.3	24	7.4	57
Oxfordshire Pension Fund	4.0	16	3.2	22	4.6	21	6.5	23	6.4	17	8.3	15
Powys Pension Fund	1.6	43	1.5	56	3.8	39	6.3	31	6.2	27	8.3	13
Redbridge Pension Fund	2.2	33	2.3	40	3.9	35	7.0	17	6.3	24	7.8	36
Rhondda Cynon Taf Pension Fund	5.2	12	3.5	15	4.1	29	6.0	44	5.9	49	8.1	21
South Yorkshire Pension Authority	-0.3	60	2.1	44	5.5	10	7.4	11				
Southwark Pension Fund	-3.1	74										
Strathclyde Pension Fund	-1.8	66	1.1	66	2.1	76	3.8	83	4.8	81	6.8	87
Suffolk Pension Fund	-3.0	73	-0.1	78								
Surrey Pension Fund	-10.4	98	-3.0	98	0.1	94	4.5	71	5.2	68	6.9	85
Sutton Pension Fund	0.1	57	2.0	46								

FIXED INCOME PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		2.2		3.7		5.6		5.9		7.7	
Range of Results												
Top Quartile	2.7		2.8		4.3		6.5		6.3		8.0	
Median	1.0		2.0		3.2		5.8		5.8		7.5	
Bottom Quartile	-3.4		0.3		2.0		4.2		4.9		7.1	
Swansea Pension Fund	2.6	29	1.6	55	2.9	58	3.9	81	4.9	76	7.1	74
Torfaen (Gwent)Pension Fund	6.8	7	4.4	2								
Tower Hamlets Pension Fund	-5.6	90	-2.2	95	0.8	88	2.1	96	4.1	98	6.5	98
West Yorkshire Pension Fund	1.6	45	2.7	26	4.3	24	6.3	29	6.8	12	8.7	3
Westminster Pension Fund	-4.0	79	0.0	76	1.7	85						
Wandsworth & Richmond Fund	-3.8	76	0.4	75								

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank
Universe average	7.4		7.8		9.5		8.4	
Range of Results								
Top Quartile	9.6		8.1		10.9		9.8	
Median	6.8		6.6		7.8		6.5	
Bottom Quartile	3.7		4.2		5.9		5.5	
Avon Pension Fund	5.1	65	7.0	43	8.6	43	5	90
Barking and Dagenham	7.7	43	5.9	57	5.1	84		
Barnet Pension Fund	9.5	27						
Bexley Pension Fund	9.5	29						
Brent Pension Fund	6.7	53	7.1	41	11.0	24	10	26
Cambridgeshire Pension Fund	8.0	37	6.3	52	8.8	41	10	32
Camden Pension Fund	32.6	1	14.7	7	10.0	33	-2	100
Cardiff & Glamorgan Pension Fund	15.0	8	13.0	10	14.5	8	11	13
City of London Corporation Pension F	1.4	88	3.1	83				
Cornwall Pension Fund	1.3	90	3.8	76	4.2	92	6	58
Cumbria Pension Fund	6.8	51	7.7	29	10.0	35	10	29
Devon Pension Fund	7.6	45	6.6	50	8.2	46	5	84
Dyfed Pension Fund	3.6	76						
Ealing Pension Fund	7.5	47						
East Sussex Pension Fund	1.8	82	3.1	86	4.4	89	6	61
Enfield Pension Fund	4.1	72	2.8	91	6.0	70	6	55
Flintshire (Clywd)	5.4	61	5.3	64	5.9	76	5	87
Gloucestershire Pension Fund	9.4	31	7.1	36	7.9	49		
Greater Manchester Pension Fund	8.7	35	10.0	19	11.3	22	10	16
Greenwich Pension Fund	-4.0	98	0.1	98	-0.2	100		
Gwynedd Pension Fund	21.3	2	22.9	1	23.3	1	17	1
Hammersmith and Fulham	5.0	67	3.4	79	5.9	73	5	94
Haringey Pension Fund	9.7	25	8.7	22	12.0	19	9	39
Harrow Pension Fund	1.6	84	5.3	69	10.6	27	10	23
Havering Pension Fund	18.9	4	1.0	95	0.4	97		
Hillingdon Pension Fund	7.8	41	5.3	67	7.7	54	6	52

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank
Universe average	7.4		7.8		9.5		8.4	
Range of Results								
Top Quartile	9.6		8.1		10.9		9.8	
Median	6.8		6.6		7.8		6.5	
Bottom Quartile	3.7		4.2		5.9		5.5	
Hounslow Pension Fund	-5.3	100	-0.2	100				
Islington Pension Fund	9.3	33	20.0	2				
Kensington and Chelsea	6.4	55	5.4	62	7.6	57	8	42
Kent Pension Fund	2.2	80	2.9	88	6.3	68	5	78
Lambeth Pension Fund	13.1	10	2.5	93				
Lancashire Pension Fund	11.1	14	11.5	14	13.8	11	12	10
Lewisham Pension Fund	10.3	21	7.3	31	7.7	51	6	68
Lincolnshire Pension Fund	4.0	74	5.6	60	5.1	87	6	74
Merseyside Pension Fund	-0.6	94	4.7	72	7.4	60	7	45
Merton Pension Fund	5.7	59						
Newham Pension Fund	9.9	23	8.0	26	12.6	16	10	19
Northamptonshire Pension Fund	3.4	78	4.6	74	3.6	95	-1	97
Oxfordshire Pension Fund	5.3	63	8.1	24	12.7	14	13	7
Powys Pension Fund	6.8	51	7.1	38	5.5	78	5	84
South Yorkshire Pension Authority	4.6	69	6.6	50	9.2	38		
Strathclyde Pension Fund	17.9	6	14.8	5	16.3	3	13	3
Suffolk Pension Fund	0.3	92	3.4	81	5.5	81	7	48
Surrey Pension Fund	10.5	18	11.9	12	15.2	6		
Sutton Pension Fund	11.6	12	11.4	17				
Swansea Pension Fund	8.0	39	7.3	33	6.7	65	6	65
Torfaen (Gwent)Pension Fund	-3.1	96						
Waltham Forest Pension Fund	1.6	86	5.9	55	6.9	62	6	71
West Yorkshire Pension Fund	6.0	57	6.9	45	10.6	30	9	36

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		5.8		6.8		7.8		7.0		7.3	
Range of Results												
Top Quartile	3.0		6.3		7.3		8.2		7.4		7.8	
Median	0.5		5.3		6.1		7.4		6.4		7.2	
Bottom Quartile	-0.6		4.2		5.5		6.6		5.7		6.3	
Avon Pension Fund	5.4	4	6.5	20	7.4	18	8.2	27				
Barking and Dagenham	-1.6	86	3.8	83	4.5	94	4.5	96	5	92	6	78
Bexley Pension Fund	-0.2	69	4.8	63	5.8	62	8.2	21				
Brent Pension Fund	3.5	22	-28.9	100	-18.1	100	-6.3	100	-1	100	3	100
Bromley Pension Fund	1.2	36										
Cambridgeshire Pension Fund	0.5	51	5.3	50	5.9	56	6.6	75	6	56		
Camden Pension Fund	4.1	15	6.0	33	8.7	2	9.3	2	7	31	8	33
Cardiff & Glamorgan Pension Fund	6.0	1	6.4	22	7.3	22	8.6	11				
Cornwall Pension Fund	-0.4	75	6.2	30	6.1	50	7.6	42				
Cumbria Pension Fund	-3.6	98	3.5	87	5.9	54	8.3	17	8	3	9	4
Devon Pension Fund	4.4	13	7.4	8	7.5	16	8.2	27	7	42		
Dyfed Pension Fund	-1.1	78	6.2	30	6.8	38	8.1	31				
Ealing Pension Fund	0.9	46	5.3	50	5.4	80						
East Sussex Pension Fund	-1.3	82	4.8	65	5.6	74	7.4	50	6	50	7	59
Enfield Pension Fund	0.9	46	4.2	76	4.6	92	5.0	94	5	95	8	11
Flintshire (Clywd)	5.0	7	6.9	15	8.0	8	8.4	15	7	17	7	56
Gloucestershire Pension Fund	1.5	33	6.0	35	7.1	30	9.0	4	8	8		
Greater Manchester Pension Fund	-3.2	95	3.4	89	5.0	86	6.5	81	7	47	7	48
Greenwich Pension Fund	-1.5	84	4.5	69	5.8	58	7.0	71	5	89		
Gwynedd Pension Fund	0.1	58	4.8	61	5.7	70	7.7	36	7	33	8	22
Hackney Pension Fund	0.1	60	4.6	67	6.0	52	7.6	40	8	14	8	26
Hammersmith and Fulham	5.9	2	7.7									
Haringey Pension Fund	-2.7	91	4.1	78	5.1	84	6.4	83	6	72	6	70
Harrow Pension Fund	-2.7	93	3.2	91	4.5	96	7.1	65	6	53	8	30
Havering Pension Fund	5.4	6	6.9	15	7.3	26	7.0	67				
Hillingdon Pension Fund	-3.5	96	2.8	96	5.5	78	7.3	54				

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		5.8		6.8		7.8		7.0		7.3	
Range of Results												
Top Quartile	3.0		6.3		7.3		8.2		7.4		7.8	
Median	0.5		5.3		6.1		7.4		6.4		7.2	
Bottom Quartile	-0.6		4.2		5.5		6.6		5.7		6.3	
Hounslow Pension Fund	-4.3	100	2.9	95	4.9	88	6.9	73	7	36		
Isle of Wight Pension Fund	0.0	62	5.2	54	6.8	36	8.6	8	7	45	5	96
Islington Pension Fund	2.4	31	5.5	45	6.9	34	7.5	46				
Kensington and Chelsea	0.3	55	5.5	43	6.2	46	7.2	61				
Kent Pension Fund	1.1	40	6.6	19	8.2	6	9.6	1	9	1	9	1
Kingston upon Thames	1.4	35	4.5	70	5.4	82	6.6	77	6	78		
Lambeth Pension Fund	4.6	11	5.1	56								
Lancashire Pension Fund	3.7	20	7.9	2	7.6	12	7.3	54	8	6	8	15
Lewisham Pension Fund	-0.2	64	5.3	46	6.7	40	7.2	56	6	70	6	74
Lincolnshire Pension Fund	-0.8	76	3.6	85	4.8	90	5.3	90	5	86	6	89
Merseyside Pension Fund	0.6	49	4.8	59	6.6	42	8.5	13	7	22	7	37
Merton Pension Fund	0.4	53	5.2	52	5.8	62	5.7	88	6	81	7	52
Newham Pension Fund	4.7	9	6.4	24	6.2	48	7.4	48	5	83	6	85
Northamptonshire Pension Fund	-1.9	87	4.4	72	5.7	68	5.9	86	6	61	8	8
Oxfordshire Pension Fund	2.5	29	6.1	32	7.2	28	7.6	38	6	75	6	93
Powys Pension Fund	-0.3	71	5.0	58	5.5	76	5.1	92				
Redbridge Pension Fund	0.6	47	5.8	37	6.9	32	8.1	29	7	28		
Rhondda Cynon Taf Pension Fund	3.0	26	7.2	9	7.9	10	7.1	63				
South Yorkshire Pension Authority	-0.3	73	3.9	80	4.3	98	8.2	23	8	14	8	19
Southwark Pension Fund	1.2	38	7.4	6	7.3	20	8.3	19	7	25		
Strathclyde Pension Fund	4.0	16	6.6	17	8.8	1	8.8	6	7	20	7	41
Suffolk Pension Fund	-1.2	80	3.9	82	5.7	68	7.5	46	6	64		
Surrey Pension Fund	0.2	56	6.3	26	7.3	26	7.2	58	6	67	6	67
Sutton Pension Fund	-0.2	69	2.9	93								
Swansea Pension Fund	-2.0	89	2.8	98	5.7	72	6.5	79				
Torfaen (Gwent)Pension Fund	1.0	42	5.6	41								
Tower Hamlets Pension Fund	-0.2	69	5.7	39	6.4	44	7.0	71	6	58	7	48

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.7		5.8		6.8		7.8		7.0		7.3	
Range of Results												
Top Quartile	3.0		6.3		7.3		8.2		7.4		7.8	
Median	0.5		5.3		6.1		7.4		6.4		7.2	
Bottom Quartile	-0.6		4.2		5.5		6.6		5.7		6.3	
Waltham Forest Pension Fund	2.7	27	4.2	74	5.7	64	3.3	98	4	97	6	82
West Yorkshire Pension Fund	3.1	24	8.8	1	8.2	6	7.9	33	7	39	7	63
Westminster Pension Fund	3.8	18	7.1	11	7.5	14						

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank
Universe average	-5.2		-1.1		0.2	
Range of Results						
Top Quartile	1.2		-0.1		0.9	
Median	-5.3		-0.5		0.4	
Bottom Quartile	-6.6		-1.2		0.0	
Avon Pension Fund	1.2	25	0.1	14	0.4	61
Barking and Dagenham	-2.2	31	0.1	18		
Barnet Pension Fund	-5.0	47	-0.2	32	0.8	33
Bexley Pension Fund	3.2	3	0.9	1		
Brent Pension Fund	-5.4	56	-0.9	68	1.2	17
Camden Pension Fund	-6.2	72	-0.9	64	0.3	67
Cornwall Pension Fund	-7.6	81	-1.4	82	0.5	45
Devon Pension Fund	-10.9	100	-2.1	100	0.4	50
Flintshire (Clywd)	-6.2	69	-1.8	86	-0.6	95
Gloucestershire Pension Fund	1.5	22	0.8	4	-0.1	78
Greenwich Pension Fund	1.8	19	-0.1	22		
Hackney Pension Fund	-6.6	75	-2.0	97	-0.9	100
Hammersmith and Fulham	4.1	1	0.3	11		
Haringey Pension Fund	3.2	6				
Harrow Pension Fund	-5.3	50	-0.5	54	-0.6	89
Havering Pension Fund	-3.1	44	-0.5	43	0.8	39
Hounslow Pension Fund	-8.0	84	-0.4	39	1.4	11
Isle of Wight Pension Fund	-8.6	94	-1.4	79	0.9	28
Islington Pension Fund	-5.4	53	-0.1	29		
Kingston upon Thames	-2.5	34	-0.5	47	0.4	61
Lambeth Pension Fund	2.6	9	0.4	7		
Lewisham Pension Fund	2.0	16				
Merton Pension Fund	-5.5	63				
Newham Pension Fund	-7.1	78	-1.9	93		
Northamptonshire Pension Fund	-8.4	91	-1.2	75	1.0	22
Orkney Islands Pension Fund	-8.2	88	-0.6	61	1.5	6

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank
Universe average	-5.2		-1.1		0.2	
Range of Results						
Top Quartile	1.2		-0.1		0.9	
Median	-5.3		-0.5		0.4	
Bottom Quartile	-6.6		-1.2		0.0	
Oxfordshire Pension Fund	-5.5	63	-0.1	29	0.2	72
Southwark Pension Fund	-2.9	38				
Surrey Pension Fund	-2.1	28	-0.6	57	-0.3	83
Sutton Pension Fund	-5.7	66	-0.9	72		
Torfaen (Gwent)Pension Fund	2.0	13	-0.4	36		
Tower Hamlets Pension Fund	-2.9	41	-0.5	54	1.7	1
Wandsworth & Richmond Fund	-9.8	97	-1.8	89		

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average	51	55	21	19	13	11	9	9	2	3	3	3		
Range														
Top Quartile	61	65	25	22	17	14	11	10	2	2	11	11		
Median	54	53	19	15	9	7	9	8	1	1	4	4		
Bottom Quartile	43	42	12	11	4	0	6	5	0	0	0	0		

* 'Other' value is removed prior to Universe allocation by asset type being calculated

Avon Pension Fund	44	41	17	23	14	12	10	9	1	1	13	12	1	1
Barking and Dagenham	49	53	10	10	17	14	6	6	0	0	17	17	0	0
Barnet Pension Fund	41	39	34	31	7	5	2	0	0	1	15	23	0	0
Bexley Pension Fund	41	44	21	21	17	15	12	11	0	0	10	9	0	0
Brent Pension Fund	49	53	15	13	10	11	0	0	6	3	19	20	0	0
Bromley Pension Fund	63	63	32	32	0	0	5	5	0	0	0	0	0	0
Cambridgeshire Pension Fund	60	68	10	10	18	13	10	8	0	1	0	0	1	1
Camden Pension Fund	60	66	11	10	3	2	12	11	0	0	14	10	0	0
Cardiff & Glamorgan Pension Fund	57	61	29	27	4	4	8	7	1	2	0	0	0	0
City of London Corporation Pension Fur	61	68	6	7	27	25	6	0	0	0	0	0	0	0
Cornwall Pension Fund	31	33	25	26	25	21	7	8	1	1	11	11	0	0
Cumbria Pension Fund	33	55	30	21	31	18	6	5	0	0	0	0	0	0
Devon Pension Fund	56	60	13	11	7	5	9	9	1	1	13	14	0	0
Dyfed Pension Fund	68	71	16	16	2	0	14	13	0	0	0	0	0	0
Ealing Pension Fund	56	58	28	25	1	0	11	10	4	6	0	0	0	0
East Riding Pension Fund	59	59	12	13	14	14	12	11	3	3	0	0	0	0
East Sussex Pension Fund	38	42	11	10	40	37	10	10	1	2	0	0	0	0
Enfield Pension Fund	37	39	31	29	22	21	7	6	4	5	0	0	0	0
Flintshire (Clywd)	13	14	30	35	40	34	7	7	1	0	9	9	0	0
Gloucestershire Pension Fund	60	64	23	22	4	2	9	9	1	0	4	3	0	0
Greater Manchester Pension Fund	47	54	22	19	19	14	8	8	4	4	0	0	0	0
Greenwich Pension Fund	50	53	19	18	9	9	12	11	0	1	10	9	0	0
Gwynedd Pension Fund	66	70	15	14	9	7	10	9	0	0	0	0	0	0
Hackney Pension Fund	54	57	25	22	0	0	11	10	0	0	11	11	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average	51	55	21	19	13	11	9	9	2	3	3	3		
Range														
Top Quartile	61	65	25	22	17	14	11	10	2	2	11	11		
Median	54	53	19	15	9	7	9	8	1	1	4	4		
Bottom Quartile	43	42	12	11	4	0	6	5	0	0	0	0		

* 'Other' value is removed prior to Universe allocation by asset type being calculated

Hammersmith and Fulham	43	48	31	20	6	5	6	5	0	9	14	12	0	0
Haringey Pension Fund	43	62	27	12	9	7	11	7	0	0	10	11	0	0
Harrow Pension Fund	51	55	25	13	1	1	8	8	4	1	12	22	0	0
Havering Pension Fund	36	37	20	19	6	5	10	8	4	2	25	30	0	0
Hillingdon Pension Fund	44	46	25	20	18	21	13	12	1	1	0	0	0	0
Hounslow Pension Fund	60	43	16	8	15	15	5	5	0	0	4	4	0	26
Isle of Wight Pension Fund	55	62	21	19	0	0	6	6	0	0	17	14	0	0
Islington Pension Fund	52	56	12	12	7	5	20	19	1	1	8	8	0	0
Kensington and Chelsea	66	67	0	0	15	14	4	4	14	15	0	0	0	0
Kent Pension Fund	58	66	14	10	11	10	13	12	3	2	0	0	0	0
Kingston upon Thames	64	61	13	12	0	0	5	5	0	0	18	21	0	0
Lambeth Pension Fund	42	43	33	27	5	4	9	9	4	0	6	14	2	3
Lancashire Pension Fund	41	45	17	22	24	21	15	11	3	2	0	0	0	0
Lewisham Pension Fund	49	50	19	20	17	16	9	9	0	0	6	5	0	0
Lincolnshire Pension Fund	59	63	12	12	19	14	10	11	1	0	0	0	0	0
Merseyside Pension Fund	45	51	20	16	24	22	10	9	1	1	0	0	0	1
Merton Pension Fund	57	63	22	22	8	1	4	3	1	2	9	9	0	0
Newham Pension Fund	43	50	27	23	8	7	12	11	3	3	6	7	0	0
Northamptonshire Pension Fund	54	61	18	16	6	2	10	8	0	0	11	12	0	0
Orkney Islands Pension Fund	63	63	12	11	0	0	0	0	0	0	25	26	0	0
Oxfordshire Pension Fund	54	58	22	20	9	8	7	7	1	3	6	5	0	0
Powys Pension Fund	39	49	36	28	13	12	10	10	1	1	0	0	2	0
Redbridge Pension Fund	68	70	22	20	0	0	9	9	1	0	0	0	0	0
Rhondda Cynon Taf Pension Fund	64	67	27	25	0	0	9	8	0	0	0	0	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average	51	55	21	19	13	11	9	9	2	3	3	3		
Range														
Top Quartile	61	65	25	22	17	14	11	10	2	2	11	11		
Median	54	53	19	15	9	7	9	8	1	1	4	4		
Bottom Quartile	43	42	12	11	4	0	6	5	0	0	0	0		

* 'Other' value is removed prior to Universe allocation by asset type being calculated

South Yorkshire Pension Authority	49	51	19	23	18	13	10	9	2	3	0	0	2	0
Southwark Pension Fund	63	64	8	8	2	0	17	18	0	0	10	10	0	0
Strathclyde Pension Fund	47	51	29	26	9	8	12	11	2	4	0	0	0	0
Suffolk Pension Fund	21	44	12	16	28	30	10	10	1	0	0	0	28	0
Surrey Pension Fund	62	65	12	12	9	7	8	7	-1	0	11	10	0	0
Sutton Pension Fund	53	55	21	20	4	3	8	8	0	0	13	13	0	0
Swansea Pension Fund	70	73	12	11	10	7	5	5	2	3	0	0	1	0
Torfaen (Gwent)Pension Fund	69	76	19	15	6	5	3	2	1	1	2	2	0	0
Tower Hamlets Pension Fund	40	44	17	17	0	0	10	10	0	10	19	17	13	2
Waltham Forest Pension Fund	59	66	0	11	12	12	10	10	1	2	0	0	18	0
West Yorkshire Pension Fund	62	66	17	15	14	12	5	5	2	2	0	0	0	0
Westminster Pension Fund	65	67	23	22	2	0	10	10	2	1	0	0	0	0
Wandsworth & Richmond Fund	44	45	24	20	6	1	5	4	1	1	3	3	18	27



These tables are intended solely for the use of the participating funds. Whilst individual fund returns and rankings may be used, the tables in their entirety should not be copied or distributed beyond these funds.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE**Meeting Date: 23 July 2020**

Subject: Quarterly Investment Report for March 2020**Cabinet Member: Cllr Maguire****Executive Director: Fay Hammond****Key Decision: []**

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of this report.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the performance of pension fund managers and the overall performance of the Enfield Pension Fund.

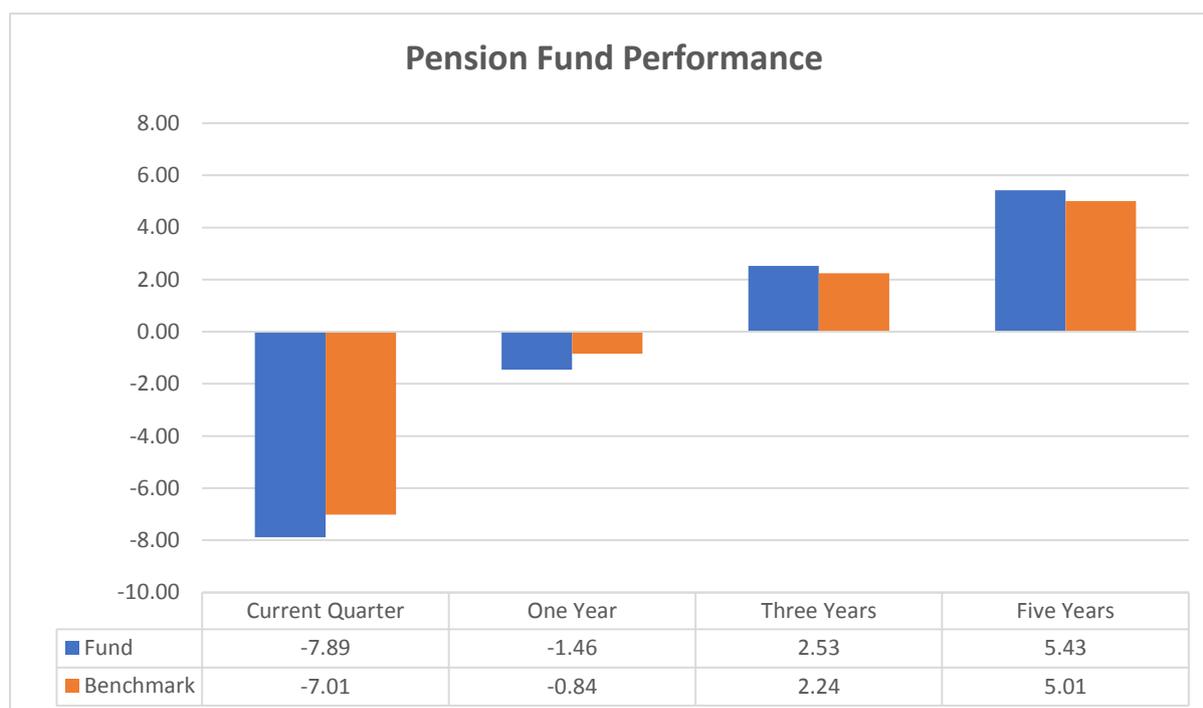
5. Relevance to the Council's Corporate Plan

6. Good homes in well-connected neighbourhoods.
7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

Background

INVESTMENT PERFORMANCE

9. The overall value of the Fund at 31 March 2020 stood at £1,169m which is a significant reduction of £94m from its value of £1,263m as at 31 December 2019. This reduction was because of the Covid-19 outbreak that turned into a global pandemic. And brought about global equities selling off sharply after reaching all-time highs in mid-February.
10. The fund underperformed the benchmark this reporting quarter by posting a return of -7.89% against benchmark return of -7.01%. The twelve-month period sees the fund behind its benchmark by -0.62%.
11. Looking at the longer-term performance, the three years return for the Fund was 2.53%, which was 0.29% per annum ahead its benchmark return. Over the five years, the Fund posted a return of 5.43% outperforming the benchmark return of 5.01% by 0.42% per annum, as shown on the graph below.



12. For this reporting quarter, nine out of twenty-one mandates delivered returns, matching or achieving returns above the set benchmark. The nine mandates were Antin, Blackrock Pooled Equity Fund, Brockton, LCIV Henderson, LCIV Baillie Gifford, M & G Inflation, CBRE, Davidson Kempner and Adams Street. The worst performing portfolios for the quarter were LCIV Longview lagging behind its benchmark by -6.85%, York Capital by -14.12%, LCIV CQS behind by -17.22% and Lansdowne by -23.40%.
13. For the 12 months to March 2020, ten out of twenty-one mandates underperformed their respective benchmarks or targets. The mandates that

delivered negative returns or underperformed its benchmark/target were LCIV Henderson, LCIV Longview, LCIV CQS, Western, CFM Stratus, MFS, Blackrock UK Property, Insight Bonds, York Capital and Lansdowne. The following portfolios generated significant amount of unrealised losses one year to 31 March 2020; Insight with -10.09%, LCIV CQS with -15.04%, Lansdowne with -23.16% and York Capital.

INTERNAL CASH MANAGEMENT

14. Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by Enfield Council to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.
15. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2019, which is delegated to the Executive Director of Resources to manage on a day to day basis within the agreed parameters.
16. The cash balance as at 31 March 2020, was £51.033m in short term deposits and money market funds. £35.868m with Goldman Sachs, £15.165m with Northern Trust.

CURRENCY ANALYSIS

17. The appreciation of sterling versus the US dollar over the quarter decreased the value of dollar denominated holdings.
18. The Fund has exposure to the euro, US dollar, yen and other currencies within its portfolio.
19. At this reporting quarter, the Fund has 5.7% of total assets exposure to the euro, 32.6% to US dollar, 2.2% to yen and 4.2% to other currencies within it. The active equity managers have exposures to various currencies as they are all global mandates, and AON, the Fund Investment Consultant have approximated the currency exposures based on the geographical split of the underlying investments.
20. Adams Street, York Capital and Davidson Kempner are US dollar denominated whilst Antin is euro denominated. The Lansdowne, CFM, BlackRock, CBRE, Western, M&G Inflation Opportunities, Legal & General, Brockton, Insight, LCIV CQS and IPPL mandates are assumed to have no direct exposure to foreign currencies as they are either hedged to sterling or are sterling share classes.
21. US dollar exposure has decreased by 0.9% to 32.6% of the total assets and still representing the largest foreign currency risk for the Fund. For example, a 1% foreign currency appreciation (or depreciation) for the Funds' US dollar denominated assets will increase (or decrease) by £3.8m, and for Euro denominated assets in the Fund, this will effect an increase (or decrease) by

£0.7m and for Yen denominated assets this will effect an increase (or decrease) by £0.3m.

22. It is therefore worth noting that movements in currencies may either contribute to or be caused by factors that move other asset classes. For example, the US dollar may appreciate at times of stress which could coincide with a fall in the value of the Fund's equity holdings.

ASSET ALLOCATION

23. The current strategic weight of asset distribution and the Fund's assets position as at 31 March 2020 are set out below:

Asset Class	Strategic asset allocation as at April 2019 (%)	Fund Position as at 31 Mar 2020 (%)	Variance as at 31 Mar 2020 (%)	Variance as at 31 Mar 2020 (£m)
Equities	35.0	38.2	3.2	37.41
Private Equities	5.0	6.9	1.9	22.21
Total Equities	40.0	45.1	5.1	59.67
Hedge Funds	10.0	7.6	(2.4)	(28.06)
Property	10.0	6.5	(3.5)	(40.92)
Infrastructure	6.0	5.8	(0.3)	(3.5)
Bonds	24.0	22	(2.0)	(23.38)
Inflation protection illiquid	10.0	8.7	(1.3)	(15.20)
Cash	0.0	4.4	4.4	51.44
Total Equities	100.0	100.0		

24. The Fund has underweight position of 3.5% in Property, 2% underweight position in Bonds and Indexed linked gilts, 1.3% underweight Inflation protection illiquid and 2.4% underweight position in Hedge Funds. with 0.3% underweight position and Infrastructure with 0.6%. There is a need for assets rebalancing to their strategic weights, the consideration for this will be included in the upcoming investment strategy review for the Fund.
25. The Fund triennial valuation result was very favourable with an outcome of 103% funding level. This means as at 31st March 2019 valuation, the Fund is in surplus. The outcome of Enfield Pension Fund of 103% funding level has put the Fund in a favourable position and it is worth noting that the strong 2016-2019 asset performance was due to high exposures to (strongly performing) overseas equities.
26. The next step, is for the Fund Investment Consultant to carry out an investment strategy review, incorporating the Fund's new investment beliefs. Bearing in mind that the high recent asset growth also leads to lower return expectations hence higher primary contribution.
27. Approximately 13.6% of the equity portfolio is being managed passively by BlackRock. The remainder is being managed on an active basis, with the

largest share of 8.8% with MFS, followed by 6.4% with LCIV Baillie Gifford, 5.7% with LCIV Longview and 2% in LCIV EM.

28. As at 31 March 2020, the MSCI All Country World Index had a 12% exposure to Emerging Markets and in aggregate, the Fund's equity portfolio has £23.4m, a reduction in value by £7.5m compared to 31 December 2019 valuation of £30.9m. At this quarter end c.2% of the total assets are invested in Emerging Markets.
29. Asset allocation is determined by several factors including: -
- i) The risk profile - there is a trade off between the returns that can be obtained on investments and the level of risk. Equities have higher potential returns, but this is achieved with higher volatility. However, the Fund remains open to new members and able to tolerate the volatility, allowing it to target higher returns, which in turn reduces the deficit quicker and should eventually lead to lower contribution rates by employers.
 - ii) The age profile of the Fund - the younger the members of the Fund, the longer the period before pensions become payable and investments must be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.
 - iii) The deficit recovery term / the surplus amortisation period - Most LGPS funds are fully Funded or almost 100% funded because of great investment returns but being tampered mildly by increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. For 2019 valuation, the actuary used 16 years as the target of reducing the funding ratio, to illustrate the surplus amortisation.
30. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

KEY DEVELOPMENTS

31. York Capital Management announced in December 2019 the decision to liquidate the York Credit Opportunities Fund held within the portfolio. Following the liquidation announcement, The Fund Investment Consultant research team have downgraded the York fund to a "Sell" rating and have recommended a full redemption from this fund. As background, York made the decision to liquidate the York Credit Opportunities fund after receiving significant redemptions through 2020, which, given the portfolio's high concentration in illiquid post reorganization equity positions, would have put remaining investors at an unfair disadvantage. While investors have been given the option to roll over their redemption proceeds into the York Global Credit Income Fund, this fund has a different investment objective and would not be suitable as a direct replacement.

32. Franklin Templeton, a global leader in asset management, announced that it is purchasing Legg Mason and its affiliates, including Western Asset (WA). WA was an integral part of the discussions leading up to this deal, and Franklin Templeton shares WA commitment to upholding Western Asset's full investment independence and organisational autonomy. WA support the transaction wholeheartedly. There will be no change to our relationship team, our investment team, the Western Asset leadership team nor their investment philosophy or process as a result of this acquisition. The combined company will have an unparalleled global footprint and breadth of investment offerings as one of the world's largest active managers with over \$1.5 trillion in assets under management.
33. M&G announced in January that Ben Jones, Head of Long Income at M&G, had left the business at the end of 2019 with immediate effect. The Fund invests in the M&G Inflation Opportunities Fund, which has holdings in another M&G fund where Mr Jones was the co-Fund Manager (the M&G Secured Property Income Fund). M&G has made a number of role changes following Mr. Jones's exit, promoting a number of long serving team members. The Fund Investment Consultant has no concern over the changes and do not recommend any action is taken and there have been no changes to their in-house ratings for the M&G Inflation Opportunities Fund.
34. The London CIV had placed CQS MAC 'On Watch' since July 2019 due to several concerns including, unsatisfactory performance, senior management turnover, increased leverage and investment process issues. In March 2020, the manager was taken off watch as the manager had shown improvements in all areas of concern. However, the LCIV investment team have increased the level of monitoring for the next six months, including monthly manager meetings, to ensure any further concerns are addressed.
35. The London CIV Emerging Market equity fund was previously managed by Janus Henderson. The lead portfolio manager of the Janus Henderson fund, Glen Finnegan, resigned from Janus Henderson, along with a number of his team members. The Fund Investment Consultant downgraded their rating on the strategy to 'Sell' in October 2019 following this news. London CIV have appointed JP Morgan for the Emerging Market Equity fund and the portfolio was transitioned to the new manager on 11 October 2019.

Safeguarding Implications

36. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

37. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

38. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

39. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

40. Any form of investment inevitably involves a degree of risk.
41. To minimise risk the Pension Policy and Investment Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.
42. The monitoring arrangement for the Pension Fund and the work of the Pension Policy & Investment Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

43. Not noting the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

44. This is a noting report which fulfils the requirement to report quarterly performance of the Pension Fund investments portfolio to the Pension Policy and Investment Committee. There are no direct financial implications arising from this report, however the long-term performance of the pension fund will impact upon pension contribution rates set by this Committee.

Legal Implications

45. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 govern the way in which administering authorities should manage and make investments for the fund. There are no longer explicit limits on specified types of investment and instead administering authorities should determine the appropriate mix of investments for their funds. However, administering authorities must now adhere to official guidance; broad powers allow the Government to intervene if they do not. Under regulation 8, the Secretary of State can direct the administering authority to make changes to its investment strategy; invest its assets in a particular way; that the investment functions of the authority are exercised by

the Secretary of State and that the authority complies with any instructions issued by the Secretary of State or their nominee.

46. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.
47. The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.
48. One of the functions of the Pension Policy & Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.
49. When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

Workforce Implications

50. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

51. None

Other Implications

52. None

Options Considered

53. There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement.

Conclusions

54. The Fund assets reduced by £16.7m over the year. The net asset statement represents the net worth (£1,168.8m) of the Fund. This reduction was because of the Covid-19 outbreak turned into a global pandemic. Whereby, global equities sold off sharply after reaching all time highs in mid-February.
55. The PIRC average universe for Local Authority Pension Fund return in 2019/20 was -4.8%. The Enfield Pension Fund had a return on investment of -1.5% and ranked 10th in the performance league table. Looking at the longer-term performance, the three-year return for the Fund was 2.5% per annum and for over five years, the Fund posted a return of 5.4% p.a. the Fund outperforming the universe average return of 1.9% and 5.2% respectively.
56. At the last formal valuation (31st March 2019) the funding level increased to 103%, with assets of £1,185m and liabilities of some £1,146m, giving rise to a surplus of over £39m. This reduction in funding level gave rise to a deficit position of some £50m.
57. The valuation updates as at 31st March 2020 was received from the Fund actuary 4th May 2020 and this demonstrated the Fund funding level is slightly weakened from the last formal valuation by 7% from 103% to 96% as shown below:
58. Over the quarter to 31 March 2020 the Fund posted a negative return of c.-7.9% all Equity markets delivered positive returns in both local currency and sterling terms. The Fund underperformed its benchmark by -0.88%. Fund value was £1.169bn, reduced by £94m over this reporting quarter end.
59. For this quarter, ten mandates matched or achieved returns above the set benchmark. eleven out of twenty-one mandates underperformed their respective benchmark by producing a return below cash return. The performing portfolios for the period were Antin, Blackrock Pooled Equity Fund, Brockton, LCIV JP Morgan, LCIV Baillie Gifford, M & G Inflation, CBRE, Davidson Kempner and Adams Street.
60. Over the twelve-month period to 31 March 2020, the Fund underperformed its benchmark by 0.6%. For the year to 31 March 2020, the portfolios that outperformed are: LCIV BG, Blackrock Index Linked, Brockton, Antin, CBRE, Adams Street, M & G Inflation and Davidson Kempner
61. Looking at the longer-term performance, the three-year return for the Fund was 0.3% per annum above its benchmark return and for over five years, the Fund posted a strong return of 5.4% outperforming the benchmark return of 5% by 0.4%.
62. The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.
63. Uncertainty around the impact of Coronavirus on the future of the real estate and infrastructure markets has created difficulties in pricing illiquid assets. In

turn, most property fund managers have suspended dealing, to protect investors and avoid having to liquidate assets at potentially highly marked down prices.

Report Author: Bola Tobun
Finance Manager – Pensions & Treasury
Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588

Date of report 14th July 2020

Appendices – To be attached electronically but not in the main printing pack.

Appendix 1 – AON Quarterly Report

Appendix 2 – London CIV Sub-Funds Quarterly Report

Background Papers

None

London Borough of Enfield**PENSION POLICY AND INVESTMENT COMMITTEE****Meeting Date: 23 July 2020**

Subject: Pension Fund Business Plan, Budget and PPIC Work Plan for 2020/21**Cabinet Member: Cllr Maguire****Executive Director: Fay Hammond****Key Decision: []**

Purpose of Report

1. The purpose of this report is to review the business plan for the Pension Fund that outlines the Fund's goals and objectives in delivering the Council's statutory function as the administering authority of the London Borough of Enfield Pension Fund.
2. This report also presents the budget for the Pension Fund for 2020/21 along with the outturn for 2019/20. It considers income and expenditure from various sources and the impact on these for the Pension Fund in the next financial year.
3. The Executive Director of Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters.
4. The London Borough of Enfield Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to more effective management of the Fund.
5. A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

Proposal(s)

6. Pension Policy and Investments Committee are recommended to:
 - a) note and approve the Business Plan attached as Appendix 1 to this report;
 - b) note and approve the revised work plan for 2020/21 attached as Appendix 2; and

- c) note and approve the Revenue Budget for 2020/21 attached as Appendix 3.

Reason for Proposal(s)

7. Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other scheduled bodies as defined in the Regulations. The Regulations also empower the Fund to admit employees of other defined (e.g. other public bodies, housing corporations) bodies into the Fund.
8. The proposed business plan and budget for the Fund has been put together to assist in the management of the Fund and to ensure that the Council is able to perform its role as the administering authority in a structured way. The Business Plan and the budget are not intended to cover all aspects of Pension Fund administration and management; rather they are designed to assist with meeting part of its delegated function as administering authority to the Fund.
9. The Pension Policy and Investment Committee is charged with meeting the duties of the Council in respect of the Pension Fund. Therefore, it is appropriate that the Committee formally adopts a work plan to assist with the discharge of its duties.

Relevance to the Council's Corporate Plan

10. Good homes in well-connected neighbourhoods.
11. Build our Economy to create a thriving place.
12. Sustain Strong and healthy Communities.

Background

OVERVIEW OF THE WORK OF THE COMMITTEE

13. The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.
14. The key decision making for, and management of, the Fund has been delegated by the London Borough of Enfield (the Council) to a formal Pension Committee, supported by officers of the Council and advisers to the Pension Fund. The Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Fund matters. A local pension board is in place to assist with:
 - securing compliance of Fund matters and
 - ensuring the efficient and effective governance and administration of the Fund.

15. It is appropriate that the Committee should set out how it intends to fulfil its obligations as the delegated authority appointed by the Council to be responsible for the Fund. Adopting a planned approach should make monitoring easier for the Committee and ensure that activities critical to the effective management of the Fund are being undertaken.
16. **The primary objectives** of the Fund are sub-divided into specific areas of ***governance, funding, investments, administration and communications*** which are covered in turn below.
17. **Governance Objectives**
- i) All staff, Pension Board and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
 - ii) The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
 - iii) To understand and ensure compliance with all relevant legislation.
 - iv) To ensure the Fund aims to be at the forefront of best practice for LGPS funds
 - v) Ensures the Fund manages Conflicts of Interest
18. **Funding Objectives**
- vi) To ensure the long-term solvency of the Fund.
 - vii) To help employers recognise and manage pension liabilities as they accrue.
 - viii) To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
 - ix) To use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations. (Including: addressing the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective).
19. **Investment Objectives**
- x) Optimising the return on investment consistent with a prudent level of risk
 - xi) Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
 - xii) Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
 - xiii) Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
 - xiv) Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns (and minimise the cost of benefits) for an acceptable level of risk'). Ensure return seeking assets are in line with Funding objectives.
20. **Administration Objective**
- xv) To deliver an efficient, quality and value for money service to its scheme employers and scheme members.

21. **Communications Objective**

Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.

WORK PLAN

22. In designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated into the Fund Business Plan. The Pension Policy and Investment Committee Work Plan has therefore been developed using the business plan attached as appendix 1 to this report.
23. Following on from our ESG position with an increased expectation from cabinet/council, the Committee need to define ESG targets, develop and issue responsible investment policy to assist in monitoring the Fund ESG positions. Two workshops will be dedicated to work on this prior to September and November meetings.
24. An annual Work Plan will be presented to the Committee for agreement. The Work Plan should be presented to the Committee by the last Committee meeting of the prior financial year to which the Work Plan applies.

PENSION FUND REVENUE ACCOUNT

25. Members are requested to note the pension fund's Revenue Account position and approve the proposed budget for 2020/21 set out in Appendix 3.
26. **2019/20 Actual expenditure** - The estimates for the Pension Fund can be difficult to predict because of the uncertainty surrounding a number of aspects such as transfer values, death grants, and volatility in investment markets. Total expenditure of £45.2m was budgeted for in 2019/20; the actual amount as at 31st March 2020 was £49.2m. This indicates an increase in payments.
27. **2019/20 Actual income** – Total income of £49.5m was budgeted and £49.2m was received as at 31st March 2020. £45.9m budget has been set for 2020/21, as the result of 2019 triennial valuation brought about a decrease of some 4% on employer contributions.
28. **2020/21 Proposed Budget** – As indicated above, the budget can be difficult to predict however the following paragraphs set out some of the assumptions behind the proposed 2020/21 budget estimates set out in Appendix 3.

a) Contribution Receivable

The budget figure is based on 2019/20 activity levels using the contribution rate as stipulated by the actuary plus a 2.5% to reflect the pay award for 2020/21. The Fund is in surplus and there is an overall reduction of some 4% in respect of employers' contribution hence contribution value for 2020/21 is less.

b) Transfer Values In

The level of transfers of staff in and out of the fund is not subject to control by the Council. Transfer values vary significantly depending on length of service, salary and can be either payable or receivable by the authority. It is not possible to make reliable forecasts of the financial effect of transfer activity.

c) Benefits Payable

For 2020/21, the budget figure is based on 2019/20 activity levels with a 1% Pensions Increase plus a year on year increase in the number of pensioners by 2% has been applied.

d) Payments to account of leavers

The level of transfers of staff in and out of the fund is not subject to control by the Council. Transfer values vary significantly depending on length of service and salary and can be either payable or receivable by the authority. It is not possible to make reliable forecasts of the financial effect of transfer activity.

e) Administrative and other expenses borne by the scheme

These costs are estimated on the basis of planned workloads with a 3.5% allowance for inflation. Costs include officers' time, the cost of provision of accommodation and IT facilities, bank charges, training for officers and members of the pension committee and pension board and professional advisers' fees.

f) Investment Income

Investment Income is assumed at 4% on average assets valuation of £1.1 billion and over 3/4 will be subsequently re-invested by the Fund Managers and also investment income is subjected to tax. This was further reduced based on declaration of some organisations declaring no dividends payments.

g) Change in Market Value of Investments

An investment of £1,168m is assumed to decrease by 10% due to assumed correction of asset price forecast for 2020/21. (As the economists has been saying that we are in uncharted waters). Prices for sovereign, corporate and high-yield bonds and equities are at, or near, record levels. The ultralow interest rates policy and the massive quantitative-easing programmes of the G3 central banks (the US Federal Reserve, the European Central Bank and the Bank of Japan) over the past decade. The combined return of investment income and capital growth for 2020/21 net assets has been assumed to be - 8.5% per annum.

h) Fund Managers Fees

Fund managers' fees are calculated at an average rate of 0.475% on average assets valuation of £1.1billion.

i) Global Custodian Fees

from level of current activities, the fee is set at £60,000 as per fees schedule.

Safeguarding Implications

29. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

30. **Public Health Implications**

31. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

32. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

33. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

34. A Business plan, work plan and budget should result in a more efficient process of managing the Pension Fund.
35. The adoption of a work plan will minimise risks relating to the management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Enfield Pension Fund.
36. Lack of robust governance inevitably involves a degree of risk. The successful identification, monitoring and control of risk are therefore central to the Council's pension fund management.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

37. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

38. This report revised the work plan with updated timetable for the development of the Fund's 2020 Investment Strategy review. The development of a robust investment strategy helps the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.
39. Spending time developing the investment strategy helps to ensure that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

Legal Implications

40. Administering authorities are now bound by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which have replaced the 2009 Regulations. These regulations set out an administering authority's statutory duties in ensuring the proper administration and management of its pension fund.
41. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.
42. One of the functions of the Pension Policy and Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate having regard to these matters, for the Committee to receive information about budgetary matters. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.
43. Members of this Committee are required by the Council's Constitution to consider pension matters and meet the various statutory obligations and the duties of the Council. This Work Plan provides for certain statutory requirements to be met and for members to be well trained and kept up to date and thus fit for purpose.
44. When making decisions regarding investment of pension funds, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Workforce Implications

45. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

46. None

Other Implications

47. None

Options Considered

48. The development and implementation of a work plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. However, the Committee is under no obligation to adopt a work plan in carrying out its duties.

Conclusions

49. The performance of the Pension Fund investments affects the required level of contributions due from employers.

50. Sound financial management of the Pension Fund, including budget-setting, helps ensure that the Pension Fund is run in an efficient and cost-effective manner. Poor management of the Pension Fund finances would result in increased costs, which would need to be met through higher employer contributions to the Pension Fund.

51. The headline figures are that, during the financial year 2020/21, we are estimating that Enfield PF will pay £36.9m in pensions and receive £50.4m in contributions from employers and employees. The Fund has a value of £1.168bn at 31 March 2020. The proposed internal administration costs of £1.035m and £5.380m of investment management charges of external managers represent a cost of £274.68 per member of the scheme. Taken separately the external investment management costs are approximately £225.11 per member or 0.475% of assets under management.

52. The administrative and investment management expenses budget for 2020/21 at £6.4m is lower than the outturn for 2019/20, due to a decrease in investment management charges owing to market depreciation forecast for the Fund assets for this financial year.

Report Author: Bola Tobun
Finance Manager – Pensions & Treasury
Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588

Date of report 14th July 2020

Appendices

Appendix 1 – Enfield Pension Fund Business Plan

Appendix 2 – Pension Policy and Investment Committee Work Plan for 2020/21

Appendix 3 – Enfield Pension Fund Revenue Budget for 2020/21

Background Papers - None

Appendix 1

BUSINESS PLAN 2020-2023

In order to meet the objectives of the Pension Fund, the Pensions Board has to review the business plan and the Pensions Committee has to review and agree the business plan for the period 2020-2023. This has to be put into the context of a period of significant uncertainty for the Fund, which reflects not just ongoing volatility in investment markets, but also measures for structural reform which could have a fundamental impact on the overall management of the Fund.

The purpose of the business plan is to:

- a) explain the background and objectives of London Borough of Enfield for the management of the Enfield Pension Fund
- b) document the priorities and improvements to be implemented by the pension administration service during the next three years to help achieve those objectives
- c) enable progress and performance to be monitored in relation to those priorities
- d) provide staff, partners and customers with a clear vision for the next three years.

Set out in the table below is the three year business plan for the Pension Fund:

	2020/21	2021/22	2022/23	Primary Objective Reference (s)
Governance Objectives				
Draft Pension Fund Accounts	March - May	March - May	March - May	1,2,3,7,13,15,16
Approve Final Pension Fund Annual Report & Accounts	June - November	June - November	June - November	1,2,3,7,13,15,16
Employer Forum	November - January	November - January	November - January	3,4,7,8,9,15,16
Review Risk Register	Quarterly	Quarterly	Quarterly	1,2,5,6,7,8,9,10,11,12,13
TPR Code of Practice	Quarterly	Quarterly	Quarterly	1,2,3,4,5
Governance Policy Review	December - March	December - March	December - March	1,2,3,4,5
Self-Assessment & Review of Advisers	December - March	December - March	December - March	1,2,3,4,5
Induction Training for New Members	May – July (As Required)	May – July (As Required)	May – July (As Required)	1, 2, 4, 15
Member's Training	Quarterly	Quarterly	Quarterly	1,2,4,15
Training Policy Review	November – February	November – February	November – February	1,3,4
				Primary

	2020/21	2021/22	2022/23	Objective Reference (s)
Pensions Board –Annual Reporting	Mar - July	Mar - July	Mar - July	1 - 16
Review Performance, funding and budget	Quarterly	Quarterly	Quarterly	1 - 16
AVC Review	September – January		September – January	1,2,3,4,5
Review Reporting Breaches Policy	September	September	September	10,15,16
Review Conflicts of Interest Policy Review	September	September	September	5
Creation & Review Cessation Policy	April - June	April - June	April - June	5,6,7,8,9,15,16
Funding Objectives				
Preparation and Update of Actuarial Valuation	As Required	As Required	As Required	5,6,7,8,9,15,16
Review of Funding Strategy Statement	As Required	As Required	As Required	5,6,7,8,9,15,16
Investments Objectives				
Review Investment Strategy Statement	February - September	As required	As required	1,3,10,11,12,13,14,15,16
Investment in Low Carbon	July - September			1,2,4,10,11,12,13,14,15
Investment in Clean Energy, Renewable Energy and or Private Debt	July - December			1,2,4,10,11,12,13,14,15
Review Investment Consultancy Contract	November / December	June	June	5,10,11,12,13,14,15
Review Actuarial Services Contract	September	September	September	5,10,11,12,13,14,15
Strategic Asset Allocation – Regular Review	Ongoing	Ongoing	Ongoing	1,4,6,8,9,10,11,12,13,14
Carbon Footprint Audit	December - June	December - June	December - June	5,6,7,8,9,15,16
Pension Fund Treasury Management Strategy	February - June	February - June	February - June	1,9,10,11,12,13,14,15
Individual Manager Review	Quarterly	Quarterly	Quarterly	1,2,4,10,11,12,13,14,15
Asset/Liability Monitoring	Ongoing	Ongoing	Ongoing	5,10,11,12,13,14,15,16
Collaborative working-London CIV	Ongoing	Ongoing	Ongoing	1,2,4,10,11,12,13,14,15
				Primary

	2020/21	2021/22	2022/23	Objective Reference (s)
Pension Administration				
Pension Administration Strategy	April - June	January – March	January – March	1,2,3,7,9,15,16
GMP Reconciliation	April-September	April-September		1,2,3,15,16
Employer data Improvements	Ongoing	Ongoing	Ongoing	1,2,3,7,9,15,16
Administering Authority Discretions Review	April - June	April - June	April - June	1,2,3,4,5,9,10,15,16
Admitted Bodies Policy	September	September	September	1,2,3,4,5,9,10,15,16
Employing Authority Discretions	April - June	April - June	April - June	1,2,3,4,5,9
Communications				
Annual Benefit Statements	August	August	August	15,16
Auto-Enrolment /Workplace Pensions	Ongoing	Ongoing	Ongoing	1,2,3,15,16
Communications Policy Review	January-March	January-March	January-March	1,2,3,15,16
Annual General Meeting (AGM)	September/October	June/July	June/July	1,2,3,4,7,8,9,15,16

PENSION POLICY AND INVESTMENT COMMITTEE

Work Plan

2020/21

Date of Meeting	Items	Title of Report / Presentation	Contact Officer
July 2020	1	Members Training – Roles and Responsibilities in LGPS	
	2	Quarterly Performance Reporting of Fund Managers	Pension & Treasury Manager
	3	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	4	London CIV and LGPS update on emerging /current issues	Pension & Treasury Manager
	5	Annual Review of Investment Strategy Statement	Pension & Treasury Manager
	6	Review of Draft Annual Report	Pension & Treasury Manager
	7	Review of Training & Development Policy	Pensions Manager
	8	Review of Investment Advice Service	Pension & Treasury Manager
September 2020	1	Members Training – Private Debt/Equity & Investment Strategy	
	2	Quarterly Performance Reporting of Fund Managers	Pension & Treasury Manager
	3	London CIV and LGPS update on emerging /current issues	Pension & Treasury Manager
	4	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	5	Receive Compliance Checklist for the Pensions Regulator Code of Practice	Pension & Treasury Manager
	6	Review of Actuarial Advice Service	Pension & Treasury Manager Pensions Manager
	7	Review of Governance Compliance Statement	Pension & Treasury Manager
	8	Noting of Audit Outcome and Approval of Annual Report and Accounts	Pension & Treasury Manager
	9	Review London CIV services and Report on LCIV update and development	Pension & Treasury Manager

	10	AGM/Pension members in 2020	Various
	11	Ad Hoc	Various
November 2020	1	Members Training – Voting & Engagement	Various
	2	Quarterly Performance Reporting of Fund Managers	Pension & Treasury Manager
	3	London CIV and LGPS update on emerging /current issues	Pension & Treasury Manager
	4	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	5	Review of Risk Register	Pension & Treasury Manager
	6	Receive TPR Compliance Checklist	Pension & Treasury Manager / Pensions Manager
	7	Review of Reporting Breaches Policy and Conflicts of Interest Policy	Pension & Treasury Manager
	8	Review of custodian service	Pension & Treasury Manager
	9	Noting of Audit Outcome and Approval of Annual Report and Accounts	Pension & Treasury Manager
	10	Pension Fund Budget 20/21Monitoring and Cashflow Management	Pension & Treasury Manager
	11	Employers Forum	Various
	12	Ad Hoc	Various
February 2021	1	Members Training	
	2	Quarterly Performance Reporting of Fund Managers	Pension & Treasury Manager
	3	London CIV and LGPS update on emerging /current issues	Pension & Treasury Manager
	4	Quarterly Administrative Key Performance Indicators Report	Pensions Manager

	5	Report on Fund Managers performance and costs	Pension & Treasury Manager
	6	Review of Communications Policy Statement	Pensions Manager
	7	Report on Corporate Governance, Stewardship, Engagement & Share Voting	Pension & Treasury Manager
	8	Carbon Footprint Audit	Pension & Treasury Manager
	9	Pension Fund Work Plan and Budget 2021/22	Pension & Treasury Manager
	10	Ad Hoc	Various

Appendix 3					
Pension Fund Budget 2020/21					
	Account at 31st Mar 2019 £,000	Original Budget 20019/20 £,000	2019/20 Actual at 31st Mar 2020 £,000	2019/20 Variance Budget & Forecast 31st Mar 2020 £,000	Budget for 2020/21 £,000
Contributions Receivable					
- from Employer	37,028	38,879	39,966	(1,087)	41,165
- from Employees	10,151	10,659	11,078	(419)	9,200
Transfer Values In	4,009		3,971		
Other Income					
Sub - Total Income	51,188	49,538	55,015	(1,506)	50,366
Benefits Payable					
- Pensions	34,195	35,905	35,828	77	36,905
- Purchase of Pensions				0	
- Lump Sums: Retirement Allowances & Death Grants	7,771	8,160	6,949	1,211	7,995
Payments to and on account of leavers					
- Refunds of Contributions					
- Transfer Values Out	5,008		5,173	(5,173)	
- Other payments	178			0	
Administrative and other expenses borne by the scheme					
- Administration and processing	935	982	1,145	(163)	955
- Actuarial fees	75	79	60	19	50
- Audit fees	21	22	21	1	21
- Legal and other professional fees	25	26	5	21	10
Sub - Total Expenses	48,208	45,173	49,181	(4,008)	45,937
Total Net Additions (Withdrawals) from Dealings with Members	2,980	4,365	5,834	(1,469)	4,430
RETURNS ON INVESTMENTS					
Investment Income	12,643	13,275	12,092	1,183	6,045
Change in Market Value of Investments	79,653	83,636	(26,738)	110,374	(100,730)
Investment management Expenses					
-Fund Managers Fees	(8,085)	(8,489)	(7,732)	(757)	(5,245)
-Global Custodian Fees	(66)	(69)	(63)	(6)	(60)
-Investment Consultancy Fees	(165)	(173)	(130)	(43)	(75)
-Taxes on income	(462)				
Total Return On Investments	83,518	88,179	(22,571)	110,750	(100,065)
NET INCREASE (DECREASE) IN THE FUND DURING THE YEAR	86,498	92,544	(16,737)	109,281	(95,635)
OPENING NET ASSETS OF THE SCHEME	1,099,002	1,185,500	1,185,500		1,168,763
CLOSING NET ASSETS OF THE SCHEME	1,185,500	1,278,044	1,168,763	109,281	1,073,128
Administrative and other the scheme expenses	(1,056)	(1,109)	(1,231)	122	(1,035)
Investment management Expenses	(8,316)	(8,732)	(7,925)	(807)	(5,380)
Total Admin & Investment Expense	(9,372)	(9,841)	(9,156)	(685)	(6,414)

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