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LOCAL PENSION BOARD

Thursday, 18th July, 2019 at 10.00 am in the Place shaping Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors : Ayfer Orhan, Vicki Pite, and Andy Milne

AGENDA – PART 1

1. WELCOME & INTRODUCTIONS

2. ELECTION OF CHAIR AND VICE CHAIR (5 MINUTES)

3. DECLARATION OF INTERESTS - CONFLICTS OF INTEREST (5 MINUTES)

Members of the Council are invited to identify any disclosable pecuniary, other pecuniary or non-pecuniary interests relevant to the items on the agenda.

4. MINUTES OF THE MEETING 28 MARCH 2019 (5 MINUTES) (Pages 1 - 6)

To agree the minutes of the meeting 28 March 2019.

5. STANDING ITEMS (10 MINUTES) PAUL REDDAWAY (Pages 7 - 40)

a. Register of breaches of the law
b. Risk Register
c. Governance review progress
d. Local Pension Board Terms of reference

6. **ROLE & RESPONSIBILITIES- TRAINING ITEM (20 MINUTES) BOLA TOBUN** (Pages 41 - 54)

7. **TRAINING POLICY - 2019/20 PROGRAMME (10 MINUTES) PAUL REDDAWAY** (Pages 55 - 62)

8. **ENFIELD PENSION REVIEW OF ITS EXPOSURE TO CARBON (20 MINUTES) PAUL REDDAWAY** (Pages 63 - 66)

9. **LGPS CONSULTATION ON CHANGES TO VALUATION CYCLE AND MANAGEMENT OF EMPLOYER RISK (10 MINUTES) BOLA TOBUN** (Pages 67 - 102)

10. **DRAFT 2018/19 PENSION FUND STATEMENT OF ACCOUNTS (10 MINUTES) PAUL REDDAWAY** (Pages 103 - 136)

11. **PENSION POLICY & INVESTMENT COMMMITTEE UPDATE 13TH JUNE (10 MINUTES) PAUL REDDAWAY** (Pages 137 - 144)

12. **DATES OF FUTURE MEETINGS**

Members are asked to note the dates of future meetings as follows:

Thursday 17 October 2019, 2:30pm
Thursday 23 January 2020, 2:30pm
Thursday 16 April 2020, 2:30pm

MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD HELD ON THURSDAY, 28TH MARCH, 2019

MEMBERS: Councillor Orhan (Chair), Paul Bishop (Vice-Chair), Pauline Kettless (LPB Member), Tracey Adnan (LPB Member), Victor Ktorakis (LPB Member)

Officers: Paul Reddaway (Head of Finance Pension Investments), Matt Bowmer (Interim Director of Finance), Krzysztof Szymczak (Finance Officer), Julie Barker (Head of Exchequer Services), Tim O'Connor (Pension Manager) and Tariq Soomauroo (Governance & Scrutiny Officer)

Also Attending: Councillor Taylor (Chair PP&IC)

32. WELCOME & INTRODUCTIONS

Councillor Ayfer Orhan (Chair) welcomed and introduced the members of the Local Pension Board.

The Chair apologised regarding the delayed start of the meeting, this was due to an interview process taking place which had overrun.

Paul Bishop (Vice-Chair) advised the board that the trades unions have nominated two new members, Tracey Adnan and Victor Ktorakis to replace Robert Ayling and Martin Keenan who have both left the local authority.

The Pension Board welcomed both new members.

33. APOLOGIES

Apologies for absence received from Councillors Vicki Pite and Andy Milne.
Apologies for also noted from Androulla Nicou.

34. STANDING ITEMS - CHAIR

The Chair and Vice-Chair reminded the board that any new agenda reports/items that are tabled after the publish date will be disallowed as this is not in line with the Council’s constitution and does not allow members to read new reports submitted prior to the meeting.

Paul Reddaway (Head of Finance Pension Investments) and Julie Barker (Head of Exchequer Services) apologised advising there was a miscommunication between themselves regarding the agenda items.

Matt Bowmer (Interim Director of Finance) also reassured the board that all appropriate officers will arrange a pre-meet with the Governance team prior to the agenda being published for all future meetings.

a. Pension Board minutes 20th December 2018 – Agreed as a correct record. Cllr Orhan advised that she would like her name to be noted as an observer when attending future PP&I meetings.
b. Register of breaches of the law – None
c. Conflicts of interest register (Declaration of interests) – None
d. Risk Register (Attached) – No changes to risk register (reviewed every Committee meeting)

35. LGPS GOVERNANCE UPDATES

Paul Reddaway (Head of Finance Pensions Investments) introduced the report advising the Board on the LGPS Governance Update.

Noted:

1. The report draws attention to the current issues being considered by the various LGPS bodies. It covers the latest annual statistics, consideration of the SAB current work streams and revised guidance by CIPFA on Pension Fund Annual Reports.

The board noted the contents of the report and thanked Paul for his report..

36. MHCLG CONSULTATION ON POOLING

Paul Reddaway (Head of Finance Pensions Investments) introduced the Local Government Pension Scheme: Draft Statutory Guidance on Asset Pooling Consultation.

Noted:

1. This report summarises the Ministry of Housing, Communities & Local Government (MHCLG) consultation on the Draft Statutory Guidance on Asset Pooling and suggests several issues to be addressed in the Council's response.
2. There are no direct financial consequences to this report. However, issues around the investment of the assets of the Pension Fund will have direct financial implications for the Council.

Agreed:

1. The Pension Board noted the summary of the consultation set out in the report and that the board's views are included in the response.

37. TRAINING REQUIREMENTS

Paul Reddaway (Head of Finance Pensions Investments) introduced the Enfield Pension Board Training requirements.

Noted:

1. To build on the training programme provided during 2018/19 to meet ongoing professional developments required
2. To acknowledge the new members sitting on the Local Pension Board and PP&I Committee
3. Requirements of the CIPFA Skills & Knowledge Framework state all members of the LPB must have a working knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in Scheme Regulations
4. A further programme was put in place for the new Pension board following the local elections in May 2018. It recognised that following the resignation of three Board members over the year there is a need to refresh the initial training undertaken at the first two Board meetings in July and October.

Agreed:

1. The Board noted the training programme delivered to the Pension board over the year
2. Members to put forward any suggestions for areas of future training to Paul Reddaway
3. Members are to update their personal training logs for audit purposes.

38. REVIEW THE WORK OF PENSION POLICY & INVESTMENT COMMITTEE

Councillor Doug Taylor (Chair of PP&I Committee) updated the Board regarding the approved minutes of the last PP&I Committee (attached).

The Pension Board noted the minutes and thanked Cllr Taylor for his update.

39. FUND GOVERNANCE IMPROVEMENT PLAN - JULIE BARKER

Julie Barker (Head of Exchequer Services) introduced the report of the Fund Governance - Improvement Plan.

Noted:

1. The Code of Practice is issued by The Pensions Regulator, the body that regulates occupational and personal pension schemes provided through employers
2. The Councils actuaries, Aon undertook a review in 2015, then again in October 2018. Aon’s overall findings showed a significant improvement in compliance with the TPR Code. There were however areas that were judged to be non-complaint or partially compliant

3. The purpose of the Improvement Plan is to address those areas of non or partial compliance. The Local Pension Board is required to review the Improvement Plan periodically in order to monitor progress.

The Board noted the contents of this report and thanked Julie for her report.

40. PENSION TEAM WORK PLAN UPDATE – TIM O'CONNOR

Tim O'Connor (Pension Manager) introduced the report of the Pension Team Work Plan – Quarter 1 & 2 (2019/20)

Noted:

1. The purpose of this update is to highlight the Pension Team workplan for April to September 2019
2. Currently pension officers are working towards obtaining their professional qualifications with the Chartered Institute of Payroll and Pension Professionals (CIPP)
3. The team have successfully completed the first two parts for their Certificate in Pensions Administration, obtaining merits and distinctions.

The Board noted the report and thanked Tim for his update.

41. PENSION TEAM PERFORMANCE - TIM O'CONNOR

Tim O'Connor – Pension Manager updated the board to highlight the ongoing development work surrounding the completion of all administration work by the team against benchmark.

The Board noted the contents of the update.

42. GMP UPDATE – TIM O'CONNOR

Tim O'Connor – Pension Manager presented the briefing update on the Guaranteed Minimum Pensions (GMP) Project.

Noted:

1. The option to contract out of the State Second Pension (S2P) came to an end in 2016 when the Single State Pension was introduced
2. Prior to April 1997 the minimum level of benefit the Defined Benefit scheme had to provide was known as a Guaranteed Minimum Pension (or GMP), which still forms part of some members' benefits
3. When contracting out ended in April 2016, HMRC (Her Majesty's Revenue and Customs) ceased tracking contracted out rights and issued closure schedules to schemes so they could compare these against GMP amounts held on scheme records

4. HMRC will respond again with final confirmation and any bill outstanding (Appendix 1). This is due from April 2019 onwards, although no firm date has been indicated
5. The Pensions Team will issue a full report once the response from HMRC which is due to be issued from April 2019 has been received. The Board will be kept informed and provided with updates
6. A further issue relating to GMP equalisation also remains under discussion and we will keep the Board informed.

Agreed:

The board is to be kept updated regarding the on-going project work surrounding the reconciliation of GMPs as part of the pension's administration team.

43. DATE OF THE NEXT MEETING

2019/20 Municipal year to be confirmed after Annual Council taking place on the 8th of May 2019.

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Description	Actions in Place	Progress- comment	Risk category/ rating/DOT	Lead officers/ Councillors
PEN 01 - Fund assets fail to deliver returns in line with the anticipated return underpinning valuation of liabilities over the long-term	1. Anticipate long-term return on a relatively prudent basis to reduce risk of failing to meet return expectations. 2. Analyse progress at three yearly valuations for all employers. 3. Undertake Inter-valuation monitoring.	With the assistance of the Aon the position is kept under regular review and Pension Committee informed of the impact of prevailing market conditions on the funding level.	Strategic risk Likelihood = Medium Impact = Large **Rating = D2 (Static)**	Paul Reddaway/ PPIC
PEN 02 - Inappropriate long-term investment strategy	1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data. 2. Keep risk and expected reward from strategic asset allocation under review. 3. Review asset allocation formally on an annual basis. 4. Investment strategy group actively monitors this risk	The PP&IC supported by our Advisors monitor the investment strategy and to develop proposals for change / adjustment for Pension Committee consideration. Officers will also closely monitor manager performance between the quarterly reviews The impact of each decision is carefully tracked against the Investment Strategy Statement for the Fund to ensure that long-term returns are being achieved and are kept in line with liabilities.	Strategic risk Likelihood = Low Impact = Large **Rating = E2 (Static)**	Paul Reddaway/ PPIC
PEN 03 - Active investment manager under-performance relative to benchmark	1. The structure includes active and passive mandates and several managers are employed to diversify the risk of underperformance by any single manager. 2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager. 3. Regular monitoring measures performance in absolute terms and relative to the manager's index benchmark, supplemented with an analysis of absolute returns against those underpinning the valuation.	The Fund is widely diversified, limiting the impact of any single manager on the Fund. Active monitoring of each manager is undertaken with Advisors and Officers meeting managers where there are performance issues and communicating regularly. Comments on whether mandates should be maintained or reviewed are included and where needed specific performance issues will be discussed and reviewed	Strategic risk Likelihood = Low Impact = Small **Rating = E4 (Static)**	Paul Reddaway/ PPIC

	4. Investment managers would be changed following persistent or severe underperformance			
PEN 04 - Pay and price inflation significantly more than anticipated	1. The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. The actuarial basis examines disparity between the inflation linking which applies to benefits, the escalation of pensionable payroll costs, which only applies to active members, and on which employer and employee contributions are based. 2. Inter-valuation monitoring gives early warning and investment in index-linked bonds also helps to mitigate this risk. 3. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.	The impact of pay and price inflation is monitored as part of the Council's MTFF processes and any potential impact on pension fund contributions is kept under review and factored into the Council's overall position. However, there is an increasing likelihood of rising inflation impacting on the overall liabilities of the Fund however the risk rating takes this into account.	Strategic risk Likelihood = Low Impact = Medium **Rating = E3 (Static)**	Paul Reddaway/ PPIC
PEN 05 - Pensioners living longer.	1. Mortality assumptions are set with some allowance for future changes in life expectancy. Sensitivity analysis in triennial valuation helps employers understand the impact of changes in life expectancy.	Mortality monitoring is undertaken by the Fund's actuary	Strategic risk Likelihood = Low Impact = Small **Rating = E4 (Static)**	Paul Reddaway/ PPIC
PEN 06 -Pensions Administration poor quality information supplied to both members and the Fund Actuary			Strategic risk Likelihood = Low Impact = Large **Rating = E2 (Static)**	Julie Barker/Tim O'Connor
PEN 07- Failure to receive employers contributions	Receipt of contributions from employers are monitored monthly – for timelessness and accuracy. Escalation Procedure in place for late payments	All breaches are reported in the Fund's Annual report. There have been no major breaches for six years.	Strategic risk Likelihood = Low Impact = Small **Rating = E4 (Static)**	Paul Reddaway
PEN 08- Succession Planning	Loss of experience pensioner officer -	Recruitment completed – two experience officers appointed and in place by end of June and proper handover in place	Strategic risk Likelihood = Low Impact = Medium	Matt Bowmer

			Rating = E4 **Static** **(New)**	
PEN 9	Impact of moving to a low carbon investment Strategy on the Fund’s fiduciary duty	Assessing the impact of moving the index to a low carbon passive index and assessing the long-term implications over short term costs.	Strategic risk Likelihood = High Impact medium	Head of Finance
PEN 10	Impact of the McCloud Judgement on the 2019 valuation process – could increase employers % contribution by up to 0.9%	Working with the Fund’s actuary to mitigate the impact of this judgement.	Strategic risk Likelihood = High Impact = High	Head of Finance

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The Pension Regulator and Scheme Advisory Board Compliance

Fund Governance - Improvement Plan

Author: Julie Barker – Head of Exchequer Services
Date: 15.03.2019
Reviewed by: Local Pension Board

Introduction:
The Code of Practice is issued by The Pensions Regulator, the body that regulates occupational and personal pension schemes provided through employers.

The regulator's statutory objectives are to:

- protect the benefits of pension scheme members
- reduce the risks of calls on the Pension Protection Fund (PPF)
- promote, and improve understanding of, the good administration of work-based pension schemes
- maximise compliance with the duties and safeguards of the Pensions Act 2008

Codes of practice provide practical guidance on how to comply with the legal requirements of the pension regulations.

Review:
Aon undertook a review in 2015, then again in October 2018. Aon's overall findings showed a significant improvement in compliance with the TPR Code. There were however areas that were judged to be non-compliant or partially compliant.

The purpose of this Improvement Plan is to address those areas of non or partial compliance.

Monitoring:
The Pension Policy and Investment Committee will review the Improvement Plan periodically to monitor progress. A periodic report will be presented to the Local Pension Board for information.

A – Reporting Duties

A4. Requirement: Have you responded to the latest TPR public service pension scheme survey/questionnaire? **Aon 2018 Review**: Compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Complete the 2018/19 (issued on 05.11.08) Survey	Survey to be completed	Paul Reddaway	28.02.2019	Completed in required deadline.

B. Knowledge and Understanding

B1. Requirement: Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding? **Aon 2018 Review**: Compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
The Pension Policy and Investment Committee (PPIC) and Pension Board (PB) Training Policy is not on the Fund website. This policy does not include training objectives, details of how training will be documented nor how attendance at events will be recorded and	Review the training policy every three years and include the 3 year review in the policy Include objectives in the Training Policy and specify how training will be recorded and monitored	Paul Reddaway	30.09.2019	A report to agree the training will discussed at PB on 18th July

monitored.				

B2. Requirement: Has a person been designated to take responsibility for ensuring the framework is developed and implemented?

Aon 2018 Review: Compliant

Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
The Head of Finance, Pension Investment is responsible for the training policy however this is not set out in the policy	To specify who is responsible for the policy and its implementation	Paul Reddaway	30.09.2019	This has been updated – now shows the Head of Finance

B5. Requirement: Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?

Aon 2018 Review: Compliant

Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Whilst pension board members are told about this on appointment, it is included in Aon's induction training and included in Terms of Reference this is not set out in the formal training policy.	Add legal requirements to training policy and consider extending the training to the pension committee members in a formal policy	Paul Reddaway	30.06.2019	Training Policy updated

B10. Requirement: Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Formal regular assessment of knowledge and understanding against required competencies (e.g. CIPFA) does not appear to be taking place.	Annually review records kept (in PB and PPIC meetings) in order to highlight any individuals with outstanding requirements. This should be against CIPFA and other required competencies	Paul Reddaway	30.09.2019	This will added as a standing item to PB & PPIC

B11. Requirement: Are records of learning activities being maintained? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
An annual report is created from information collected from PPIC and PB members. Members are given the information before the report is published to give them time to complete further training if felt necessary	Create an ongoing record of training carried out and review annually at Local Pension Board	Paul Reddaway	31.05.2020	This will be picked up as we proceed through the year and collated for the 2019/20 PF Annual Report

B12. Requirement: Have the pension board members completed the Pension Regulator's tool kit for training on the Code of Practice number 14? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
This requirement is included in the training policy. Members have a year to complete the modules after being appointed and should confirm when completed.	Ensure confirmation is received and documented that all members have completed the tool kit.	Paul Reddaway	30.09.2019	This will considered at each PPIC meeting as a standing item.

c. Conflicts of Interest

C1 & C5. Requirement: Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest? Is the conflict of interest policy regularly reviewed? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks and timescales**	**Responsible Officer**	**Timescales**	**Progress Update**
The Fund uses the Councils conflict of interest policy but should have its own policy	Create a Fund conflict of interest policy which should include the code of conduct and reference that it will be reviewed every 3 years The policy to be available on the Funds website.	Paul Reddaway Tim O'Connor	30.09.2019	Research other PFs examples good practice

C6 & C7. Requirement: Does the Fund have a conflict register and is it circulated for ongoing review and published? Is appropriate information included in the register **Aon 2018 Review**: C6 - **Non-compliant** C7 - Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There is no Fund conflict register	Create a conflict register and include conflicts in the annual report and accounts and ensure the register includes recommended information	Paul Reddaway	30.09.2019	Research other PFs examples good practice

D. Publishing Information about Schemes

D1 & D2. Requirement: Does the Administering Authority publish information about the pension board? Does the Administering Authority publish other useful related information about the pension board? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There is no information about members of the PB or the PPIC on the fund website or the Council Website. but not the additional information on responsibilities.	Ensure the following information is available on the Fund and Council Website: - PB and PPIC membership - Terms of Reference - Responsibilities of board members - Code of Practise (para 96)	Tariq Soomauroo Tim O'Connor	30.04.2019	

E. Managing risk and Internal Controls

E4. Requirement: Does the Administering Authority review the effectiveness of the risk management and internal systems of the Fund? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There is no formal review of risk management.	Ensure the following information is available on the Fund and Council Website: - PB and PPIC membership - Terms of Reference - Responsibilities of board members - Code of Practise (para 96)	Tariq Soomauroo Tim O'Connor	30.04.2019	Just needs to be put onto the website

E7. Requirement: Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
It is considered that there are adequate internal controls in place. Most are set out in the risk register, though it is recognised this could be more comprehensive and better documented.	Develop a detailed administration risk register which includes details on all internal controls. Update the Risk Policy, documenting internal controls once risks are identified. Report on errors where further training is required. Ensure calculations are checked by another pensions officer.	Tim O'Connor	30.09.2019	

E8. Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
The only outsourced process relates to AVCs. A contract review has not been done for some time.	Review the AVC service provided and document terms of engagement and contract arrangements. Address all issues experienced	Julie Barker	31.07.2019	

F. Maintaining accurate member data

F3. Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Record keeping regulations were considered complaint except in relation to AVC's.	Agree with the Prudential a way of ensuring compliance with regulations	Tim O'Connor	31.08.2019	
No evidence of checking benefit outgo cashflows and reconciling by employer.	Ensure robust processes for checking employer cashflows in relation to benefit payments.	Paul Reddaway	30.09.2019	Still awaiting access to Pension Admin systems to undertake formal reconciliation

F9. Is a data improvement plan in place which is being monitored with a defined end date? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
A formal documented data improvement plan is not in place. A formal administration strategy is not in place to support the improvement plan. HR expectations differ.	Create a formal improvement plan with agreed targets and timescales so progress can be monitored. Create a formal administration strategy to set out objectives Discuss HR expectations with Head of HR and document roles and responsibilities with all stakeholders	Tim O'Connor	30.09.2019	

F11. Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles, and the new requirements of GDPR (from 25 May 2018)? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**

There is not a privacy notice on the member website, and members should be informed by data controllers how their data will be used.	Ensure privacy notice is available on the Fund website	Tim O'Connor	01.04.2019	

G. Maintaining contributions

G6. Does the Fund maintain a record of any investigations and communications with employers? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There is no formal record of correspondence with employers in relation to the payment of contributions	Create a correspondence log with employers	Karen Bennett	31.03.2019	All correspondence is filed (logged) – and is available for audit inspection.

G9. If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**

AVC's – there in no annual reconciliation between contributions received by Prudential and the council's finance system	Improve monitoring of AVC contributions. Reconcile AVC contributions with Council's finance system annual and keep records	Karen Bennett	30.09.2019	This is included in the 2019/20 work plan. Awaiting a payroll report and dealing with payroll outside of the Council's payroll

H. Providing information to members and others

H1. Has an annual benefit statement (ABS) been provided to all active members within the required timescales? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
97.5% of ABS were issued by the 31st August. ABS for 1 Academy Trust employer were not issued by the deadline.	Ensure all ABS are issued by the statutory deadline	Tim O'Connor	31.08.2019	

H2 & H4. Do these meet the legal requirements in relation to format? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**

ABS (Actives & DB) compliant apart from: - Date of pensionable service - Summary of the method used for calculating member and survivor benefits - deductions: pension debits or scheme pays debits *(if applicable)* -pensionable remuneration on leaving (DB)	Ensure active and deferred ABS include the info as identified	Tim O'Connor	31.08.2019	

H8. Basic Scheme Information – Does this meet the legal requirements in relation to format? **Aon 2018 Review**: **Non-compliant**				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Areas of non-complaint identified	Ensure the Guide to the LGPS and associated forms issued to new members or potential members is compliant and website updated	Tim O'Connor	31.05.2019	

H9. Is all other information provided in accordance with the legal timescales? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible**	**Timescales**	**Progress Update**

		Officer		
Full evidence was not available to guarantee the Fund is fully compliant.	Ensure all areas are fully complaint and controls and monitors are put in place to evidence compliance in future.	Tim O'Connor	01.09.2019	

H12. Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
ABS to be reviewed in order to satisfy the requirement	Review and update published communications and consider re-branding.	Tim O'Connor	01.06.2019	

I. Internal Dispute Resolution Procedure (IDRP)

I2. Does the Administering Authority's process highlight or consider whether a dispute is exempt?

Aon 2018 Review: **Non-compliant**				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
IDRP Employee guide does not state explicitly who is eligible nor who is exempt.	Review the IDRP guide and update to include details on what is exempt.	Julie Barker	01.09.2019	

I3. Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including:- who it applies to- who the specified person (stage 1) is - the timescales for making applications- who to contact with a dispute- the information that an applicant must include- the process by which decisions are reached? **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There is no name or email address for the 'nominated person'. Limited information on how decisions are made.	Review policy providing more details on stage 1 and 2 decision process. Provide email address of 'nominated person'.	Julie Barker	01.09.2019	

I6. Does the Administering Authority notify and advertise the procedure appropriately?

Aon 2018 Review: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
IDRP not available on the ‘useful forms and guides’ area of the Fund website	Once the IDRP has been reviewed, update the website as identified	Tim O’Connor	01.06.2019	

I8. Does the Administering Authority regularly assess the effectiveness of its arrangements? **Aon 2018 Review**: **Non-compliant**				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
No formal review of processes	Processes for IDRP should be formally reviewed and documented ensuring consistently and timescales met and documented.	Julie Barker	01.10.2019	

J. Reporting breaches of the law

J1: Is the Administering Authority satisfied that those responsible for reporting breaches under the legal requirements and TPR guidance understand the requirements? **J2**: Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying

and assessing breaches? **J3**: Are breaches being recorded in accordance with the agreed procedures **Aon 2018 Review**: Partially compliant

Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
No formal documented process for reporting breaches	Creation of a formal process and procedure	Tim O'Connor	01.09.2019	

K. Scheme Advisory Board – Guidance on the operation of Local Pension Boards in England and Wales

K4. A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented. **Aon 2018 Review**: Partially compliant

Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Head of Finance, Pension Investment is responsible for this however it is not reflected in the policy	Ensure policy is updated with this information	Paul Reddaway	30.09.2019	Included in the wider training review

K7. Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

Aon 2018 Review: Partially compliant

Specific Area Identified	Tasks	Responsible Officer	Timescales	Progress Update
There are currently no individual needs assessment before training is provided	Create a training needs assessment check list prior to the delivery of training	Paul Reddaway	01.06.2019	Included in the wider training review

K8. An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.

Aon 2018 Review: Partially compliant

Specific Area Identified	Tasks	Responsible Officer	Timescales	Progress Update
The Council's Code of Conduct includes reference to conflicts, this is not linked to the Pension Board Terms of Reference.	Amend Pension Board TOR to include conflicts	Paul Reddaway	31.03.2020	The TOR will be revised at the next Council AGM

K11. An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.

Aon 2018 Review: **Non-compliant**

Specific Area Identified	Tasks	Responsible Officer	Timescales	Progress Update
TOR states that an annual report on the work of the Board will be included in the Pension Annual Report but no annual report is prepared	Create an annual report	Paul Reddaway	30.09.2019	An annual report of the PF is being prepared – for reporting to Full Council

K12. A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.

Aon 2018 Review: **Non-compliant**

Specific Area Identified	Tasks	Responsible Officer	Timescales	Progress Update
This is not completed	Create report to Local Pension Board on FOIA compliance	Paul Reddaway	30.09.2019	All FOIA requests go though the Council's Complaints team - a separate log will be asked to be maintain of PF requests

K13. A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law **Aon 2018 Review**: **Non-Complaint**				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
There are no formal policies or procedures specifically for PB or PPIC.	Put in place a breaches procedure and log and make members of the PB and PPIC aware – standing Agenda item.	Paul Reddaway	01.09.2019	Included on PB & PPIC agendas

K14. Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities. **Aon 2018 Review**: **Non-compliant**				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
Not in place	To be included in annual report (K11)	Paul Reddaway	30.06.2019	The Annual report will sent all employers

K15. An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board. **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**
The published governance compliance statement does not include the details required in relation to the LPB. This was identified as an action to include in the 2015 TPR Compliance review.	Include additional PB terms, structure and operational procedures detail in 2018/19 and all future statements.	Paul Reddaway	30.06.2019	Now include in standing items on all agendas

K7. Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan. **Aon 2018 Review**: Partially compliant				
Specific Area Identified	**Tasks**	**Responsible Officer**	**Timescales**	**Progress Update**

There are currently no individual needs assessment before training is provided	Create a needs assessment check list prior to the delivery of training	Paul Reddaway	01.06.2019	Will considered as part of the wider training piece

PENSION BOARD (ENFIELD COUNCIL LOCAL PENSION BOARD)
Appointed by: Council
Proportionality: Applies
Membership: 3 members of the Council The Board shall consist of 8 voting members, as follows: (a) 4 scheme members appointed by the Staff Side after a nomination and selection process with a view to representing all scheme members (including, as far as practicable, those employed or formerly employed by admitted and scheduled bodies) and after consultation with the recognised trade unions; (b) 4 Employer Representatives, 3 of whom who shall be Councillors appointed by the Council and the remaining member shall be appointed by the Administering Authority from nominees of admitted and scheduled bodies. (c) Up to 3 other members, who are not entitled to vote, appointed to the Board by the agreement of both the Administering Authority and the Board. (d) Substitutes shall not be appointed. No person who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board. All representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required
The membership must be drawn from: As above
Chair and Vice-Chair appointed by: The chair shall be appointed by the Board and (a) Shall ensure the Board delivers its purpose as set out in the Terms of Reference, (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.
Public / Private meeting: Public

Substitutes: Substitutes shall not be appointed.

Quorum:

A meeting is only quorate when at least 3 representatives are present, including at least 1 scheme member representative and 1 Councillor employer representative.

Frequency:

The Board shall meet at least twice each year.

The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Terms of Reference:

Introduction

This document sets out the terms of reference of the Local Pension Board of Enfield Council (the 'Administering Authority') which is a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Board is established by the Administering Authority. It operates independently of the Pension Policy and Investment Committee. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.

Interpretation

The following terms have the meanings as outlined below:

‘the Act’ means the Public Service Pensions Act 2013.

‘the Code’ means the Pension Regulator’s Code of Practice No 14 governance and administration of public service pension schemes.

'the Committee' means the Pension Policy and Investment Committee, which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972 .

'the Fund' means the Fund managed and administered by the Administering Authority.

'the Guidance' means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Regulations' means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).

'Relevant legislation' means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.

'the Scheme' means the Local Government Pension Scheme in England and Wales.

Statement of purpose

The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

(a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;

(b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Establishment

The Board was established, with effect from 1 April 2015, by Council on 25 March 2015. The Board may establish sub-committees.

Terms of Office

The term of office for Board members is until the Annual Council Meeting in 2018 and thereafter for terms of four years, subject to para below. A Board member may be appointed for further terms of office.

Board membership may be terminated prior to the end of the term of office if:

(a) A Board member is no longer able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.

(b) The representative is withdrawn by the nominating body and a replacement identified.

(c) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(d) A Board member who is an elected member becomes a member of the Committee.

(e) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Authority under the Regulations.

(f) The member resigns.

Conflicts of interest

All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person’s exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)

Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework. They shall also participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

The Chair shall agree with the Board Secretary an agenda prior to each Board meeting. The agenda and supporting papers will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.

Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

Public access to Board meetings and information

The Board meetings shall be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

The following will be entitled to attend Board meetings in an observer capacity and may speak at the discretion of the Chair.

(a) Members of the Committee,
(b) Any person requested to attend by the Board.

The Administering Authority shall publish on the Council’s website, as part of the Fund’s Annual Report or the Governance Compliance Statement as appropriate, information about the Board to include:

(a) The names of Board members and their contact details.
(b) The representation of employers and members on the Board.
(c) The role of the Board.
(d) These Terms of Reference.
(e) Agendas and minutes
(f) Training and attendance logs
(g) An annual report on the work of the Board to be included in the Fund's own annual report.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Finance

The Administering Authority may meet the expenses of Board members in line with the Administering Authority's policy on expenses. The Administering Authority will not pay allowances for voting Board members.

The Board shall be provided with adequate resources from the Fund to fulfil its role. The Board will seek approval from the staff of the s151 officer for any expenditure it wishes to make.

Core functions

(i) The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

(b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.

(c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.

(d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.

(e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.

(f) Monitor complaints and performance on the administration and governance of the scheme.

(g) Assist with the application of the Internal Dispute Resolution Process.

(h) Review the complete and proper exercise of Pensions Ombudsman cases.

(i) Review the implementation of revised policies and procedures following changes to the Scheme.

(j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.

(k) Review the complete and proper exercise of employer and administering authority discretions.

(l) Review the outcome of internal and external audit reports.

(m) Review draft accounts and Fund annual report.

(n) Review the compliance of particular cases, projects or process on request of the Committee.

(o) Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.

(ii) The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Assist with the development of improved customer services.

(b) Monitor performance of administration, governance and investments against key performance targets and indicators.

(c) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.

(d) Monitor investment costs including custodian and transaction costs.

(e) Monitor internal and external audit reports.

(f) Review the risk register as it relates to the scheme manager function of the authority.

(g) Assist with the development of improved management, administration and governance structures and policies.

(h) Review the outcome of actuarial reporting and valuations.

(i) Assist in the development and monitoring of process improvements on request of Committee.

(j) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.

(k) Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.

Relationships

In support of its core functions the Board may make recommendations and requests for information to officers or to the Committee with regard to any aspect of the Administering Authority’s function, which shall be responded to as soon as practical.

The Board should report any concerns over a decision made by the Committee to the Committee which must, within a reasonable period, consider and respond to the Board. Where the Board is not satisfied with the response received it may require that a notice of its concern be placed on the website and in the Fund's annual report.

Where the Board is satisfied that there has been a breach of regulation, which has been reported to the Committee under paragraph 33 and has not been rectified within a reasonable period of time, it is under an obligation to escalate the breach. The appropriate internal route for escalation is to the Monitoring Officer and/or the Section 151 Officer (as appropriate).

The Board may report concerns to the full Council or the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

Board members are also subject to the requirements to report breaches of law under the Act and the Code and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy.

Review of terms of reference

These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least every 4 years.

Enfield Pension Fund

LGPS Roles and Responsibilities
Presentation
Bola Tobun

www.enfield.gov.uk

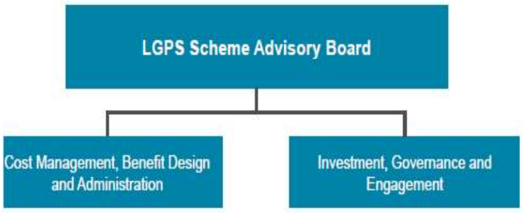
Striving for excellence

ENFIELD Council

Who's who at National Level?

ENFIELD Council

Scheme Advisory Board (National)



Representatives from:
- Employers
- Scheme members

Advisors
- TUC
- Treasurers
- Administering Authority
- Lawyers
- Government Actuary
- P&LSA
- Other actuarial firms
- CIPFA

ENFIELD Council

The Pension Regulator's extended role (April 2015)

Legislative powers

- **Examples of areas covered:**
  - Pension Board conflicts
  - Pension Board representation
  - Pension Board knowledge
  - Record keeping
  - Internal controls
- **Enforce:**
  - Improvement notices
  - Penalties
  - Criminal prosecution
  - Appointment of a skilled person

Code of Practice – Educate and Enable

- Knowledge and understanding – Pension Boards
- Conflicts of interest* and representation
- Publishing information about schemes
- Managing risk and internal controls*
- Maintaining accurate member data*
- Maintaining contributions*
- Providing information to members and others*
- Resolving disputes*
- Reporting breaches* and late payment of employer contributions

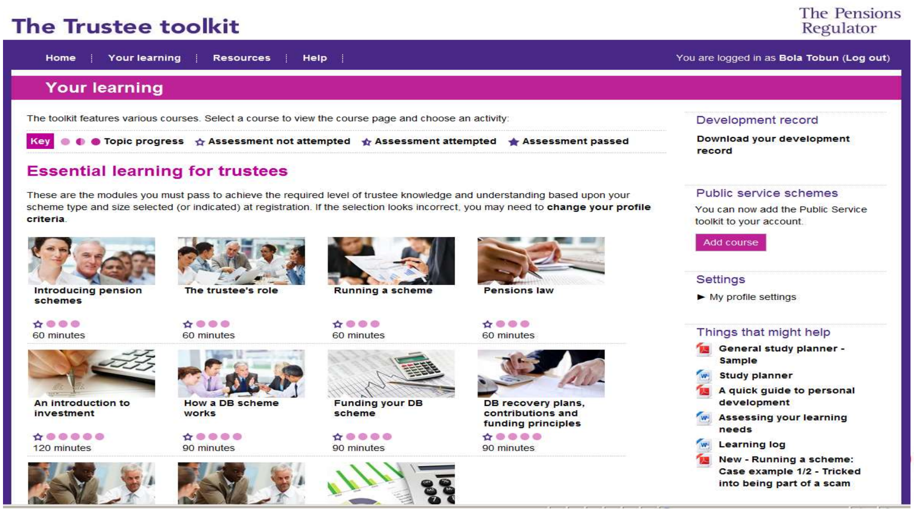
ENFIELD Council

10/07/2019

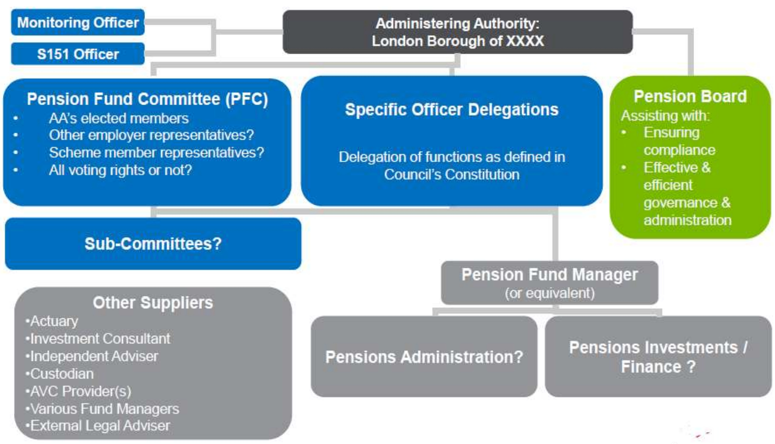
Instructions for TPR toolkit

https://education.thepensionsregulator.gov.uk/login/index.php

- Register (or log in if already registered)
- Click on "your Learning" tab



Who's who in the Pension Fund?



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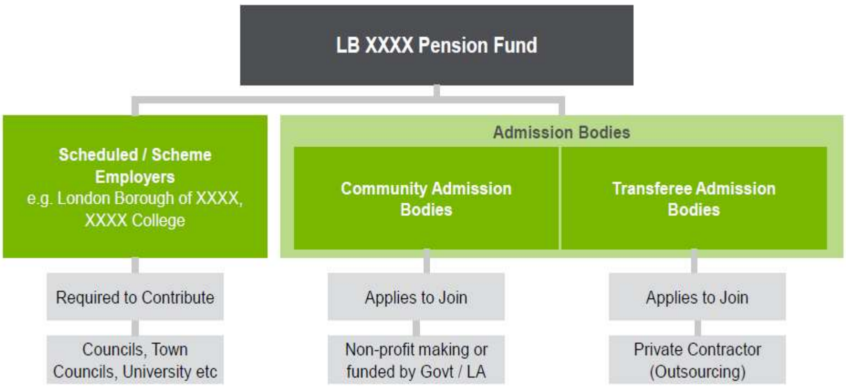
There are many different roles involved in the management of an LGPS fund

These include:

- The pension committee
- The pension board
- The fund administrator
- The administering authority
- Employers
- Investment managers and the Pool
- Custodians
- The actuary
- Professional advisers

ENFIELD Council

Fund Employers



ENFIELD Council

Key Policy Documents

- Statement of Accounts
- Investment Strategy Statement
- Funding Strategy Statements
- Governance Compliance Statement
- Administration Strategy Statement
- Training & Development Policy
- Conflict of Interest Policy
- Reporting Breaches Procedure
- Risk Management Policy

Annual Report
London Borough of Enfield Pension Fund
2018/19

ENFIELD Council

Statutory Documents

- **Annual Report**
  - Review of performance
  - Actuary statement
  - Fund account
- **Pensions Administering Strategy**
  - Communication with employers
  - Performance/ pay over of contributions requirements
- **Governance Compliance Statement**
  - Delegation arrangements
  - Frequency of meetings/membership
  - Compliance with CLG guidance

ENFIELD Council

Statutory Documents (2)

- **Investment Strategy Statement (ISS)**
  - Invest in a wide variety of investments
  - Assessment of the suitability of investments
  - Approach to risk, included ways this is measured and managed
  - Approach to pooling investments – use of collective investment vehicles and shared services
  - Policy on how ESG considerations are taken into account for investments
  - Policy on the exercise of rights (including voting rights) attaching to investments

ENFIELD Council

Statutory Documents (3)

- **Communication Policy**
  - Information/publicity/promotion
  - Format/frequency/distribution
- **Funding Strategy Statement**
  - Responsibility/solvency/target funding levels
  - Risk/control
  - Approach to employer contribution rates/employer risk

ENFIELD Council

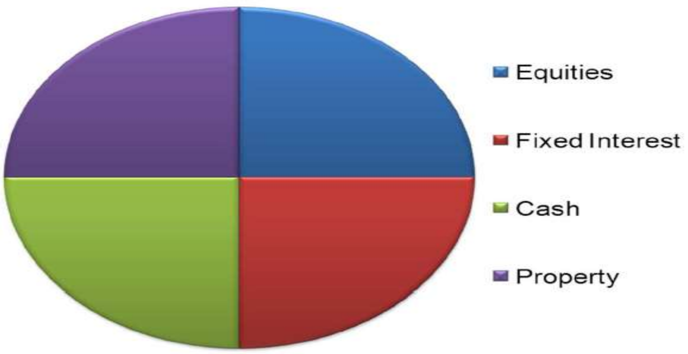
What is the primary duty of the fund?

- Pay members benefits as they fall due (fund liabilities)
  - In order to do this, need to have enough assets to pay the liabilities
  - A shortfall leads to a funding gap (Assets < Liabilities)
- **How can we close this gap?**
  - Generate Investment returns, increase employer contributions or change the benefits
  - Need to generate the required investment return, but in a regulated framework to safeguard the assets ”

ENFIELD Council

The four “core” asset classes

Each asset class is expected to have different level of expected return and is affected by different risk factors.



ENFIELD Council

Asset classes

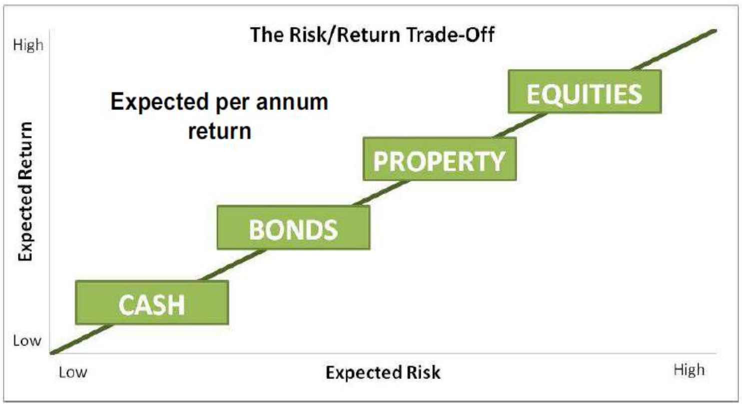
Investors have a wide choice of investment options…

The alternatives evolution – the UK experience

	Mainstream	Alternative
1960s – 70s	UK Equities UK Gilts	Real Estate Overseas Equities
1970s – 80s	UK Equities UK Gilts Real Estate	Overseas Equities
1980s – 90s	UK Equities UK Gilts Real Estate Overseas Equities	Index-linked Gilts Emerging Markets Equities
1990s – Now	UK Equities UK Gilts Overseas Equities Real Estate Index-linked Gilts Emerging Market Equities	Commodities Emerging Markets Debt Hedge Funds Private Equity Infrastructure Diversified Growth Funds Liability Driven Investments (LDI)

ENFIELD Council

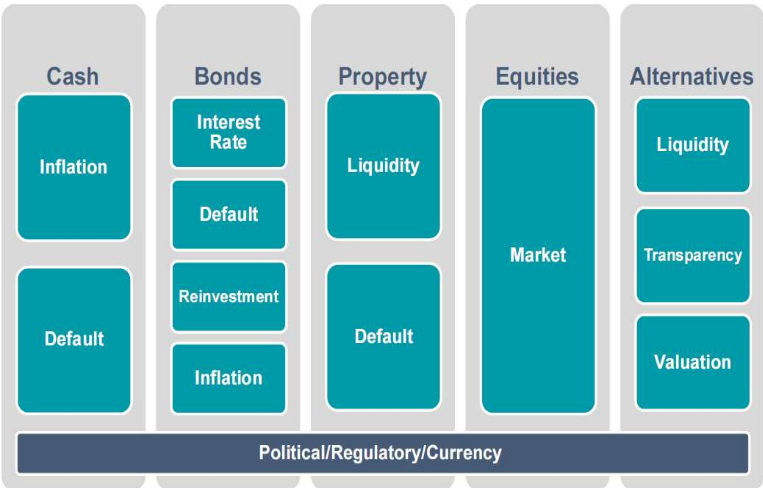
Expected Risk & Return



As a general rule, more risky investments offer potentially higher returns, while less risky investments offer lower returns

ENFIELD Council

Asset classes & their key risk exposures



ENFIELD Council

Why do we invest?

- To meet future liabilities – pay pensions!
- Historical long-term growth
- The power of compounding growth
- Legal and fiduciary responsibility for "trustees"
  - ➢ A fiduciary duty is an obligation to act with loyalty and honesty and in a manner consistent with the best interests of another party. For instance, a trustee has a fiduciary duty to the trust's beneficiaries, and an attorney has a fiduciary duty to a client.

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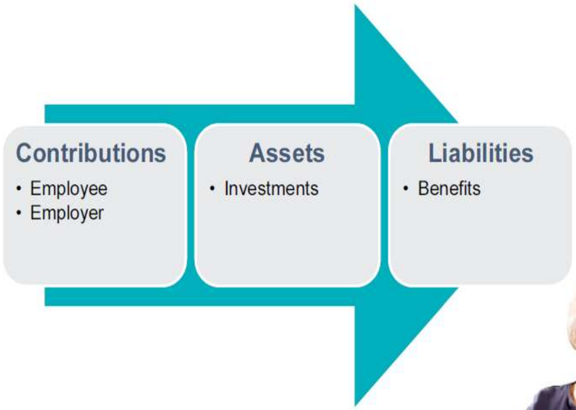
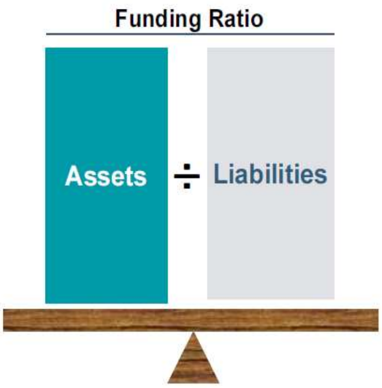
Ultimate Objective - deliver pension that was promised



"Ensure that sufficient funds are available to meet all benefits as they fall due for payment"

ENFIELD Council

Funding Ratio or Funding Level



- The investment strategy should take into account both assets and liabilities
- The Funding ratio provides an assessment of the fund ability to pay pension liabilities
- Funding levels are affected by changes in assets and liabilities
- Both assets and liabilities can be volatile leading to volatility in the funding ratio

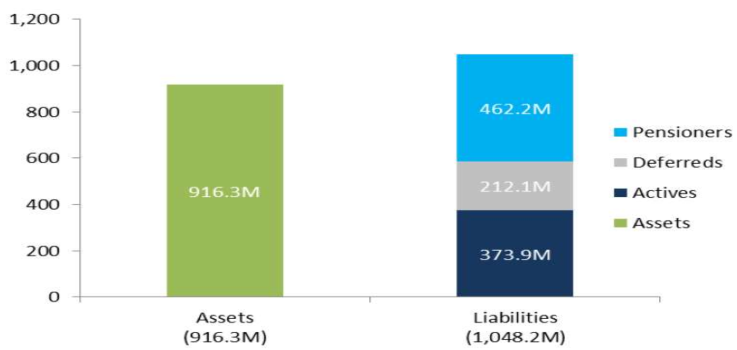
ENFIELD Council

Extract from Actuarial Report as at 31 March 2016

The key results of the valuation as at 31 March 2016 are set out below.

There was a shortfall of £131.9M relative to the past service liabilities of £1,048.2M which corresponded to a funding ratio of 87%.

The past service liabilities are the amount of assets agreed with the Administering Authority as being required to meet members' benefits, assuming the Fund continues as a going concern.

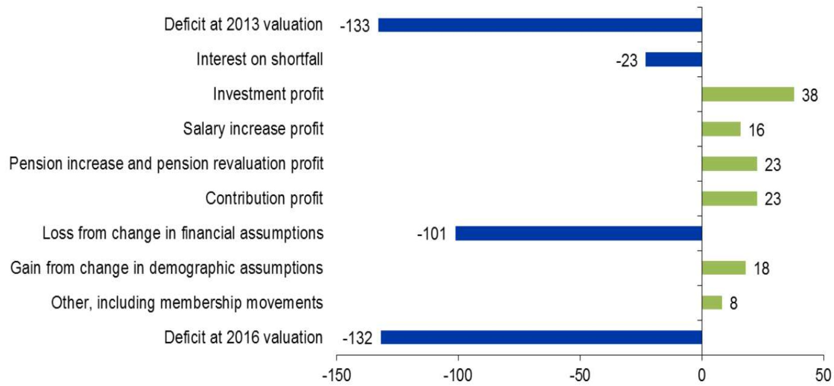


ENFIELD Council

Extract from Actuarial Report at 31 March 2016

Funding Position Change: From 2013 Deficit to 2016 Deficit

The chart below shows the key reasons for the change in funding position.

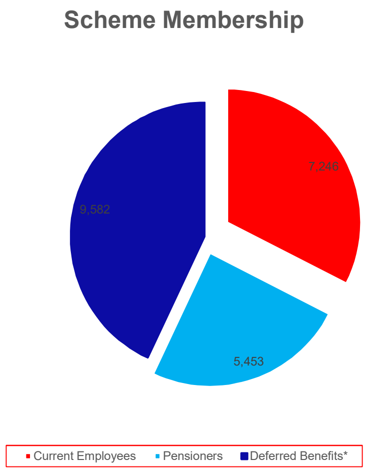


ENFIELD Council

Enfield Pension Fund at a Glance

Scheme Membership

The Fund currently has a membership of 22,281 comprising the following categories as set out in the below chart



ENFIELD Council

Enfield Pension Fund
Strategic Asset Allocation

	Strategic asset allocation	Investment Strategy Statement ("ISS") ranges
Equities (including private equity)	40%	30-50%
Hedge Funds	10%	10-20%
Property	10%	5-15%
Infrastructure	6%	3-9%
Bonds	24%	19-39%
Inflation protection illiquids	10%	

ENFIELD Council

Enfield Pension Fund Assets and Manager at a Glance
Assets value as at 31st March 2019 £1.18bn

Manager Allocations	31.12.2018		31.03.2019			
	Market Value (£m)	Percentage (%)	Market Value (£m)	Percentage (%)	Strategic (%)	Relative (%)
Equities	**443.0**	**39.4**	**484.3**	**41.0**	**35.0**	**6.0**
BlackRock Passive	152.8	13.6	168.0	14.2		
Trilogy Global Unconstrained	0.8	0.1	0.8	0.1	32.5	6.4
MFS Global Unconstrained	98.1	8.7	110.1	9.3		
LCIV Baillie Gifford	67.0	6.0	75.3	6.4		
LCIV Henderson	26.9	2.4	28.2	2.4		
LCIV Longview Partners	71.7	6.4	77.0	6.5		
Lansdowne Equity L/S¹	25.6	2.3	25.0	2.1	2.5	-0.4
Private Equity	**71.8**	**6.4**	**69.2**	**5.9**	**5.0**	**0.9**
Adams Street	71.8	6.4	69.2	5.9	5.0	0.9
Hedge Funds	**97.1**	**8.6**	**97.1**	**8.2**	**10.0**	**-1.8**
Lansdowne Equity L/S¹	25.6	2.3	25.0	2.1		
York Distressed Securities	19.6	1.7	19.0	1.6		
Davidson Kempner	27.7	2.5	27.7	2.3		
CFM Stratus	24.2	2.2	25.4	2.1		
UK Property	**75.4**	**70.9**	**75.9**	**6.4**	**10.0**	**-3.6**
BlackRock	38.3	3.4	38.0	3.2		
Legal & General	33.1	2.9	33.4	2.8		
Brockton	4.1	0.4	4.5	0.4		
PFI & Infrastructure	**59.1**	**5.3**	**59.0**	**5.0**	**6.0**	**-1.0**
IPPL Listed PFI	43.3	3.9	43.3	3.7		
Antin	15.8	1.4	15.7	1.3		
Bonds	**252.3**	**22.4**	**262.0**	**22.2**	**24.0**	**-1.8**
BlackRock Passive ILGs	86.7	7.7	89.1	7.5		
Western Active Bonds	85.4	7.6	91.3	7.7		
Insight Absolute Return Bonds	30.9	2.7	30.9	2.6		
LCIV CQS MAC	49.4	4.4	50.7	4.3		
Inflation protection illiquids	**49.4**	**4.4**	**77.3**	**6.5**	**10.0**	**-3.5**
M&G Inflation Opportunities	44.5	4.0	72.4	6.1		
CBRE	5.0	0.4	5.0	0.4		
Cash	**76.0**	**6.8**	**56.5**	**4.8**	**-**	**4.8**
Enfield Cash	76.0	6.8	56.5	4.8	-	4.8
Total Assets	**1124.3**	**100.0**	**1181.3**	**100.0**	**100.0**	

ENFIELD Council

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MUNICIPAL YEAR 2019/2020 REPORT NO.

MEETING TITLE AND DATE:
Pension Policy & Investment Committee – 18th June 2019

REPORT OF:
Executive Director of Resources
Contact officer and telephone number:

Paul Reddaway Ex: 4730

Paul.reddaway@enfield.gov.uk

Agenda – Part:1	**Item: 5**
Subject: Board Training Programme **Wards: all**	
Cabinet Member consulted:	

1. **EXECUTIVE SUMMARY.**

1.1. Members agree to undertake ongoing training to meet the requirements of being a classed as a professional investor (MIFIDII) and to be in line with the Pension Regulator (tPR) requirements.

1.2. With a number of new members joining the Committee, it will be important that a clear strategy is required for the induction and training of new members. This paper sets out a proposed way forward based on the Fund's existing training plan.

1.3. Training is an ongoing process and needs to be properly recorded to demonstrate adherence to the regulations and Code of Practice.

1.4.

2. RECOMMENDATIONS

2.1. Board agree to undertake ongoing training to meet the Pension Regulator (tPR) requirements.

3. **INTRODUCTION**

3.1 There is an ever increasing responsibility on LGPS Pension Committees demonstrate they have the skills and knowledge to make proper investment decisions on behalf of the Fund. This is being driven by the Pension Regulator and from the MIFID II Directive.

3.2 One of the outcomes from the recent governance review of the Fund suggested a number of improvements to ensure we are fully meeting the requirements of the tPR Code of Practice.

4. TRAINING MANAGEMENT

4.1 Individual Training Needs

4.2 Each Committee member will commit to complete a check list of knowledge requirements. Members are encouraged to undertake a gap analysis and identify any development needs so that appropriate training can be arranged.

4.3 Members are encouraged to access the Pension Regulator Public Sector tool kit and undertake the appropriate actions. This provides comprehensive coverage of all Pension Fund matters.

4.4 The link to the Pension Tool is shown below. **Appendix 1** sets out the syllabus: https://education.thepensionsregulator.gov.uk/login/index.php

4.5 New Members joining the Pension Policy & Investment Committee or the Local Pension Board will be required to complete a training programme. Normally this will include:

- An officer-led induction course on the LGPS. **Appendix 2** provides a check list of areas to be covered.
- Completion of the Pension Regulator self-assessment toolkit, and
- Attendance at the LGA three day (over three months) investment training course as set-out in **Appendix 3**.

4.6 Hot Topic Training

4.7 Training items may be included on Committee agendas to ensure appropriate training is provided in relation to hot topic areas, such as a high risk area or a specific area where decisions need to be made.

4.8 General Awareness

4.9 PP&IC members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the London Borough of Enfield Pension Fund. Attendance at conferences and training events will be encouraged, especially those specific to the LGPS.

4.10 Recording Training Log

4.11 A formal training log will be introduced and as part of Standing Items will be updated at each Committee meeting. This will ensure there is a formal and auditable trail.

5. FINANCIAL IMPLICATIONS

5.1 All training costs will be financed through the Pension Fund. Costs will be charged through the Overview and Scrutiny budget.

6. LEGAL IMPLICATION

6.1 The MIFID II Directive Elective makes Professional clients responsible for keeping the Financial Institutions informed of any changes that could affect our current categorisation. The Fund must take appropriate action which would prevent the Fund from being re-categorising the client as retail.

APPENDIX 1

Pension Regulator Public Sector tool kit		
Module	**Tutorials included**	**Average completion time (mins)**
Introducing pension schemes	• What is a pension scheme? • Benefits • What is a trustee? • Important documents	60
The trustee's role	• Becoming a trustee • Trustee meetings • Conflicts of interest • Duties and powers • Trustee liabilities and protections	75
Running a scheme	• Scheme governance • Risk management and internal controls • Scheme administration and member data • Introducing advisers and service providers • Appointing advisers and service providers	75
Pensions law	• Pensions related legislation • The Pensions Regulator • Tax and the state pension • Internal dispute resolution procedure	75
An introduction to investment	• Investment in a pension scheme • Setting an investment strategy • Types of asset – Common assets • Types of asset – Alternative assets • Capital markets and economic cycles • Risk and reward • Active and passive management • Suitability and diversification • Reviewing investments	135

Module	Tutorials included	Average completion time (mins)
How a DB scheme works	• The basics • Managing the liabilities • Employer covenant • Risks to employer covenant • Implications of winding up a DB scheme • Corporate transactions	90
Funding your DB scheme	• The statutory funding objective • Valuing the scheme's liabilities • Calculating the liabilities • Impact of assumptions • Individual and bulk transfers • Additional employee funding	90
DB recovery plans, contributions and funding principles	• Determining the contribution rate • Accrued benefits funding methods • Recovery plans • Future service funding methods • Agreeing a schedule of contributions • The statement of funding principles	90
Investment in a DB scheme	• Understanding investment strategy • Changing asset and liability values • Future projections and scenario analysis • Stochastic modelling • Changing the asset allocation strategy • Reviewing the investment strategy	120

Appendix 2

Initial Information and Induction Process
On joining the Pensions Committee, the Pension Board or the London Borough of Enfield Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Enfield Pension Fund:

- A guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
    - The Funding Strategy Statement
    - The Governance Policy and Compliance Statement
    - The Investment Strategy Statement (ISS) including the London Borough of Enfield Pension Fund's statement of compliance with the LGPS Myners Principles
    - The Communications Policy
    - The Administration Strategy
    - The administering authority's Discretionary Policies
- This Training Policy

In addition, an individual training plan will be developed to assist each Pensions Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pensions Committee members, Pension Board members and senior officers.

Appendix 3

Pension Topic Areas	Tick Box ☑
The Benefits Framework "Past and Present"	
• Brief history of the LGPS and its interaction with State provision	
• The 2014 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme	
• Differences in the 2015 Scheme in Scotland	
• Administering Authority and Employing Authority Discretions	
The Investment Framework	
• The Management and Investment of Funds Regulations 2009 – the statutory framework for investments	
• CIPFA Principles – a look at the six investment principles	
• Statement of Investment Principles	
• Interaction with the Funding Strategy Statement	
• Governance Compliance Statements	
• Annual Reports and Auditing	
Delivering the Service	
• Partnership Working	
• Framework Agreements	
• Financial Services procurement and relationship management	
• Supplier risk management	
• Performance of support services	
Traditional Asset Classes	
• UK Equities, Overseas Equities	
• UK Gilts, UK Index-Linked Gilts	
• Corporate Bonds, Property	
• Why invest in Fixed Income and Equity Markets?	
• Long Term Investment Performance of Equities and Fixed Income	
• Benchmarks used	
• Cashflows	
• The Bond Market	
• Return / Risk Profiles	
Valuations	
• The Purpose of an Actuarial Valuation	
• Assets and Liabilities	
• How do liability calculations work	
• What assumptions are used?	
Funding Strategy Statements	
• What is the funding strategy?	
• Different Employers – different characteristics and objectives	
• What is the strength of the covenant?	
• Deficit Recovery Periods	

Corporate Governance	
• Approach to Corporate Governance	
• Voting, Activism and Engagement	
• Institutional Shareholders Committee principles	
• Socially Responsible Investment	
Communication Strategies/Policies	
• Policy Statement Requirements	
• LGPS – Valuable part of employment package	
• Purpose and effect – Changes and Choices	
• A look at some good practice initiatives	
Established Alternative Investments	
• Private Equity, Commodities, Hedge Funds, Emerging Markets, Currency Funds, High Yield Bonds and Overlays	
• The market evolution of Alpha and Beta	
• Private Equity sectors	
• Commodities – what do they cover and why include them in a portfolio?	
• The Hedge Fund universe	
• The background to Emerging markets	
• The value of Currency Funds and Currency Overlays	
• How High Yield Bonds fit into the Bond market	
Duties and Responsibilities of Committee Members	
• The LGPS in its legal context	
• General local authority legal issues	
• LGPS specific duties and responsibilities	
• Wider duties and responsibilities	
• What happens when things go wrong?	
The Future for the LGPS	
• LGPS2014 – outstanding/new issues	
• Cost control mechanism	
• Managing investment fees	
New governance arrangements	
• The new, evolving requirements	
• Committee vs Board - delegation and representation	
• The governance budget	
• The Pension Regulator’s involvement	
Bringing it all together	
• The Evolution of LGPS Benchmarks	
• Portfolios and Portfolio Construction	
• Portfolio Concepts	
• Combining Assets in your Portfolio	
• Risks and Efficient Frontiers	
• Standard Deviation	
• Correlation	
• Diversification	

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MUNICIPAL YEAR 2019/2020 REPORT NO.

MEETING TITLE AND DATE: Pension Board – 18th July 2019 **REPORT OF:** Executive Director of Resources Contact officer and telephone number: Paul Reddaway Ex: 4730 Paul.reddaway@enfield.gov.uk	Agenda – Part:1	**Item: 6**
	Subject: Investing in a Low carbon Environment **Wards: all** **Key Decision No:**	
	Cabinet Member consulted:	

1. EXECUTIVE SUMMARY

1.1. Cabinet at its meeting on 8th July made a recommendation to the Enfield Pension Fund to review its holdings in companies ensuring they contribute towards a de-carbonised economy. In particular, the Fund should continue to actively reduce its holdings in fossil fuel companies over a planned period of time.

1.2. The Pensions Policy & Investment Committee will consider this matter at its meeting on 5th September and its response will be reported back to the next meeting of this Board.

2. RECOMMENDATIONS

2.1. The Board is asked to note the report and ask for actions that are agreed at the September Pension Policy & Investment Committee to be brought back to the next Pension Board for consideration.

3. BACKGROUND

3.1. Enfield Pension Fund's investment strategy must deliver good returns without undertaking too much risk in order to fund the member's pensions. This strategy needs to take into account the affordability of employers' contributions as it is important to ensure that employers continue as going concerns.

3.2. This is a very difficult balancing act to achieve in volatile economic times. As a long term investor, the Fund recognises climate change and the shift to the low carbon economy as one of the risks to the value of the assets in the investment portfolio. It also notes that the Fund seeks to mitigate that risk where it can afford to do so, while recognising that not all risk is negative, as risk can also create investment opportunities.

3.3. It should be noted that over 2019/20 the Enfield Pension has reduced its exposure to fossil fuel companies. The bulk of its 'fossil fuel' companies are held in its passive funds.

3.4. On 8th July the Council's cabinet recommended the following:

"Recommend to Council that the Pension Policy and Investment Committee that they consider revisions to the policy on Environmental, Social and Governance (ESG) within its Investment Strategy Statement. The new policy would require the Fund to review its holdings in companies ensuring they do contribute towards a de-carbonised economy. In particular, the Fund should continue to actively reduce its holdings in fossil fuel companies over a planned period of time"

4. DEFINING CARBON EXPOSURE

4.1. Carbon exposure can be difficult to estimate precisely for a number of reasons, including areas where many disclosures are voluntary and vary in nature from company to company.

4.2. Within companies, many different points in the supply chain can cause carbon exposure. With companies that extract fossil fuels from the ground, it is usually obvious, but where a company's supply chain causes a significant carbon exposure or simply uses a lot of power, it can be less transparent.

4.3. Other considerations should be given where a company may have a significant "carbon footprint" on the one hand but be investing significant resources in renewables on the other, which may mean the organisation will be less carbon intensive in the future.

4.4. Ultimately, the only clear way to measure a company's exposure to carbon is through their carbon reserves, which are the fossil fuel assets owned by individual companies.

5. FIDUCIARY RESPONSIBILITY OF THE ADMINISTERING AUTHORITY

5.1. The Pension Policy & Investment Committee (PPIC) holds a key fiduciary responsibility to manage the Fund's investments in the best interests of the beneficiary members and the council tax payers, where the primary focus must be on generating an optimum risk adjusted return. It is vital that any investment decisions or strategies developed, such as a carbon strategy, must not negatively impact on this primary responsibility.

5.2. The administering authority has fiduciary duties both to scheme employers and scheme members and the investment strategy must be exercised for investment purposes, and not for any wider purposes. Thus, investment decisions must be spread across a wide variety of investments classes, achieve a balanced risk and return objective.

5.3. The choice of investments can be influenced by ethical and environmental, social and governance (ESG) considerations, so long as that does not risk material financial detriment to the fund. Whilst deliberating on such issues, Queen's Counsel's (Nigel Giffin) advice, commissioned by the LGPS Scheme Advisory Board and published in 2014, states that the administering authority may not prefer its own specific interests to those of other scheme employers, and should not seek to impose its particular views where those views would not be widely shared by scheme employers and members (nor may other scheme employers impose their views upon the administering authority).

5.4. To this end, if decisions on carbon reduction are taken by the PPIC, those decisions must be based on the likely positive investment outcome pertaining to the Pension Fund. It cannot be not be based on any ethical approach or ideological attitude adopted either by the PPIC or the local authority itself.

5.5. Putting performance implications to one side, there are transition costs of moving a passive fund to a low carbon fund. The fund management costs will also be higher due to the greater due diligence required to monitor the Fund to ensure it is carbon free.

6. NEXT STEPS

6.1. A joint training session is planned (prior to the PPIC meeting) for the Pension Board and PPIC members to discuss the issues and options around the introduction of a low carbon investment strategy.

6.2. A report will be taken to the next PPIC meeting on 5th September setting out the options around moving to a low carbon exposure investment strategy.

6.3. The outcomes of that meeting will be brought back to the Pension Board to review and provide the opportunity to scrutinise the decision.

7. FINANCIAL IMPLICATIONS

7.1. Included in the body of the report.

8. LEGAL IMPLICATIONS

8.1. Included in the body of the report.

Agenda Item 9

MUNICIPAL YEAR 2019/2020 REPORT NO.

MEETING TITLE AND DATE:
Pension Board – 18th July 2019

REPORT OF:
Executive Director of Resources

Contact officer and telephone number:

Bola Tobun – 020 8379 6879

E mail: Bola.Tobun@enfield.gov.uk

Agenda – Part:	**Item:**
Subject: LGPS consultation on changes to valuation cycle and management of employer risk **Wards: All** **Key Decision No:**	
Board Member consulted:	

1. EXECUTIVE SUMMARY

This report provides an update on the MHCLG consultation to Changes to the Local Valuation Cycle and the Management of Employer Risk.
This consultation contains proposals on several matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

The key proposals in the consultation are as follows:

i) to amend the local fund valuation cycle of the LGPS from three years to four years from 2024 (with an out of cycle valuation taking place in 2022).
ii) to introduce powers for LGPS funds to undertake interim valuations (in full or in part) and to widen the power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations.
iii) the introduction of a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong covenant.
iv) allowing an exit payment calculated on a full buy-out basis to be recovered over a defined period for cases where 'deferred employer' status might not be appropriate.
v) a review of the arrangements for paying exit credits in cases where risk sharing provisions exist within the contractual agreements with an employer.
vi) removal of the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff for new entrants.

2. RECOMMENDATIONS

Members to note the content of this report on proposed changes and the approach sets out for the Fund to follow in responding to the consultation.

3. BACKGROUND

3.1 On 8 May the MHCLG announced a consultation under the title "Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk". The deadline for responding to this consultation is 31 July 2019 and the full document can be found https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf

3.2 The consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales and the key proposals in the consultation are as follows:

i) to amend the local fund valuation cycle of the LGPS from three years to four years from 2024 (with an out of cycle valuation taking place in 2022).

ii) to introduce powers for LGPS funds to undertake interim valuations (in full or in part) and to widen the power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations.

iii) the introduction of a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong covenant.

iv) allowing an exit payment calculated on a full buy-out basis to be recovered over a period for cases where 'deferred employer' status might not be appropriate.

v) a review of the arrangements for paying exit credits in cases where risk sharing provisions exist within the contractual agreements with an employer.

vi) removal of the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff for new entrants.

3.3 It is proposed that a response is submitted by the London Borough of Enfield as administering authority for the London Borough of Enfield Pension Fund. As such, review of the Fund's response falls within the Pension Policy and Investment Committee's remit. As no further Committee meetings are planned between the time of writing this report and the closing date for the consultation (31st July 2019), it is proposed that a draft response be circulated to Members of the Committee and the Board via email for comments. Final approval will be sought from the Chair of the Pension Policy and Investment Committee prior to the final response being submitted. The draft response will be circulated no later than 19th July 2019.

3.4 Changes to the Local Government Pension Scheme (LGPS) valuation cycle Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead, whilst the LGPS scheme valuation is used by Government to make decisions about the LGPS and its benefit structure on a basis consistent with other public service schemes. Previously, both local fund and whole scheme valuations were carried out on a triennial cycle. However, the Government has now brought the LGPS whole scheme valuation onto the quadrennial cycle used by the other public service schemes, so the local fund and whole scheme valuation cycles no longer align.

3.5 The Government suggests that moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs, as well as realigning the local valuation cycle to that of the scheme valuation.

3.6 However, it could also introduce additional risk, e.g. that changes in employer contribution rates may be greater because of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs.

3.7 Views are being sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

3.8 To mitigate the risks detailed above, the consultation proposes the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

3.9 It also proposes the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, potentially allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle

3.10 The introduction of safeguards to prevent the timing of interim valuations to take advantage of short term market conditions and undermine the cost and administrative advantages of a longer valuation cycle is also proposed. These would include a requirement for funds to specify in the funding strategy statement the circumstances under which an interim valuation may take place.

3.11 Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

Flexibility on Exit Payments

3.12 For some employers, the cost of exiting the scheme can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buyout basis. The consultation seeks views on two alternative approaches that could reduce the cliff edge faced by employers:

a) To introduce a ‘deferred employer’ status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

b) To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a defined period. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

Exit credits under the LGPS Regulations 2013

3.13 In 2018, the LGPS Regulations 2013 were amended to allow the payment of ‘exit credits’ to scheme employers in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016. However, these amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor.

3.14 Views are sought on a mechanism to address this issue. The proposed solution would oblige the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to).

3.15 If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

Employers required to offer LGPS membership

3.16 Given the LGPS’s funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate.

3.17 Views are sought on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff.

3.18 It is proposed that it will be for each institution to determine whether to offer the LGPS to new employees or not. Under the proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme

4. ALTERNATIVE OPTIONS CONSIDERED

a) There is no alternative unless the Board and the Committee on behalf of the Fund do not consider the consultation nor respond to the consultation.

5. REASONS FOR RECOMMENDATIONS

a) For effective and efficient management of the Fund.

b) There is a requirement for Members to be kept up to date with legislative developments as part of their scrutinising role.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

1) The proposals contained within this consultation could impact the Pension Fund as follows:

   a) the proposals could impact on employer contributions payable through changes to the length of valuation cycle.

   b) Changes to exit payments and credits could also impact the terms of which an employer exit the scheme.

   c) the proposals could also affect the Fund's management costs through changes to actuarial and other supplier (e.g. legal) fees

2) Whilst it is not possible to provide a reliable estimate of the potential impact on the Fund, the outcome of this consultation could materially impact the Fund's financial health. It is therefore in the best interests of the Fund to ensure that a well-balanced prudent response is provided.

6.2 Legal Implications

One of the functions of the Pensions Board is to meet the Council's duties in respect of the efficient management of the pension fund. It is appropriate, having regard to these matters, for the Board to receive information about general developments affecting the Local Government Pensions Scheme. The Board's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

7. KEY RISKS

1) Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain:

   a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;

   b) a report by an actuary in respect of the valuation; and

   c) a rates and adjustments certificate prepared by an actuary

2) The Pension Policy and Investment Committee's is responsible for 'making arrangements for the triennial actuarial valuation, monitoring liabilities and undertaking any asset/liability and other relevant studies as required.

3) This consultation proposes amending the LGPS Regulations 2013 to move the fund valuation cycle from the current three-year (triennial) to a four-year (quadrennial) cycle.

4) Consideration of the Fund's response to this consultation would appear to properly fall within the Committee's remit.

Background Papers

Appendix 1 - Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Ministry of Housing, Communities & Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation

May 2019
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
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For all our latest news and updates follow us on Twitter: https://twitter.com/mhclg

May 2019

ISBN: 978-1-4098-5459-3

Contents

Scope of the consultation

Topic of this consultation:	This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covers the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
Scope of this consultation:	MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result. Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme. Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.

	When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGPensions@communities.gov.uk
How to respond:	Please respond by email to: LGPensions@communities.gov.uk Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include: - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle[1], and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

- We also propose the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

[1] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended[2] to allow the payment of 'exit credits' to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016[3]. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS's funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019**.

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[2] S.I. 2018/493
[3] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes[4].

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

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[4] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations[5]. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

[5] https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement[6] requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

[6] Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;

- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis[7] on the employer's total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers[8] in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

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[7] Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).

[8] Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed ("Tier 1"), academies ("Tier 2") or admitted bodies performing services under contract to local authorities ("Tier4")

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)[9]:

> *"(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—*
>
> *(a) the contribution at the primary rate should be adjusted; or*
>
> *(b) any prior secondary rate adjustment should be increased or reduced,*
>
> *with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable."*

[9] In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector[10] defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

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[10] These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;
2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;
3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes[11] to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016[12], as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

[11] S.I. 2018/493
[12] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

situations, scheme employers often use a 'pass-through' approach to limit the service provider's exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider's LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider's liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer's exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS[13]. Use of the deemed employer approach,

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[13] https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.

- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.

- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation 'Insolvency regime for further education and sixth form colleges', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a "funded scheme". This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure.

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the data controller and contact details of our Data Protection Officer**
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data
Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data
The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data
We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.
Your personal data will be held for two years from the closure of the consultation*.*

5. Your rights, e.g. access, rectification, erasure
The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:
a. to see what data we have about you
b. to ask us to stop using your data, but keep it on record
c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

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MUNICIPAL YEAR 2019/2020 REPORT NO.

MEETING TITLE AND DATE:
Pension Policy & Investment Committee – 18th July 2019

REPORT OF:
Executive Director of Resources
Contact officer and telephone number:

Paul Reddaway Ex: 4730

Paul.reddaway@enfield.gov.uk

Agenda – Part:1	**Item: 6**
Subject: Pension Strategy Business Plan 2019/20	
Wards: all **Key Decision No:**	
Cabinet Member consulted:	

1. EXECUTIVE SUMMARY

1.1. This report presents the Draft (unaudited) Annual Statement of Accounts for the 2018/19 financial year for Members' information.

2. RECOMMENDATIONS

2.1. The Committee is asked to note the report.

3. BACKGROUND

3.1. The 2018/19 Draft Statement of Accounts were completed by the statutory deadline of 31 May 2019. The Draft Statement of Accounts were authorised for issue by Fay Hammond, Acting Executive Director of Resources and published on the Website on 31 May 2019.

3.2. The Regulations require the Responsible Finance Officer to certify the Draft Statement of Accounts by 31st May 2019. In Enfield the Responsible Finance Officer is the Acting Executive Director of Resources. Following their consideration of the External Auditor's Report, Members are then required to approve the Final (Audited) Statement of Accounts so that these can be published by the statutory deadline of 31 July 2019.

3.3. The reporting of the draft Accounts to Members, whilst not mandatory, is considered good practice and gives Members the opportunity to ask officers questions and if need be to raise objections.

4. KEY FEATURES

4.1. The draft 2018/19 Pension Fund accounts are shown in **Appendix 1**.

4.2. The Fund has increased by £81.9m over the year, representing an increase of (7.5%) - well ahead of the actuarial valuation assumptions and ranking the Fund in the top quartile.

4.3. Trilogy, an equity Fund manager, was dismissed during the year and funds were transferred into the LCIV, with the Fund taking the opportunity to reduce its exposure to global equities by £62m. The Fund now holds over £291m with the LCIV.

4.4. During the year the Fund appointed CBRE to provide a long term secure income (inflation) fund. There was one draw down made in 2018/19.

4.5. The Fund remains in cash surplus at the members' level. It is anticipated that this position will reverse over the next 5 years.

4.6. Management expenses have increased due to the increase in market value and due to the increased commitment to private equity, though the costs have been mitigated by the reduction of hedge fund managers made at the end of 2017/18.

4.7. As at 31 May 2019 – two final managers' valuations were not available. These are: Adam Street Partners ASP – a fund of fund private equity fund - this will be available by mid July and Antin - an European infrastructure fund – valuation due in mid June, so estimates had to be applied. The draft Statement of Accounts will be amended if there are any material changes to the estimates.

4.8. The Committee will be updated on the progress and outcome of the audit. It is however, proposed for the external auditors to initially report their findings to the Council's Audit Committee on 25th July 2019.

5. FINANCIAL IMPLICATIONS

5.1. The External Auditors' fees amounted to £19,000.

6. LEGAL IMPLICATIONS

6.1 The pension fund accounts are governed by the overall financial framework for local authorities. They are also produced in conjunction with the full Code of Practice on Local Authority Accounting in the United Kingdom: 2018/19 Accounts.

PENSION FUND ACCOUNTS – 2018/19

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT

2017/18 £000s		Notes	2018/19 £000s
	Dealings with members, employers and others directly involved in the Fund		
43,725	Contributions	7	47,179
1,844	Transfers in from other pension funds	8	4,009
45,569			**51,188**
(38,739)	Benefits payable	9	(41,966)
(6,289)	Payments to and on account of leavers	10	(5,116)
(45,028)			**(47,082)**
541	**Net additions/(withdrawals) from dealings with members**		**4,106**
(9,289)	Management expenses	11	(9,442)
(8,748)	**Net additional/(withdrawals) including fund management**		**(5,336)**
	Returns on investments		
11,339	Investment income	12	12,643
(592)	Taxes on income	13	(462)
18,518	Profit & losses on disposal of investments and changes in the market value of investments	14a	75,032
29,265	**Net returns on investments**		**87,213**
20,517	**Net change in assets available for benefits during the year**		81,877
1,078,485	**Opening net assets of the scheme**		1,099,002
1,099,002	**Closing net assets of the scheme**		**1,180,879**

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2019

2017/18 £000s		Notes	2018/19 £000s
1,026,666	Investment assets	14	1,119,405
(148)	Investment liabilities		(150)
1,026,518	**Total net investments**		**1,119,255**
69,956	**Cash deposits**	14	58,091
2,346	Other investment balances -assets		3,533
(476)	Other investment balances - liabilities		(183)
1,098,344	**Other investment balances**	14	**1,180,696**
-	**Long term debtor**	21a	14
1,081	**Current assets**	21	801
(423)	**Current liabilities**	22	(632)
1,099,002	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,180,879**

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 2019

Notes to the Financial Statement –index

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 2018/19 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 22,281 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	7,385	7,246
Number of pensioners	5,188	5,453
Deferred pensioners	4,891	5,930
Frozen/undecided	3,883	3,652
Total number of members in pension scheme	**21,347**	**22,281**

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 2019. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 the results of the valuation will be known by 31 March 2020. Currently, employer contribution rates range from 9.9% to 25.0% of pensionable pay.

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 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

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 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.

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

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.

Investment in London Collective Investment Vehicle (LCIV)

This investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because:

- No dividend to shareholders has asset been declared
- There is no market to trade the share holding

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

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

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.

The items in the net assets statement at 31 March 2019 (for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: 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.
Private equity investments (Note 16)	Private equity investments are valued at fair value in accordance with generally accepted accounting principles (GAAP). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	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.
Private equity property investments (Note 16)	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.	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.

NOTE 6: EVENTS AFTER THE REPORTING DATE

Following the conclusion of the external audit there are no post balance events requiring to be reported.

NOTE 7: CONTRIBUTIONS

By category

2017/18 £000s		2018/19 £000s
9,589	**Employees' contributions**	**10,151**
	Employers' contributions: -	
25,762	Normal	27,460
7,511	Deficit recovery contributions	8,206
863	Augmentation contributions	1,362
34,136	**Total employers' contributions**	**37,028**
43,725		**47,179**

By authority

2017/18 £000s		2018/19 £000s
36,533	Administering authority	38,245
5,825	Scheduled bodies	7,296
1,367	Admitted bodies	1,638
43,725		**47,179**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2017/18 £000s		2018/19 £000s
1,844	Individual transfers	4,009
1,844		**4,009**

NOTE 9: BENEFITS PAYABLE

By category

2017/18 £000s		2018/19 £000s
(31,985)	Pensions	(34,195)
(5,982)	Commutation and lump sum retirement benefits	(6,485)
(772)	Lump sum death benefits	(1,286)
(38,739)		**(41,966)**

By authority

2017/18 £000s		2018/19 £000s
(36,812)	Administration authority	(40,355)
(1,444)	Scheduled bodies	(1,248)
(483)	Admitted bodies	(363)
(38,739)		**(41,966)**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017/18 £000s		2018/19 £000s
(132)	Refunds to members leaving service	(108)
(6,157)	Individual transfers	(5,008)
(6,289)		**(5,116)**

NOTE 11: MANAGEMENT EXPENSES

2017/18 £000s		2018/19 £000s
(773)	Administrative costs	(935)
(391)	Oversight and governance costs	(350)
(8,125)	Investment management expenses	(8,157)
(9,289)		**(9,442)**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2017/18 £000s		2018/19 £000s
(6,589)	Management fees	(6,494)
(588)	Performance related fees	(186)
(893)	Transaction costs	(1,405)
(39)	Custody fees	(66)
(16)	Other	(6)
(8,125)		**(8,157)**

NOTE 12: INVESTMENT INCOME

2017/18 £000s		2018/19 £000s
4,800	Income from equities	5,066
3,248	Income from bonds	3,290
1,643	Pooled property investments	1,704
1,329	Pooled investments – unit trusts and other managed funds	1,855
319	Interest on cash deposits	728
11,339		**12,643**

NOTE 13: TAXES ON INCOME

2017/18 £000s		2018/19 £000s
	Withholding tax	
(315)	Income from equities	(320)
(277)	Pooled investments – unit trusts and other managed funds	(142)
(592)		**(462)**

NOTE 13B: EXTERNAL AUDIT FEES

2017/18 £000s		2018/19 £000s
25	Paid in respect of external audit (excluding VAT)	19
25		**19**

NOTE 14: INVESTMENTS

Market value 31 March 2018 £000s		Market value 31 March 2019 £000s
	Investments	
82,344	Fixed interest securities	88,279
192,565	Equities	43,141
620,173	Pooled investments	824,211
67,887	Pooled property investments	69,598
63,333	Private equity	93,928
	Derivative contracts:	
262	- Futures	215
102	- Forward currency contracts	33
1,026,666	**Total investment assets**	**1,119,405**
69,956	Cash deposits	58,091
2,346	Investment income due	2,386
-	Amounts receivable for sales	1,147
1,098,968	**Total investment assets**	**1,181,029**
	Investment liabilities	
	Derivative contracts:	
(89)	- Futures	(150)
(59)	- Forward currency contracts	-
(476)	Investment expenditure due	(183)
(624)	**Total investment liabilities**	**(333)**
1,098,344	**Net investment assets**	**1,180,696**

NOTE 14 A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

Period 2018/19	Market value 1 April 2018 £000s	Purchases £000s	Sales £000s	Managem't fees in Market value £000s	Change in market value £000s	Market value 31 March 2019 £000s
Bonds	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)	15,747	**93,928**
	1,026,302	**391,182**	**(366,074)**	**(5,566)**	**73,312**	**1,119,156**
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)**	**71,923**	**1,119,255**
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**				**75,032**	**1,180,696**

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.

Period 2018/19	Market value 1 April 2017 £000s	Purchases £000s	Sales £000s	Managem't fees in Market value £000s	Change in market value £000s	Market value 31 March 2018 £000s
Fixed interest securities	80,870	17,127	-14,006	-	-1,647	82,344
Equities	182,277	75,462	-64,152	-	-1,022	192,565
Pooled investments	624,292	78,901	-94,290	-3,948	15,218	620,173
Pooled property	65,535	-	-1,517	-3	3,872	67,887
Private equity	69,314	13,789	-20,279	-2,291	2,800	63,333
	1,022,287	**185,279**	**-194,244**	**-6,242**	**19,221**	**1,026,302**
Derivatives contracts:						
Futures	159	739	-553	-	-172	173
Options	-	20	-	-	-20	-
Forward foreign exchange	82	417	-732	-	276	43
	241	**1,176**	**-1,285**	**-**	**84**	**216**
	1,022,529	**185,455**	**-195,529**	**-6,242**	**19,305**	**1,026,518**
Other investment balances						
Cash deposits	54,406				-780	69,956
Pending sales on investment	256					-
Investment income due	2,054				-7	2,346
Spot FX contracts	-					
Pending purchases on investments	(165)					
Other investment expenses	(731)					(476)
Net investment assets	**1,078,349**				**18,518**	**1,098,344**

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**.**

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2018 £000s		Market value 31 March 2019 £000s
	Bonds	
	UK	
4,531	Public sector quoted	4,703
38,155	Corporate quoted	39,103
	Overseas	
3,852	Public sector quoted	1,868
35,806	Corporate quoted	42,604
82,344		**88,278**
	Equities	
47,659	UK –quoted	43,141
144,906	Overseas –quoted	-
192,565		**43,141**
	Pooled funds –additional analysis	
86,301	Indexed linked securities	89,072
310,071	Equities	458,410
55,672	Developed markets equity long short fund	50,041
65,238	Events driven fund hedge fund	46,806
43,615	Inflation opportunities hedge fund	72,354
32,693	Absolute bond fund hedge fund	30,911
26,583	Multi-strategy equity hedge fund	25,921
-	Multi asset credit fund	50,696
620,173		**824,211**
	Pooled property investments	
67,887	UK property investments	69,598
67,887		**69,598**
	Private equity	
5,888	Opportunistic property	4,610
2,178	European infrastructure	15,702
55,267	Fund of Funds global private equity	69,005
-	UK secured long income fund	4,611
63,333		**93,928**
	Derivatives- Assets	
262	Futures	215
102	Forward foreign exchange	33
364		**248**
1,026,666	**Total Investment Assets**	**1,119,404**
69,956	Cash deposits	58,091
2,346	Investment income due	2,386
-	Amounts receivable from sales	1,147
1,098,968		**1,181,028**
	Investment liabilities	
(89)	Derivatives- futures	(149)
(59)	Derivatives- forward foreign exchanges	-
(476)	Investment expenses	(183)
(924)		**(332)**
1,098,344	**Net investment assets**	**1,180,696**

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2018 £000s	%		Market value 31 March 2019 £000s	%
		Fixed income securities		
86,598	7.9%	Western Asset Management	90,940	7.7%
		Equities		
161,997	14.7%	Trilogy	765	0.1%
38,456	3.5%	International Public Partnerships	43,141	3.7%
		Pooled investments		
86,301	7.9%	Blackrock indexed linked bonds	89,072	7.5%
11,295	1.0%	Blackrock UK passive fund	12,022	1.0%
138,611	12.6%	Blackrock Global passive	155,836	13.2%
12,202	1.1%	Blackrock emerging markets		
96,434	8.8%	MFS global equities	110,109	9.3%
51,528	4.7%	LCIV Baillie Gifford global equities	75,336	6.4%
-	-	LCIV Henderson emerging equities	28,156	2.4%
-	-	LCIV Longview	76,950	6.5%
-	-	LCIV CQS Multi asset	50,696	4.3%
55,672	5.1%	Lansdowne hedge fund	50,041	4.2%
18,950	1.7%	York Capital hedge fund	19,147	1.6%
43,616	4.0%	M&G inflation opportunities	72,354	6.1%
32,693	3.0%	Insight hedge fund	30,911	2.6%
24,983	2.3%	Davidson Kempner hedge fund	27,659	2.3%
21,305	1.9%	Gruss hedge fund	1,147	0.1%
26,583	2.4%	CFM hedge fund	25,921	2.2%
		Pooled property		
339	-	RREEF commercial property	338	0.0%
36,087	3.3%	Blackrock commercial property	36,797	3.1%
31,886	2.9%	Legal & General commercial prop.	33,032	2.8%
		Private equity		
55,267	5.0%	Adam St Partners fund of funds	69,005	5.8%
2,178	0.2%	Antin European infrastructure	15,702	1.3%
5,888	0.5%	Brockton opportunistic property	4,610	0.4%
-	-	CBRE UK secured long income fund	4,611	0.4%
		Cash & accruals		
-	-	Close Brothers	5,009	0.4%
35,161	3.2%	Goldman Sachs cash	34,474	2.9%
24,755	2.3%	Northern Trust cash	17,063	1.4%
35	-	Blackrock MMF	35	-
(476)	-	Enfield Investment accruals	(183)	-
1,098,344	**100.0%**		**1,180,696**	**100.0%**

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 2018 £000s	% of total Fund	Market value 31 March 2019 £000s	% of total Fund
Trilogy global equities	161,997	14.7%	-	-
Blackrock –global equities	138,611	12.7%	155,836	13.2%
MFS – global equities	96,434	8.8%	110,109	9.3%
Western Asset – corporate bonds	86,598	7.9%	90,940	7.7%
Blackrock – indexed linked bonds	86,300	7.9%	89,072	7.5%
LCIV – Longview global equities	-	-	76,950	6.5%
LCIV – Baillie Gifford global equities	-	-	75,336	6.4%
M&G Inflation opportunities	43,616	4.0%	72,354	6.1%
Adam Street Partners – private equity	55,267	5.0%	69,005	5.8%
Lansdowne – equity hedge fund	55,672	5.1%	50,041	4.2%

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

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	1,158	EUR	(1,315)	23	-
1-6 months	GBP	3,270	USD	(4,257)	10	-
Open forward currency contracts at 31 March 2019					**33**	**-**
Net forward currency contracts at 31 March 2019						**33**
Prior year comparative						
Open forward currency contracts at 31 March 2018					**102**	**(59)**
Net forward currency contracts at 31 March 2018						**43**

Futures
Outstanding exchange traded futures contracts are as follows:

Type Assets	Expires	Economic exposure £000s	Market value 31 March 2018 £000s	Economic exposure £000s	Market value 31 March 2019 £000s
UK Fixed income	Less than a year	12,773	239	-	-
Overseas fixed income	Less than a year	3,327	23	11,665	215
Total assets			**262**		**215**
Overseas fixed income	Less than a year	(3,952)	(89)	(5,646)	(149)
Total liabilities			**(89)**		**(149)**
Net Futures			**173**		**66**

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. All hedging instruments are embedded into pooled our investment vehicles.

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
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 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to 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 *International Private Equity and Venture Capital Valuation Guidelines* (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 2019

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2019 £000s	Value on increase £000 £000s	Value on decrease £000s
UK secured long income fund	10%	4,611	+461	-461
UK opportunistic property	10%	4,610	+461	-461
European Infrastructure	10%	15,702	+1,570	-1,570
Private equity fund of funds	10%	69,005	+6,901	-6,901
Total		**93,928**	**+9,393**	**-9,393**

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.

Values at 31 March 2019	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets at fair value	131,420	894,057	93,928	**1,119,405**
Financial liabilities at fair value	-	(150)	-	**(150)**
Net investment assets	**131,420**	**893,907**	**93,928**	**1,119,255**

Values at 31 March 2018	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets at fair value	274,909	679,593	72,164	**1,026,666**
Financial liabilities at fair value	-	(148)	-	**(148)**
Net investment assets	**274,909**	**679,445**	**72,164**	**1,026,518**

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2
There has been no movement during 2018/19.

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

	Market value 1April 2018	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Property	5,888	-	432	(3,066)	-	1,356	**4,610**
Infrastructure	2,178	-	13,195	-	329	-	**15,702**
Venture capital	55,267	-	11,408	(9,979)	6,451	5,858	**69,005**
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)**	**6,441**	**7,214**	**93,928**

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 2018				31 March 2019		
Fair value through profit& loss	Loans& receivables	Financial liabilities at amortised cost		Fair value through profit& loss	Loans& receivables	Financial liabilities at amortised cost
£000s	£000s	£000s		£000s	£000s	£000s
			Financial assets			
82,344			Bonds	88,279		
192,565			Equities	43,141		
620,173			Pooled investments	824,211		
67,887			Pooled property	69,598		
63,333			Private equity	93,928		
364			Derivative contracts	248		
-	70,390		Cash deposits		58,091	
-	1,606		Other investment balances		2,547	
-	606		Trade debtors		815	
1,026,666	**72,602**	**-**	**Total financial assets**	**1,119,405**	**61,453**	**-**
			Financial liabilities			
(148)			Derivative contracts	(150)		
		(476)	Other investment balances			(183)
		(423)	Trade creditors			(632)
(148)	**-**	**(899)**	**Total financial liabilities**	**(150)**	**-**	**(815)**
1,026,518	**72,602**	**(899)**	**Grand total**	**1,119,255**	**61,453**	**(815)**

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2018 £000s		31 March 2019 £000s
	Financial assets	
19,305	Designated at fair value through profit & loss	71,923
(787)	Loans & receivables	3,109
18,518	**Total**	**75,032**

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.

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 2018/19 reporting period (based on assumption made in September 2018 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 (+/-) 2017/18
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 2019 £000	Potential value on increase £000	Potential value on decrease £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	69,005	+6,418	- 6,418
Real estate	89,910	+ 4,765	-4,765
Hedge funds	281,340	+ 11,816	-11,816
Cash & accruals	61,539	-	-
	1,180,696	**+60,592**	**-60,592**

Asset type	Value at 31 March 2018 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	42,686	+598	-598
Inflation-linked government bonds	86,301	+1,036	-1,036
Investment grade corporate bonds	39,658	+872	-872
Equities	502,636	+32,671	-32,671
Private equity	63,333	+5,510	-5,510
Real estate	67,887	+3,734	-3,734
Hedge funds	223,801	+8,281	-8,281
Cash & accruals	72,042	-	-
Total	**1,098,344**	**+52,702**	**-52,702**

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 2019 and 31 March 2018 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 2019 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	5,000	50	-	-
Cash & cash equivalents	53,091	531	-	-
Cash balances	13	-	-	-
Bonds	220,492	2,205	222,697	218,287
Total	**278,596**	**2,786**	**281,382**	**218,287**

Assets exposed to interest rate risk	Value as at 31 March 2018 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	69,956	700	70,656	69,256
Cash balances	435	4	439	431
Bonds	168,644	1,686	170,330	166,958
Total	**239,035**	**2,390**	**241,425**	**236,645**

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**

Income exposed to interest rate risks	Amount receivable as at 31 March 2018 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	321	3	324	318
Cash balances	-	-	-	-
Bonds	3,217	32	3,249	3,185
Total	**3,538**	**35**	**3,573**	**3,503**

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.

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	38,274	3,827	42,101	34,447
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	158,710	15,871	174,581	142,839
	203,511	**20,351**	**223,682**	**183,160**

Assets exposed to currency risk	Assets value as at 31 March 2018	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**

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 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 2019 was £58.1m (31 March 2018 - £70.4m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019 £000	Balances as at 31 March 2018 £000
Termed deposits			
Close Brothers	A-	5,009	-
Money market funds			
Goldman Sachs money market fund	AAAm	34,474	35,161
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	12	434
Northern Trust Custodian	AA-	17,063	24,755
Cash held by fund managers		1,510	10,005
		58,103	**70,390**

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 2019 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 will be known by 31 March 2020 and implemented from 1st 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
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 2016 actuarial valuation, the fund was assessed as 87% 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

Discount rate for periods in service	
Scheduled body funding target	4.5%pa
Orphan body funding target	4.1%pa
Discount rate for periods after leaving service	
Scheduled body funding target	4.5%pa
Orphan body funding target	2.5%pa
Rate of inflationary pay increases	3.5%pa
Rate of increase to pension accounts	2.0%pa
Rate of increases in pensions in payment	2.0%pa

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	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

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 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £916.3M) covering 87% 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.

The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

- 17.7% 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

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 19 years from 1 April 2017 (the secondary rate), equivalent to 5.1% of pensionable pay (or £7.8M in 2017/18, and increasing by 3.5% p.a. thereafter).

In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, was agreed with the Administering Authority reflecting the employers' circumstances.

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 were as follows.

Discount rate for periods in service	
Scheduled body funding target *	4.5%pa
Orphan body funding target	4.1%pa
Discount rate for periods after leaving service	
Scheduled body funding target*	4.5%pa
Orphan body funding target	2.5%pa
Rate of inflationary pay increases	3.5%pa
Rate of increase to pension accounts	2.0%pa
Rate of increases in pensions in payment	2.0%pa

** The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

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.

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:

	Men	Women
Current pensioners aged 65 at the valuation date	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 27 March 2017. 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 2019 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):

- **Increases to GMPs:**
  HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was

not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.

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

  Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 9 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. 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.

The report on the actuarial valuation as at 31 March 2016 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-2016-.pdf

NOTE 21: CURRENT ASSETS

31 March 2018 £000s		31 March 2019 £000s
	Debtors	
120	Contributions due - employees	168
382	Contributions due - employers	495
145	Sundry debtors	72
-	Prepayments	53
647		**788**
	Cash balances	
434	Current account	13
1,081		**801**

NOTE 21: LONG TERM DEBTORS

31 March 2018 £000s		31 March 2019 £000s
	Debtors	
-	Pensioner Tax liability	14
-		**14**

NOTE 22: CURRENT LIABILITIES

31 March 2018 £000s		31 March 2019 £000s
-	Sundry creditors	(19)
(423)	Benefits payable	(613)
(423)		**(632)**

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 1st April 18 £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2019 £000s
With profits cash accumulation	**1,281**	477	(410)	2	**1,350**
Cash statement	**13**	130	(9)	1	**135**
Deposit fund statement	**944**	300	(352)	3	**895**
Discretionary fund	**639**	165	(42)	37	**800**
	2,877	**1,072**	**(813)**	**43**	**3,180**

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 £935k (2017/18: £773k) 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 £40.6m to the fund in (2017/18 £36.8m). At year end the London Borough of Enfield owed the Pension Fund £72k (£44k in 2017/18).

Scheduled and admitted bodies owed the Fund £664k (£502k in 2017/18) from employer & employee contributions. All payments were received by 19th April 2019.

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, Head of Finance and the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2018/19 the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2018 £000s		31 March 2019 £000s
119	Short-term benefits	197
41	Post-employment benefits	62
160		**259**

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2019 totalled £100.6m (31 March 2018: £68.5m).

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.

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MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 13TH JUNE, 2019

MEMBERS: Councillors Yasemin Brett, Ergun Eren, Tim Leaver, Claire Stewart, Doug Taylor and Carolan Dobson (Independent Advisor)

Officers: Paul Reddaway (Assistant Head of Finance), Matt Bowmer (Interim Director of Finance), Gareth Robinson (Head of Finance) and Penelope Williams (Secretary)

Also Attending: Councillor Derek Levy, David Carpenter (AON), Jo Peach (AON) , Jonathan Teasdale (AON)

1. ELECTION OF CHAIR AND VICE CHAIR

Councillor Tim Leaver was elected Chair and Councillor Claire Stewart Vice Chair of the Pension Policy and Investment Committee.

2. WELCOME AND INTRODUCTIONS

The new chair welcomed everyone to the meeting and members introduced themselves.

3. DECLARATION OF INTERESTS

Councillor Yasemin Brett declared a non-pecuniary interest as her son works for JP Morgan.

Councillor Claire Stewart declared a non-pecuniary interest as one of her family was a member of the Local Government Pension Scheme and of Unison.

Carolan Dobson declared a non-pecuniary interest as a non-executive director of the London Collective Investment Vehicle.

Councillor Tim Leaver declared a non-pecuniary interest as a director of one of the Council companies.

Councillor Doug Taylor declared a non-pecuniary interest as a director of Capel Manor College.

Councillor Ergun Eren declared a non-pecuniary interest in CBRE group.

4. STANDING ITEMS

NOTED

1. In future all four standing items would be included on every agenda and that a governance update would be provided to the next meeting.

2. A glossary of terms including a list of acronyms would be circulated to all members.

1. Risk Register

The Committee received the Council's risk register setting out key risks, actions in place to address them, any progress made, risk categories and a lead officer responsible.

NOTED

1. Paul Reddaway's advice that:

   - In relation to PEN 08 Succession Planning that two experienced officers had recently been recruited to replace him as he was due to retire in September.

   - There were no issues in other areas. All employers in the scheme had paid in a timely manner. The valuation of the fund was the subject of a further report and was not seen to be a major risk at present.

2. Climate change and BREXIT would be added to the list of risks although these issues would already be included when considering fund allocations. Because of the diversity of investments across many different areas the risks in these areas were less.

3. The list of risks was not exhaustive and other issues could be added. Valuation including the threat from the resolution of the McCloud case would be included in the next report.

4. Comment was made that it was the committee's role was to fully understand risks, that the risk from Paul Reddaway's departure should continue to be included and that there was also a risk that members of the committee were not properly trained to understand their role. Training was an issue that the Pension Regulator would take an interest in and would be discussed later in the meeting. MiFID (Markets in Financial Instruments Directive) requirements were that any new member should be trained within 3 months of taking up a position on the committee.

5. A more detailed risk analysis was usually given to the Audit and Risk Management Committee but could also be provided to this committee.

6. Lack of continuity amongst the membership of the committee could be a risk.

7. Carolan Dobson (Independent Advisor) felt that the mortality assumptions should be rated as a medium/large risk.

2. London Collective Investment Vehicle (LCIV)

NOTED

1. A new chief officer had been appointed. Paul Reddaway would circulate their details.

2. A representative from the LCIV would be invited to attend the next meeting.

3. A management team at the fund Henderson, which the LCIV had bought into, had recently resigned leading to a review of the investment.

5. MINUTES OF THE LAST MEETING - 28 FEBRUARY 2019

The minutes of the meeting held on 28 February 2019 were agreed as a correct record.

6. COMMITTEE TRAINING PROGRAMME

The Committee received a report from Paul Reddaway on a possible training programme to be devised for the committee. (Report No: 20)

NOTED

1. The Local Government Association ran a three-day course investment training course. (10 and 30 October and 4 December 2019). The list of items covered was set out in Appendix 3. All members were encouraged to attend.
2. Paul Reddaway planned to hold a series of short hour-long training sessions over July, August and September. A timetable would be circulated.
3. Members were also encouraged to complete the online Pension Regulator Public Sector Tool Kit as set out in Appendix 1. This would provide necessary evidence and a good record of training undertaken.
4. A training session on ESG (Environmental and Social Governance) would be held early on. An earlier session had been planned, but it had been agreed to wait until after the new committee had been appointed.
5. The committee’s role was as trustees of the pension fund, not the Council. The fund covered a total of 33 employers, not just the

Council. The trustees were there to protect the interests of all the members of the pension fund.

6. Briefing sessions on specific topics would also be held before meetings.
7. An analysis of the Pension Fund accounts was thought to be a good starting point to understand the work of the committee.
8. An agenda setting meeting would be held with the Chair before all meetings.
9. Paul Reddaway would email members with press updates on key issues as they arose.
10. All training undertaken would need to be evidenced.

AGREED that the committee would undertake ongoing training to meet the requirements of being classed as a professional investor (MiFID II) and to be in line with the Pension Regulator Requirements.

7. PENSION STRATEGY BUSINESS PLAN 2019/20

The Committee received the report of Paul Reddaway on the Pension Strategy Business Plan 2019/20.

NOTED

1. The report provided an overview of the Investment Strategy Business Plan describing the different investment areas and building blocks indicating where the committee's priorities should be when considering their work for this year.

2. There is an overall objective to reduce the deficit which, at the time of the last actuarial valuation 3 years ago, was at 87%.

3. More detailed quarterly reports were provided on the performance of the various investments. This paper was just to give a high-level overview for new members.

4. Concern was expressed about a lack of information on any plan for recovery of the deficit, of comparable data, and of an explanation for the current position of the fund or where it was heading.

5. Training would be provided on the detailed investment and funding strategies on another occasion.

6. Agreement that the title of the report could be seen to be misleading.

7. Daniel Carpenter (AON) said that he was happy to talk to committee members in detail about the investment strategy.

AGREED to note the report.

8. DRAFT PENSION FUND ACCOUNTS 2018/19

The Committee received a copy of the Pension Fund Accounts for 2018/19.

NOTED

1. Over the past year the pension fund has grown mainly due to the favourable equity markets. Cash flow was positive. Contributions were higher than pension payments.
2. It was anticipated that this situation will deteriorate over the next 4-5 years. Other London pension funds had negative cash flows.
3. There had been an improvement in the liquidity of investments.
4. In future the fund will reduce the number of hedge fund managers. Some have not performed as well as expected, so fees have been lower.
5. The Enfield fund is not typical as it is more complex and more diverse than some of the other London funds.
6. Enfield holds investments at three different levels. Level 1 is those assets which are easily liquidated. Level 2 is those where quoted market prices are not available and Level 3 are hard to value long term investments. For example, Enfield had invested in Adam Street Partners in 2003. Its first investment has only just been realised. Through this fund Enfield had been an early investor in Facebook. These investments in general had a 8-9% rate of return.
7. Enfield had benefited in the past year from currency fluctuations particularly with the dollar which had increased by 24.8%.
8. Government requirements meant that more and more new investments will have to be invested in the London Collective Investment Vehicle (LCIV). This had been valued on 21 March 2019.
9. The report was presented in a format complying to the CIPFA code of practice. A different format will be used, and more detail provided, in the Annual Report for 2018/19, tying the figures back to the strategic allocations.
10. Investment management was stable and there had been increased returns. Oversight and governance costs had reduced mainly because the hedge portfolio was gradually being run down. In general Enfield costs were higher than average because of the variety of fund managers but this provided greater diversity and insurance against bad markets.
11. The fund had started to simplify its holdings to be in alignment with the Government's pooling agenda.
12. The fully audited report would be bought back to a later meeting of the Committee.

AGREED to note the pension fund accounts for 2018/19.

9. QUARTERLY PERFORMANCE REPORT - 31 MARCH 2019

Discussion on this item took part in the part 2 section of the meeting.

10. 2019 ACTUARIAL VALUATION - UPDATE

The Committee received a report updating them on the actuarial valuation. (Report No: 24)

Jonathan Teasdale from AON presented the information to members.

NOTED

1. Actuarial valuations took place every three years, although in future there is a proposal that this will change to every four years.
2. Evaluation outcomes will be available by the end of September 2019.
3. The main aims of the valuation are to compare assets with liabilities, determine the employer contribution rates and to ensure that the legal and regulatory requirements are met. These are based on assumptions to estimate how much money is needed to meet the needs of the fund's pensioners.
4. The valuation was a chance to see what the results look like, to make changes to the strategic and long-term financial objectives and take decisions on the level of acceptable risks.
5. There was a legal requirement to be prudent. Currently the probability of funding success is 69%. This had to be well above 50%. If more money is needed, then the employer contribution rates will have to be increased. Employee rates are fixed by Government.
6. At the time of the last valuation, in 2016, the funding ratio was 87%. A plan was put in place to eliminate this deficit over 19 years. This year it was expected that the headline figure would be more favourable, as asset returns in global markets had been good and improvements in life expectancy had slowed down. This will probably mean that employer contribution rates will not have to increase. The aim was to achieve 100% funding.
7. There is some additional uncertainty related to the McCloud case which would be explained at a later meeting.
8. A timetable for the process had been agreed in March 2019, an employers' meeting held in December and a funding strategy statement was due in early July. Training on the valuation process would be prioritised.

AGREED to note the report.

11. BOND PORTFOLIO CONSIDERATIONS

Discussions on this item took part in the part 2 section of the meeting.

12. ANY OTHER BUSINESS

1. **Environmental Social and Governance (ESG)** – This was a complicated issue that needed further debate. There were differing views as to how best to address the issues. Some thought that we should divest from all fossil fuels and others believed in active engagement to screen out environmentally damaging investments.

More information was needed to fully understand this and other ethical investment issues. Enfield would need to work on this with the other boroughs in the LCIV. Training would be provided at an early date.

13. DATES FOR FUTURE MEETINGS

NOTED the dates agreed for future meetings:

- Thursday 5 September 2019
- Thursday 21 November 2019
- Thursday 27 February 2020

In future all meetings would take place at the Enfield Civic Centre, at 10.45am, unless otherwise indicated.

14. EXCLUSION OF PRESS AND PUBLIC

RESOLVED, in accordance with Section 100(A) of the Local Government Act 1972 to exclude the press and public from the meeting for the items listed on part two of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

15. QUARTERLY PERFORMANCE REPORT - 31 MARCH 2019

The Committee received the Quarterly Investment Report, covering investments in the last quarter, up to 31 March 2019. Report No: 23.

NOTED

1. The differences in the figures in this report and the final accounts are accounted for by use of estimates on the basis of available information at the time.
2. There are two types of funds passive and active. Passive funds are less expensive and move in line with indexes. Active funds are managed, cost more, but can have higher returns.
3. Funds are over and under weight in relation to strategic allocations.
4. Equities were the long-term driver of the fund. At present the pension fund was overweight in these and was in the process of reducing investments closed to the level of the strategic allocation. Some equities were in the LCIV, but not all.
5. The fund was overweight in private equities.
6. Money in hedge funds was being reduced and no further investments were envisaged.
7. The fund only had money in the UK property market at present. There were no property funds in the LCIV currently, but this was due to change.

8. Investments in infrastructure were generally stable and secure. There were currently none of these type of investments in the LCIV.
9. Investments in bonds were generally defensive, as they were low risk, long term inflation protection. The Enfield fund was under-weight in these.
10. LCIV were closely monitoring the situation in one of the LCIV funds where fund managers had left. The LCIV had reacted very quickly to the changing situation. It is likely that the LCIV would leave this fund. This would involve some transitional costs.
11. There was an explanation of how funds were scored in the appendix.
12. In general, the funds had been well managed and had performed very well over the past 3 months

AGREED to note the contents of the report.

16. BOND PORTFOLIO CONSIDERATION

The committee received a report on bond portfolio considerations. (Report No: 25)

NOTED

1. At the last meeting an informal decision had been taken to withdraw from one fund and re-invest it in index linked bonds. This had not been acted upon as circumstances had changed and it was felt a formal recommendation, based on a fuller report, was needed.
2. Index linked gilts were expensive and had become even more expensive since the last meeting.
3. The pension fund was currently underweight in bonds and so it had been agreed that more investment should be put into these, thereby reducing risk and aligning back with the original strategy.
4. There was a total of £50m to be invested. Several options were available.
5. After discussion it was agreed that a further meeting would be held (possibly via skype) to make a firm decision based on a full report, including a full analysis of all the options.

AGREED to ask AON to work with Council officers to bring back a proposal on how to address the underweight bond position given the revised investment environment.