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PENSION POLICY & INVESTMENT COMMITTEE
Thursday, 14 April 2022 at 10.00 am
Council Chamber, Civic Centre, Silver Street, Enfield, EN1 3XA

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PENSION POLICY & INVESTMENT COMMITTEE

Thursday, 14th April, 2022 at 10.00 am in the Council Chamber, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors: Tim Leaver, Claire Stewart, Doug Taylor, Edward Smith and Terence Neville OBE JP

AGENDA – PART 1

1. WELCOME & APOLOGIES

2. DECLARATION OF INTERESTS

Members are asked to declare any disclosable pecuniary, other pecuniary or non-pecuniary interests relating to items on the agenda.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 4)

To agree the minutes of the previous meeting held on 27 January 2022.

4. PENSION BOARD VERBAL UPDATE

To receive verbal update from Bola Tobun on the last Pension Board.

5. ENFIELD PF RESPONSIBLE INVESTMENT POLICY AND NET ZERO ENGAGEMENT FRAMEWORK (Pages 5 - 40)

Members are recommended to:

a) Note the content of this report;
b) Note, review and comment on the current Responsible Investment Policy attached as Appendix 1; and
c) Note, consider, and approved the Net Zero Engagement Framework prepared by Aon, attached to this report as Appendix 2.

6. INVESTMENT STRATEGY IMPLEMENTATION UPDATE (Pages 41 - 92)

Members are recommended to

a) note the contents of this report and the Investment Strategy Review, Summary paper appended as Confidential Appendix 2;

b) note the contents of the Investment Strategy Implementation paper, appended as Confidential Appendix 1; and
c) consider and approve the recommendation of Aon of investing the Fund's new 5% allocation to alternative fixed income into the LCIV Global Bond Fund as appended as Confidential Appendix 3 to this report.

7. ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT AS AT 31 DECEMBER 2021 (Pages 93 - 100)

The committee are recommended to note the contents of this report and the attached Appendix 1.

8. QUARTERLY INVESTMENT PERFORMANCE MONITORING REPORT (Pages 101 - 188)

The committee are recommended to note the contents of this report and to note and comments on section 23 to 30 on the Impact of Russian Invasion on Investments Market.

9. MARKET UPDATE AND OUTLOOK (Pages 189 - 204)

The committee are recommended to note the contents of Aon's report set as Appendix 1 to this report

10. KEY DEVELOPMENTS ON INVESTMENTS & ASSET MANAGERS UPDATE (Pages 205 - 216)

Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

11. ENFIELD PENSION FUND DRAFT ANNUAL REPORT & ACCOUNTS 2020-21 (Pages 217 - 414)

Members are recommended to:

a) note the contents of this report; and

b) Note and consider the Annual Report for 2020/21 with all the statutory documents. (attached as Appendix A to this report);

c) Note the Enfield Pension Fund ranking and returns as prepared and produced by PIRC (Pensions & Investment Research Consultants Ltd) UK Local Authority League table for 2020/21, set in section 31 to 34 and Appendix B of this report.

d) Delegate the publication and distribution of the annual report to interested parties to the Executive Director of Resources, once the audit process is complete.

12. GAD SECTION 13 VALUATION RESULTS (Pages 415 - 558)

Members are recommended to:

a) note the contents of this report and Appendix 1;

b) note 2019 actuarial valuation attached to this report as Appendix 2, reissued by the Fund Actuary in July 2021; and

c) note the 2022 Formal Actuarial Valuation Timetable and Scope, attached as Appendix 3.

13. REVIEW OF CMA STRATEGIC OBJECTIVES FOR INVESTMENT CONSULTANT (PART 2) (Pages 559 - 578)

The committee are recommended to

a) To note the submission of the statement at Appendix 1 to the CMA in line with requirements;

b) Note and comments on the strategic objectives approved March 2021, attached as Appendix 2; and

c) Note and comments on Aon’s Investment Consultant response in assessing their performance against the objectives set and approved March 2021 as set out in Appendix 3.

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MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 27 JANUARY 2022

PRESENT	Councillors, Tim Leaver, Edward Smith and Terence Neville OBE JP
APOLOGIES	Claire Stewart and Doug Taylor
OFFICERS:	Bola Tobun (Finance Manager (Pensions and Treasury) , Matt Bowmer (Interim Director of Finance)
Also Attending:	Robyn Mclintock (Governance Officer)

1
WELCOME AND INTRODUCTIONS

Councillor Tim Leaver (Chair) welcomed everyone to the meeting. Apologies were received from Cllr Doug Taylor and Cllr Claire Stewart.

2
DECLARATION OF INTERESTS

None

3
MINUTES OF THE PREVIOUS MEETING 25 NOV 2021

The minutes of the meeting held on 25 November 2021 were agreed as complete and accurate.

4
PENSION BOARD UPDATE

No update as the last Pension Board meeting was cancelled and has been rescheduled to 3 February 2022.

5
KEY DEVELOPMENTS ON INVESTMENTS & ASSET MANAGERS

There were no major key developments on investments and asset managers.

The transition of moving from the LCIV global alpha fund into LCIV global Paris aligned fund is underway.

6
LOCAL GOVERNMENT PENSION SCHEME

Bola Tobun advised that the GAD report for section 13 is out comparing all the funds using standard actual variation terms. Report has not been produced yet.

Action: Report to be circulated to members and brought to the next meeting.

7
DRAFT ENFIELD PENSION FUND BUSINESS PLAN AND PPIC WORK PLAN FOR 2022/23

The plan was presented to the presented to the committee and was consistent with previous years.

It was noted that there is a need to ensure the diary management of committees, so they do not coincide with council meetings.

The plan was noted and accepted.

8
ENFIELD PENSION FUND CASHFLOW FORECAST 2022/23 TO 2024/25

Bola Tobun presented the operational cashflow forecast.

The cash flow net position is negative for the year. However, there is sufficient liquidity in the pension fund to manage any operational shortfall.

The report was noted and the committee will review it quarterly.

9
LONDON CIV - AMENDMENTS TO SHAREHOLDER AGREEMENT (SHA) AND ARTICLES OF ASSOCIATION (AA) (PART2)

The committee received a restricted report on the LCIV amendments to the shareholder agreement and articles of association from Bola Tobun.

The committee agreed to approve the amended articles and shareholder agreement.

Following discussions, it was agreed to contact the LCIV to confirm what the process would be, in the possible event that any member wishes to exit.

ACTIONS:

- To confirm agreement to the changes to the shareholder agreement and articles
- To contact LCIV to clarify any exit mechanism

10
CMA INVESTMENT CONSULTANT STRATEGIC OBJECTIVES REVIEW-AON (PART 2)

The Committee received a restricted report on CMA investment consultant strategic objectives review.

The committee noted the proposal. After discussions the proposal was agreed, there have been no changes and will review the full report at the next meeting.

ACTION: To bring CMA investment objectives to the next meeting.

11
AGM –AGENDA PLANNING (PART 2)

- Bola Tobun presented a draft agenda with proposed meeting date of 10th March.
- The final agenda will be sent 2 weeks beforehand.
- We will look at doing a virtual live event, with members and speakers there in person.

12
FURTHER DISCUSSION ON RESPONSIBLE INVESTMENT POLICY AND NET ZERO IMPLEMENTATION PLAN (PART 2)

- Further discussion was held on the responsible investment policy and net zero implementation. The committee welcome Aon's input and then start the governance review of it.

ACTION:
- Bola to circulate document from Aon with view on best practice and ask for feedback from members.
- Informal meeting to be held online at 09:30 on 18 February for a review.

13
AOB

- We intend to initiate a tender process for the independent advisor.
- Part 2 discussion was held on US court action against Blue Crest Investment. Members requested Aon to investigate whether there is a similar action being pursued in the UK or whether there is a possibility of such action
- The next meeting will be on 31 March 2022.

ACTIONS:

- Initiate tender process for independent advisor
- Follow up with Aon on Blue Crest.

Agenda Item 5

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject:	**Enfield Pension Fund Responsible Investment Policy and Net Zero Engagement Framework**
Cabinet Member:	**Cllr Maguire**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report presents Enfield Pension Fund Responsible Investment Policy and the Fund's Net Zero engagement framework. This is to remind the Committee of all decisions made and the work done in establishing the Fund's ESG approach to date.

2. The Committee must maintain its focus on the achievement of the investment returns required to meet its liabilities when they fall due. And to create an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Proposal(s)

3. Members are recommended to:
   a) Note the content of this report;
   b) Note, review and comment on the current Responsible Investment Policy attached as Appendix 1; and
   c) Note, consider and approved the Net Zero Engagement Framework prepared by Aon, attached to this report as Appendix 2.

Reason for Proposal(s)

4. The Pension Policy and Investments Committee act in the role of quasi trustees for the Pension Fund and are therefore responsible for the management of £1.55 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The management of the Fund's investment portfolio and the investment returns that the Fund is able to deliver have significant financial implications, not just for the Fund itself but also on the Fund's employers in terms of the level of contributions they are required to make to meet the Fund's statutory pension obligations.

5. The Fund recognises that investment in fossil fuels and the associated exposure to potential 'stranded assets' scenarios may pose material financial risks. These risks apply not only to the Fund's investment portfolio but also long term global economic growth.

6. The costs involved will very much depend on investment strategy decisions. Climate change risk will be integrated into the forthcoming new Investment Strategy Statement to ensure that it is considered as part of the Committee's asset allocation decisions, rather than in isolation.

Relevance to the Council's Corporate Plan

7. Good homes in well-connected neighbourhoods.

8. Build our Economy to create a thriving place.

9. Sustain Strong and healthy Communities.

Background

10. Responsible Investment (RI) is an approach that takes into account ESG factors and considers how the risks posed by the non-sustainability of companies invested in can impact the financial wellbeing of the Fund. Therefore, responsible investment is driven more by how sustainable factors can have financial consequences rather than ethical or moral implications which can be very subjective.

11. The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: selection (of assets), stewardship (of assets), and transparency & disclosure.

12. The Committee committed and set a goal of making its investment portfolios net zero in terms of carbon emissions by 2030. This is a very aggressive time scale for action of this sort. The BT Pension Scheme which is considerably larger than Enfield Pension Fund has committed to a 2035 goal and other schemes are looking at or have committed to 2040 or 2050, in line with the Paris agreement.

13. Thus, Enfield Pension Fund is looking to move further and faster than its peers to net zero and must do so within the context of the pooling process which to some extent, particularly when looked at together with key elements of our investment beliefs, limits our flexibility.

14. Achieving Net Zero is a journey and the Committee's view in setting the 2030 goal was clearly that the journey needed to begin and be undertaken at pace. Accordingly, we will need to do a number of things at the same time rather than wait for the completion of one piece of work before beginning the next.

This is will be reflected in the Action Plan that will be brought to the next Committee meeting.

15. The road to Net Zero is not going to be a straight line, and while more precise targets will be developed when better data is available it is clear that progress is likely to be lumpy, with key strategic changes having a significant impact while the actions of investee companies contribute a steadier underlying positive trend in emissions. Therefore, it will be important to maintain focus on the end goal and the direction of travel rather than individual way points.

ESG obligations of LGPS administering authorities and Fiduciary Responsibility

16. LGPS regulations issued by DCLG in September 2016, requires Investment Strategies of LGPS funds to outline their policy on how ESG considerations are taken into account within investment decision making. This marked a shift in the LGPS as a whole.

- **Regulation 7(2)(e)** requires funds to follow pertinent advice and act prudently when making investment decisions, *"…a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence".* They must consider any factors that are financially material to the performance of their investments, including **ESG factors** contemplating the time horizon of the liabilities along with their approach to social investments.

- **Regulation 7(2)(f)**, emphasises that *"administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their* ***policy on stewardship*** *with reference to the Stewardship Code. "*

- *Administering authorities are strongly encouraged to either vote their shares directly or ask their fund managers to vote in line with their policy under the Regulation 7(2)(f) and to publish a report of* ***voting activities*** *as part of their pension fund annual report under Regulation 57 of the 2013 Regulations.*

17. The role of the Council as administering authority for the LBE is to maintain, administer and invest the funds and to this end powers have been delegated to the to the Pension Policy and Investment Committee (PPIC). The regulations do not impose any legal obligation on the Committee to take ESG considerations into account. The PPIC acting in a quasi-trustee capacity have to act in a fiduciary manner meaning that they have to act in the best financial interest of the und.

18. According to legal advice obtained by the LGPS Scheme Advisory Board (SAB) and summarised on the SAB website, funds can take ESG factors into consideration provided that pension fund members do not suffer significant financial loss.

19. London Borough of Enfield (LBE) Pension Fund (the Pension Fund) is committed to be a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

20. The Fund maintains a policy of non-interference with the day-to-day decision making of the investment managers. The Committee believes that this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and the appropriate disclosure and reporting of actions.

21. There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Enfield Council, which has committed itself to achieving carbon neutrality by 2030.

22. Members of the Pension Fund place their trust in the Pension Fund Committee who hold a fiduciary duty to act in the members' best interests and ensure that their pension benefits are fully honoured in retirement. For this reason, as well as targeting investment returns that match the pension liabilities, the Committee is committed to managing the investment risks: the risks that pose a substantial threat to LGPS members' long-term future.

Engagement

23. The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors.

24. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), the Institutional Investors Group on Climate Change (IIGCC) and through working with the Fund's investment pool operator (London CIV).

Voting

25. Equity share ownership in the majority of companies gives investors the right to vote and the LBEPF can use their vote to influence company behaviour. LBEPF has delegated voting to asset managers. The managers the Fund has appointed engage with companies on ESG issues and have detailed voting policies which set out how they will vote. The Fund can also override this by issuing voting direction on advice from the LAPFF.

26. Some funds appoint stewardship firms who assist in formulating a voting policy for the Fund and vote the shares on behalf of the Fund in accordance with the policy. These additional services are likely to be a cost to the fund.

Data

27. Reliable ESG data is important to investors if they are to measure risk and reward of best practice in ESG by investee companies. The key to reliable data is that it should be independent, objective and publicly-sourced.

28. The Companies the Fund invested in usually have ESG scores which is an expression of all its ESG stance and other key factors. These scores can then be aggregated to establish a portfolio score. Numerous underlying factors are obtained from a range of data points. Data vendors are able to acquire and validate underlying ESG company data. ESG scores are one of the metrics used by fund managers to assess the sustainability of investee companies.

29. Data Vendors who provide this information for asset managers can also provide information for underlying Investors who want to acquire and ESG score across their whole portfolio. Obtaining an ESG score across all investments from all asset managers can allow investor to better understand their ESG risk by comparing the Fund's portfolio score to standard market ESG benchmarks.

30. Members are asked to consider whether this is a service they wish to subscribe to or explore further by receiving a presentation at a future meeting.

Climate Change and Fossil Fuel Divestment

31. Some of LAPFF's engagement includes meeting with Rio Tinto to discuss their climate change report in response to a shareholder issued resolutions they were involved in filing. They have also engaged with Shell and welcomed Shell's move to divest oil sands assets and continue to put pressure on Shell and other oil companies to migrate towards the lower carbon future that is fast approaching.

32. LGPS funds have continued to come under criticism for investing in controversial stocks such as oil, tobacco, alcohol producers, gambling firms, and payday lenders. Some local authority including Enfield Pension Fund, the London Boroughs of Islington, Haringey, Southwark and the Environment Agency have committed to reducing their exposure to carbon and some have gone on to state when they expect to be fully divested.

33. However, some LGPS funds have opted to retain their investments in companies with significant carbon footprints on the basis that being invested enables them to continue to lobby the companies to reduce their CO_2 emissions. The LAPFF working with a group of other investors successfully lobbied Shell to concede to a number of demands on climate change by lodging a shareholder resolution. The cost of immediate divestment will be substantial based on the returns on some of the companies alleged to be ESG offenders.

34. The Pensions Regulator specifically references climate risk in its Defined Benefit investment guidance, stating that 'Most investments in pension schemes are long term and are therefore exposed to long-term financial risks.

These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. Despite the long-term nature of investments, these risks could be financially significant, both over the short and longer term'

Update on Moving Towards Low Carbon Investments and a Reduced Exposure Fossil Fuels

35. Members of the Pension Policy and Investment Committee began its in depth consideration of carbon exposure towards the end of 2019. Between October 2019 and February 2020, the Committee members held several strategy meetings to consider in detail the Fund's approach to investment in fossil fuels and management of the financial risks posed by climate change.

36. The recommendations approved at its September 2019 and February 2020 meetings are set out below:

    a) *Consider and approve moving all the Fund's passive equity exposure to track a Low Carbon Index Strategy;*

    b) *Consider options for an initial active investment of approximately 5% of the Fund total assets in a sustainable or fossil fuel free global equity mandate and another 5% of the Fund total assets to be consider for a renewable energy/clean energy fund(s), given the right risk/return profile. Investment in such a fund would demonstrate the Fund's commitment to transition into low carbon economy;*

    c) *Maintain the Fund's current engagement activities which the Local Authority Pension Fund Forum (LAPFF) carry out on behalf of the Fund;*

    d) *Consider initiating a programme where the Fund could engage with investee companies (through its managers, the London CIV or possibly directly) on ESG issues;*

    e) *Following the result of the carbon risk audit carried out by Trucost using the Fund valuation position as at 30th September 2019, to consider setting 2 year and 5 year targets to reduce the carbon footprint of the Fund; and*

    f) *Agree to monitor carbon risk annually by using a specialist contractor to conduct and assess the progress being made against the Fund's target to reduce the exposure to future CO2 emissions.*

37. The Committee invested 15% passive equity portfolios into a Morgan Stanley Composite Index (MSCI) Low Carbon index-tracking target strategy which aims to reduce the carbon exposure of the allocation by some 70%, relative to the broad market index, whilst still expecting to perform broadly in line with the wider market over the long term. This work was completed March 2021.

38. The Fund undertook its first carbon risk audit towards the end of 2019, following the recommendation made at the November 2019 meeting to

commission a carbon footprint report for the Fund. This analysis was carried out by Trucost, using the end of September 2019 assets data and this audit assessed not only the carbon footprint of the Fund's equity portfolio, but also its exposure to future emissions through fossil fuel reserves.

39. After careful consideration of how carbon risk could best be reduced within the investment management framework in which LGPS funds operate, an appropriate way forward was deemed to be to set a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions.

40. At Committee meeting in March 2021 the Committee were asked to include within the Fund's Responsible Investment Policy Framework a commitment to making its investment portfolios net zero in terms of carbon emissions by 2030. In doing the Committee agreed to work on a plan (Net Zero Action Plan) for achieving this goal, this plan will be presented for their consideration at their November meeting.

41. Aon the Fund Investment Consultant has been asked to develop an action plan and a high level Net Zero framework d using the Institutional Investors' Group on Climate Change (IIGCC) Net Zero Investment Framework. As this recognises that there can be no "one size fits all" route to net zero, investors like LBEPF need to focus on maximising efforts that achieve decarbonisation in the real economy. This requires a comprehensive investment strategy led approach supported by concrete targets (at portfolio and asset class level) combined with smart capital allocation and engagement and advocacy activity. Such a strategy led approach must not just deliver emissions reductions, but also increase investment in the climate solutions which we need to achieve net zero. This approach will reduce the exposure of Enfield Pension Fund's investment portfolios to climate risk while increasing their exposure to climate opportunity, thus providing greater long term protection for our scheme members' savings.

42. All of this does, of course, need to be seen in the context of the Fund participation as one of 32 funds within the London CIV pool that will need to work with and gain the co-operation of the other partners and the operating company in order to achieve our goal.

43. The Fund will embrace and report in line with the requirements of the Task Force on Climate Related Financial Disclosure. The Fund will also consider presenting, the progress in achieving net zero in the Annual report.

44. The Net Zero Action Plan will start with the Fund's beliefs, it will provide the framework within which the Fund will develop objectives which will lead to us taking actions, which will lead to outcomes and consequently which we will then review to see whether we have achieved the Fund's objectives, and so the cycle goes on.

45. In making any decisions in relation to any of the stages of this cycle it is important to remember that the Committee is required by the LGPS Investment Regulations to ensure that it has taken proper advice. In most cases this will be provided by a combination of officers, Investment Consultant

and the independent investment adviser, but in this area, there is likely to be a requirement at various points for additional specialist advice. Given the requirement to pool which is placed on LGPS funds there is also a need to ensure that London CIV are engaged with the Committee on this journey.

46. Before putting in place a strategy to achieve the goal of net zero it is important to understand what the Committee meant by it and importantly how it will be measured. For example, what the Committee/Fund is seeking to achieve, is that the net level of carbon emissions from the holdings in the Fund's investment portfolio equals zero. This seems simple. However, there are several ways of defining carbon emissions and it is important that the Committee do have a clear understanding and which of the known elements/definitions we are using so that we can pull the right levers in order to achieve our goal.

47. The accepted standard for defining (and measuring) carbon emissions has "3 scopes" as follows:

i. **Scope 1** - Emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level.

ii. **Scope 2** - Emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

iii. **Scope 3** - Emissions are all indirect emissions – not included in scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations.

48. Companies reporting in line with the requirements of the Task Force on Climate Related Financial Disclosure Standard (TCFD) must report on Scope 1 and 2 whereas reporting on Scope 3 is voluntary and as will be clear from the definition incredibly hard to measure with the significant risk of double counting as between direct producer and indirect consumer organisations.

49. The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

50. The data being reported by fund managers to Funds makes no distinction as to these different types of emission, and while a restricted definition might make a 2030 goal easier this is not practical and would leave the Enfield Pension Fund open to the accusation of avoiding the key issues in emissions reduction.

51. For the purpose of delivering the Authority's Net Zero Goal the following definition will be used:

"The Enfield Pension Fund's goal is for the net carbon emissions from the totality of its investment portfolio to be zero by 2030."

52. While concentrating on scope 1 and 2 emissions allows the Fund to set targets which are comprehensible and where data is likely to be available, this position will need to be kept under review as more data becomes available and the investment impacts of using specific measures becomes clear. Measurement and regulation are continually developing in this area and to a significant degree we are going to be trying to hit a moving target, particularly in the next few years when the pace of change in these areas is likely to be greatest.

53. It is also the case that the measures identified within these definitions are of necessity backward looking and so thought will need to be given to adding a more forward looking element to the definition to ensure that investment opportunity is not lost in too great a focus on backward looking data.

Setting Targets Objectives and Reporting

54. Measurement and reporting will be central to how we drive forward the changes that are required in order to achieve the net zero commitment. The detail of these will flow from some of the strategic work that Aon is currently being carried out and will be set out in the Net Zero Action Plan. Whereby a comprehensive baseline position will be established which enables us to understand how far we have to travel to achieve net zero.

55. In simple terms what we are seeking to do is to establish a set of steps to reduce carbon in each element of the portfolio over a given time. How this will be achieved for individual asset class is difficult. However, we need to be in a place to do that so that they can feed into the reviews of individual mandates and investment products as well as the overall review of the investment strategy.

56. The other key consideration here is that we are not the only investor in the products in which we are invested and while in terms of the London CIV we can seek to influence we cannot dictate. Nor are we able to simply switch into a carbon neutral fund because the pool does not offer one, and to do so would require a fundamental change in the Fund's longstanding investment approach (either in terms of active v passive management).

57. Setting targets alone is not enough. We need to be held accountable for our progress towards those targets, which means we need to report publicly on our progress towards the net zero goal and also on the specific steps we have taken towards that objective.

Asset Class Implementation

58. The products in which the Fund invests are all made up of very different sorts of asset which have different characteristics, therefore it is highly unlikely that one approach to implementing net zero will be applicable across such a wide range of assets ranging from infrastructure to private equity investments in tech start-ups, through traditional instruments such as shares and bonds.

59. The Net Zero Action Plan will look at each major asset class in turn and identifies an initial approach which will reflects the need to focus on the real economy and the practical issues associated with operating within the context of pooling, where the Fund is not wholly in charge of its own destiny. All of this also needs to be set within the context of the Fund's broader beliefs about how to do investment.

60. Specifically, the Fund believes in:

- Being an active investor – This means picking the best stocks to invest in using the skill of individual managers. However, our moderate risk appetite means that while we believe in active investment we invest in active products that maintain broad portfolios within a particular asset class and select the best companies in particular sectors as opposed to highly active products which would select both companies and sectors, and thus generate much more concentrated portfolios.

- Being a global investor – This means that we will be exposed to investment in emerging economies such as China and India where the stage of development means that economic growth is sometimes being driven by companies in industries such as cement which are high emitters.

- Engagement over divestment or exclusion – The Fund has long operated on the basis that it seeks to influence companies through engagement, this is part of being rooted in the real economy. However, this is a position that is likely to be challenged in some areas by the setting of such an aggressive timescale for achieving net zero.

61. As we progress along the road to net zero (and further along the pooling journey more generally) these beliefs about how to do investment are all likely to be challenged in different ways and the Fund will need to at some point to consider whether it continues to support each of these propositions or whether it needs to take a different approach. However, in doing so it will need to consider not just the achievement of the net zero objective but its primary responsibility which is to ensure that the pension fund is able to meet its liabilities.

62. The other contextual factor to be considered before looking at the approach in each asset class is the fact that the Fund (like all other LGPS Administering Authorities) is part of a pool and needs to secure the co-operation of the other shareholder funds within the London CIV in order to make progress where changes are required to investment products. While there is a broad consensus within the shareholder funds about the significance of climate risk there is, as yet, not a consensus over the means of addressing it, although

there does appear to be movement towards the idea of targets. Clearly this will significantly influence the pace at which the Enfield Fund can move.

63. **Listed equities** are the single largest asset class in which the Pension Fund is invested and in order to achieve LBEPF's proposed goal, on a straight line basis it will be necessary to reduce the contribution to aggregate emissions from these portfolios by at least 50% by 2025. This could be achieved in a number of ways depending on the outcomes of the review of the investment strategy, and on the views of other investors in the funds. For example, investing in Paris Aligned Funds with London CIV.

64. An important feature of investment in listed equities is the voting rights which are conferred on asset owners. The way in which the Fund, through the external managers and London CIV, chooses to exercise these voting rights has the potential to accelerate progress by companies towards net zero. For example, if the Fund worked with external managers and London CIV to adopt a voting guideline that says votes will be cast against the reappointment of board members where companies are not making progress towards net zero as assessed by the Transition Pathway Initiative (TPI). Once this position is established, it will be appropriate to review its impact and consider whether a further strengthening of the voting position would be helpful in achieving the net zero goal.

65. **Fixed Income** portfolio are managed by a mixture of external managers and London CIV just like equity portfolio, using a variety of performance targets against a benchmark index. The favoured investment styles within these products tend towards relatively low turnover approaches which seek the best credits to buy with little reference to the composition of the index.

66. Emissions data is less available within fixed income than in equity investment, although for corporate credits there is the ability to use the same underlying data for both types of investment. However, many of the credits included in these portfolios are from sovereigns or multi-lateral institutions (such as the European Investment Bank) where the calculation of emissions data is much more difficult. While it is possible to engage with corporate bond issuers in the same way as for equities this is not possible for sovereigns and multi-lateral institutions so the ability to influence behaviour is not present in the same way.

67. So the proposition id for Fund managers in this space do seek to engage with corporates in order to have an increasing issuance of "green bonds" both by corporates and governments which will begin to form part of portfolios where they meet the wider investment criteria, although currently the scale of issuance means that the supply of such bonds is currently not always great enough to be investable while yields are slightly lower than the market as a whole making them less attractive as an investment. These are issues which will be resolved through market forces over time.

68. However, at this stage until data is available we are to a great degree "flying blind" therefore the immediate actions alongside encouraging managers to both engage more actively and consider "green bonds" where they are

genuinely investable, are to gather relevant data so the baseline can be established which will allow a move to setting of targets although this will require the agreement of the other investors in the Blackrock and London CIV products.

69. Alternatives - While there are three asset classes within alternatives (Private Equity, Inflation protection and Infrastructure) these will, at this stage, be considered together.

70. The key initial issue here is the lack of data, which will need to address, to some extent. However, we cannot manufacture data where it does not exist and to some extent, we will be dependent on movement in market expectations driving fund managers to provide the data needed, including the implementation of some new legislation during 2021.

71. Regardless of the data issue, this asset class are the area where Net Zero provides the greatest opportunity. The Fund is currently considering allocations of 5% - 10% investments in renewables and other investments which support the transition (such as electric trains replacing more polluting diesels), and the low carbon transition is a clear investment theme within these portfolios. This will over time result in a build-up of assets with positive characteristics.

72. **The property portfolio** provides a number of opportunities in terms of the movement to Net Zero. Again, there is a lack of comprehensive data, and there are some challenges in undertaking alterations such as the addition of solar panels where the cost needs to be recovered through service charges, particularly in the current economic climate.

73. We can review options for switching some of the existing property mandate into a low carbon property fund.

Accurate Assessment of Exposure to Fossil Fuels

74. Divest Enfield did a press release using inaccurate data from a third party and their estimate of Enfield Pensions Fund's exposure to fossil fuels was overstated.

75. Divest's estimation of the Enfield Pension Fund's exposure to fossil fuels is incorrect and overstated and also ignores significant action taken by the Fund over the past year to reduce the exposure.

76. The value of exposure to fossil fuels used by Divest Enfield in their press release of 15 July originates from a third party (Carbon Underground 200) which was based on their own analysis of the world's largest 100 coal and oil and gas producers in the public global benchmark equity and bond indices, and assumed that Enfield Pension Fund has an identical exposure to these companies as the public benchmark (e.g. MSCI ACWI at 3.9%; Bloomberg Barclays Sterling Corporate Bond Index at 2.8%).

77. In other words, each of the Fund's mandates/portfolio has been assumed to have identical allocation to coal, oil and gas, based on public equity or bond market index exposure.

78. The true picture of the Fund's exposure is significantly lower and varies considerably at a mandate/portfolio level.

79. An investigation was performed by the Fund Investment consultant as at 31 December 2020, asking each of the managers to provide:

- ❖ A full breakdown of the Fund’s exposure to oil, gas and coal, as the Enfield Pension Policy and Investment Committee was looking to establish the extent to which the Fund is invested in debt or equity of firms which produces, extracts or explores for oil, gas or coal as a material part of its business model;
- ❖ The weights to specific companies making up this aggregate exposure, along with the names of the companies themselves; and
- ❖ The geographic breakdown of this exposure.

80. Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.

81. As expected, a number of mandates/portfolios hold zero exposure (three of the Fund's equity mandates; and a number of illiquid mandates). Within the equity space, notably, all of the Fund's active managers with exposure to fossil fuels hold lower than MSCI ACWI weightings.

82. The Fund's exposure to fossil fuels, as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model was 1.1% of Fund value, or £15.1m as at 31 December 2021. This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m.

83. The same exercise was therefore repeated as at 31 March 2021, the Fund’s exposure to Fossil fuels is lower than the exposure as at 31 December 2020. 0.9%, or £13.1m in sterling terms. The reduction is largely driven by the Fund's transition of £220m to a passive low-carbon equity approach with BlackRock in early 2021, which successfully reduced the Fund’s fossil fuel exposure by £4.2m.

84. The Fund has put a quarterly reporting regime in place with the next report going to PPIC on 31 March 2022 for 31 December 2021 quarter end position.

Safeguarding Implications

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

Public Health Implications

86. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the Borough.

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

88. Environmental and climate change considerations are all over this report.

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

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

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

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

Financial Implications

91. Spending time developing the responsible investment policy helps to ensure that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund’s investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

92. The development of a robust responsible investment policy helps the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.

93. There are no direct financial implications arising from this report. The Draft Action Plan highlights the need to use a number of processes, such as the investment strategy review, which are already budgeted to facilitate delivery of the Net Zero goal.

Legal Implications

94. The Committee has legal responsibilities for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. The LGPS (Management and Investment of Funds) Regulations 2016 require Administering Authorities to state the extent to which they comply with the Guidance given by the Secretary of State. In accordance with regulation 7(2)(e) the authority must set out in its Investment Strategy Statement, its policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

95. As indicated in the body of the report, the Committee must ensure that it continues to demonstrate a focus on its duty to meet the obligation to pay pensions when due while at the same time positively addressing climate change. The two need not be incompatible, but there is a tension of which the Committee must remain aware and stay on the right side of.

Workforce Implications

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

Property Implications

97. None

Other Implications

98. None

Options Considered

99. The Committee could decide not to set a target date to achieve Net Zero Carbon Emission goal for the Fund. Having this target in place as a long-term investor, will assist at all stages of the investment decision-making process and also to gain the trust and pride of members in the governance process and the way in which in the Fund is invested on their behalf. It is therefore important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

Conclusions

100. The Pension Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities.

101. The Pension Fund views engagement with companies as an essential activity and encourages companies to take position action towards reversing climate

change. The Enfield Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

102. The Fund expects the pool and the asset managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

103. The Pension Fund will continue to work closely with its investment managers to measure the carbon impact of its investments. This will involve developing internal metrics and agreed targets which will be reviewed on a regular basis. A detailed Net Zero Action Plan will be brought to the Board in 6 months.

104. There is Increasingly, growing interest in the investment community to develop investment strategies that focus on sustainable investments in different asset class. Enfield Pension Fund will encourage, support and contribute to the work being carried out by the London CIV in the development of sustainable investments in the private markets and other asset class.

105. The Pension Fund set a goal of making its investment portfolios to be net zero carbon emissions by 2030. The initial stages in this approach will be twofold:

i. Firstly, an increase in exposure to investments which support the low carbon transition, by allocating and investing 10% of total funds into renewable energy.

ii. Secondly a restructuring of the various equity mandates. This restructuring will result in a reduction in the carbon emissions and intensity of these portfolios, through changing the universe of shares that can be invested in. At this stage this does not involve ruling out whole classes of company, but it may (based on an investment case) involve divestment from specific companies.

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Date of report 14th March 2022

Appendices
Appendix 1 – Responsible Investment Policy
Appendix 2 – Net Zero Engagement Framework

Appendix 1

London Borough of Enfield Pension Fund Responsible Investment Policy

July 2021

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

Pension Policy and Investment Committee

Resources Department
Enfield Council
Civic Centre, Silver Street
Enfield EN1 3XY
www.enfield.gov.uk

participating employers

RESPONSIBLE INVESTMENT POLICY

1. Introduction

1.1 Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns. The Pension Fund's approach to responsible investment is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments.

1.2 Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the Fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

1.3 The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.4 The Pension Fund acknowledges that these goals form a vital part of acting as a responsible investor alongside its administering authority, Enfield Council, with the Council having recently committed itself to achieving carbon neutrality by the year 2030.

1.5 The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed by officers, advisors and investment managers.

1.6 The Pension Policy & Investments Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

1.7 With these noble objectives at the forefront, it is important to note that the Pension Policy & Investments Committee has a vital, fiduciary duty to act in the best interests of the LGPS beneficiaries to ensure that their pension benefits are honoured in retirement.

Policy Implementation: Selection Process

1.8 The Pension Policy & Investments Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pension Policy & Investments Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes.

1.9 This includes, but is not limited to:

a) evidence of the existence of a Responsible Investment policy;

b) evidence of ESG integration in the investment process;

c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);

d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);

e) a track record of actively engaging with global companies and stakeholders to influence best practice;

f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.10 As part of its investment selection process, the Pension Policy & Investments Committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. The investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a) for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment and retention decisions;
b) for passive managers, the investment advisor is aware of the nature of the index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy as the passive manager actively engages with global companies and stakeholders where appropriate;
c) consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;
d) how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and
e) how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

1.11 Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investee companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

Policy Implementation: Ongoing Engagement and Voting

1.12 Whilst it is still quite difficult to quantify the impact of the less tangible nonfinancial factors on the economic performance of an organisation, this is an area that continues to see significant improvement in the measurement of benchmarking and organisational progress. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which include carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investment performance.

1.13 The Pension Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a range of factors, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental, governance and social issues.

1.14 Pension Fund officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a) Regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;

b) reviewing reports issued by investment managers and challenging performance where appropriate;

c) working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;

d) contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;

e) actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member (currently 83 LGPS member funds).

1.15 The Pension Fund holds units in pooled equity funds, where our asset managers will have the opportunity to vote at company meetings on our behalf. Engagement with companies can have a direct impact on voting choices and fund manager voting and engagement reports are reviewed on a regular basis.

1.16 The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

1.17 The Pension Fund's officers will work closely with the London CIV pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all ESG issues which could present a material financial risk to the long-term performance of the fund. This will include the London CIV's ESG frameworks and policies for investment analysis, decision making and responsible investment.

1.18 In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a) Pension Fund employers;

b) Local Pension Board;

c) advisors/consultants to the fund;

d) investment managers.

Policy Implementation: Training

1.19 The Pension Policy & Investments Committee and the Fund's officers will receive regular training on ESG issues and responsible investment. A review of training requirements and needs will be carried out at least once on annual basis. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.

FOSSIL FUEL DIVESTMENT PRINCIPLES

1.20 This section will specifically address the Fund's principles for the divestment over time of fossil fuel investments: The four key principles for divestment are set out below:

a) Fossil fuel risk will be incorporated into the overall asset allocation strategy

b) The commitment to reduction in fossil fuel investment is more than a long term risk mitigation strategy.

c) Divestment is not risk free.

d) Engagement and LCIV

1.21 **Principle 1: Incorporation into asset allocation strategy**

i) The primary purpose of the Fund is to meet the pension benefits for the members of the Fund. Every three years the Fund undergoes an actuarial valuation, which estimates the value of pensions due to be paid to members. The result of which allows the Fund to review the asset and investment strategy in order to establish the most appropriate mix of assets to best achieve the required level of net of fees investment return on an appropriate risk adjusted basis, whilst ensuring diversity of assets, sufficient liquidity and appropriate governance of the investments.

ii) The Fund will seek to fully integrate fossil fuel risk into the investment strategy review process, from overarching asset allocation to individual investment choices. All investments will be considered through the lens of fossil fuel risk, but that any investment cannot be separated from the overall investment objectives for the Fund and must be subject to a full business case in consideration of the overall portfolio as well as fees and transition costs.

1.22 **Principle 2: More than a long-term risk mitigation strategy**

i) The Fund has a fiduciary duty to all the employers within the Fund and for the scheme members and as such must manage the investments assets effectively with an investment time horizon in line with the liabilities for the Fund and have due regard to the investment risk inherent within the portfolio

ii) The Fund recognises the risk that fossil fuel investment places upon the Fund for future investment and as such, this document largely involves the desire to mitigate risk.

iii) However, purely focussing upon those investments that are negatively exposed to the decline in profitability and viability of fossil fuel extraction and usage excludes a key consideration for the Fund; identifying those investments that are positioned to gain from such a transition.

iv) The Fund therefore will proactively seek to identify suitable investments that fit within the overall asset allocation strategy and will be the beneficiaries from a low carbon regulatory and investment environment. The Fund will target both a downside risk mitigation strategy and a desire to invest in positive ‘green’ focussed assets.

1.23 **Principle 3: Divestment is not risk free – Potential for negative implications**

i) The Fund has sought to operate an uncomplicated and stable investment structure, resisting short term investment decision making. This approach has proved successful for the Fund with strong investment performance over the previous long term. The implementation of a fossil fuel risk mitigation commitment has the potential to complicate investment decision making.

ii) It is therefore imperative that, as set out in Principle 2, the Fund must seek to incorporate fossil fuel implications into the overarching investment strategy rather than seeking to separately implement fossil fuel risk mitigation approaches.

iii) The Fund has long held a large portion of equity investments as passive (investments that are held in the same proportion as that of the market as a whole) with a current target allocation of 40%. (15% out of this 40% have been invested in Reduced Fossil Fuel Passive Global Equity mandate). This approach acknowledges the challenges and typically higher costs involved in seeking to predict future investment winners and losers. The inclusion of a fossil fuel risk mitigation strategy within this leads to a risk that in the short term the Fund may be negatively exposed to overall market returns if fossil fuel based investments outperform the wider market. Global usage of fossil fuels is still predicted to comprise a significant portion of global energy usage in years to come and as such the Fund must be cognisant of the potential investment returns forgone should fossil fuel usage decline at a rate slower than the market has priced in.

iv) There are likely to be additional management expenses within equity investment mandates that have some element of fossil fuel exclusion. As such the Fund must be confident that the additional risk from holding a portion of the Fund that is exposed to fossil fuels must be considered to be greater than the additional burden of higher management fees and any associated costs of transitioning assets from one mandate to another. It is therefore important for the Fund to collaborate with other local authority partners to work to reduce the costs for such reduced fossil fuel investments.

v) The measurement and assessment of which investments are most exposed to fossil fuels is not straightforward. Some companies may hold fossil fuel reserves or operations which are more damaging to the environment as a result of greater CO_2 output but that might be paradoxically less exposed to changing regulatory environment due to lower extraction costs. Companies not directly involved in the production or extraction of fossil fuel may derive significant portions of their revenue from fossil fuel companies. The Fund must ensure that any assessment of exposure to fossil fuels risk is sophisticated and investments are not distorted by inaccurate data.

1.24 **Principle 4: Engagement and Local Authority partnerships – LCIV**

i) There is growing appreciation of the growing risks and opportunities that Pension Funds face from the transition away from traditional fossil fuel usage, including among Local Government Pension Funds. It is important that the Fund works with other Local Authority partners to share knowledge and best practice as well as utilising collective assets to push for the most effective and efficient implementation of reduced fossil fuel strategies.

ii) The Fund will work with local authority partners, such as the London Borough of Hackney, Islington, Haringey as well as the LCIV, the pooled investment vehicle of which the Fund is a shareholder and active supporter, in the application of this commitment. The Fund will also seek to be an active voice in the investment community for the advancement of investment outside of fossil fuels.

iii) The carbon footprint assessment of a portfolio is most commonly applied to listed equities as significant numbers of listed companies publicly report their estimated greenhouse gas emissions using the greenhouse gas protocol standard template for measurement. This allows for greater consistency in comparison between companies and sectors and allows an investor to better understand which elements of the portfolio are the most exposed to fossil fuel risk.

iv) A key element for this document is to not just focus upon the risk to the Fund from fossil fuels but also to invest in assets that are best positioned to benefit from a low fossil fuel environment. Two companies involved in electricity generation may have a very similar current carbon output; but one has focussed capital spend and research on renewable energy and other ‘green’ activities. As part of a portfolio assessment, a data provider can analyse the extent to which income for the portfolio is derived from low fossil fuel sources.

v) This assessment is easier to perform for listed equities, due to the wider availability of company specific data, but can be extended to analyse other assets classes within the portfolio. The Fund commissioned a full assessment of the greenhouse gas exposure within the Fund equity portfolios on a current output and potential output basis. The results of which will allow the Fund to monitor progress in the reduction of exposure as well as to set meaningful targets for this reduction.

1.25 **Timeline:**

1.26 The Fund’s implementation period for fossil fuel reduction is split into three main time horizons, encompassing short medium and long-term objectives.

i) The short term: one-five years (2020-2024)

ii) The medium term: five-ten years (2024–2030)

iii) The long term: beyond ten years (2030+)

1.27 Given the difficulty in predicting the global investment and technological environment in addition to Fund specific liability and investment requirements, longer term periods will likely be subject to significant variability and uncertainty.

Short Term – From 2020 to 2024

1.28 Triennial Actuarial Valuation and Investment Strategy Review

The Fund published the most recent actuarial valuation in March 2020, the results are the foundation of the current asset strategy review to be completed June 2021. The asset allocation review aims to ensure that the current investment allocation is appropriate to meet the required investment return to fund future pensions within a suitable risk profile. Where investment underperformance is identified or risk profile changes, either across an asset class or manager specific, any subsequent reallocation will be considered with regard to overall fossil fuel exposure.

1.29 Local Authority Collaboration and Pooling

i) It is important that the Fund works together with other likeminded local authority partners, e.g. London Borough of Hackney, in order to develop suitable fossil fuel reduction opportunities. Collaboration will also seek to mitigate some of the fee and transition cost implications of changing investment allocation.

ii) The Fund will engage with the LCIV through representation by officers and members on key LCIV governance panels to push for the availability of reduced fossil fuel investment and Paris Aligned mandates within the LCIV.

1.30 Fund Managers

i) Committee to appoint a Paris Aligned Active Equity manager/mandate (to further reduce fossil fuels exposure of the two active Global Equity portfolios with LCIV which currently stood just about 15% of the total fund.

ii) Committee to appoint a Renewable Infrastructure manager/mandate or longterm investments in sustainable technology and alternative energy sources with 10% of total fund assets allocated to this strategy.

iii) All Hedge Funds to be redeemed.

iv) The Fund will continue dialogue with MFS Investment Management to ensure that fossil fuel risk is considered as part of stock decision making and that those with significant CO_2 output be treated with caution.

1.31 General

i) The Fund commissioned a carbon footprint assessment for the equity portfolios to analyse the overall exposure across each asset classes to identify the most effective methods to reduce the risk from fossil fuels. This analysis demonstrated the proportion of the Fund, which is positively exposed to low carbon or 'green' revenue. Quantifying exposure will allow the Fund to develop meaningful targets for the reduction in fossil fuel exposure over the long term, whilst also identifying the areas of greatest risk within the portfolio.

ii) The Fund will continue to support the work of the Local Authority Pension Fund Forum (LAPFF) as representing 90 local authority pension funds in their engagement with companies to promote best practice climate aware business activities.

iii) Any changes to investment allocations will need to be communicated with key advisors, such as the Fund actuary, as well as the Fund's external auditors.

iv) Committee is monitoring PIRC Engagements with Companies on their ESG considerations and Responsible Investment Policies to ensure the engagement is adequate and in line with the Fund's Investment beliefs.

v) Committee continue to review quarterly reports provided by managers to understand their approaches and actions taken in areas such as engagement and voting and how managers are reporting on relevant RI metrics to their investors.

vi) Committee members are meeting with Asset Managers every month for clarification and better understanding of each fund manager Responsible Investment (RI) Policy and how to work effectively with the Fund going forward.

vii) Work to be carried out stating Fund Managers RI Policy and alignment with Enfield PF.

viii) Committee to review current investment beliefs, climate policy and SDG aspirations.

ix) Committee to consider Fund approach to Stewardship and TCFD reporting.

Medium Term – From 2024 to 2030

1.32 Triennial Actuarial Valuation and Investment Strategy Review

i) The medium term will incorporate the results of the triennial valuation in 2025 and 2028 and will constitute key points for major review of assets and investments to ensure that these are best placed to meet the payment of benefits to members of the scheme. Fossil fuel risks and opportunities incorporated in the consideration for any amendments to the asset allocation strategy.

ii) The carbon footprint and risk analysis will be re-calculated at each triennial asset allocation review and incorporated into the overall portfolio risk assessment.

1.33 Local Authority Collaboration and Pooling

The Fund is committed to working with the LCIV and will seek to comply with the Government requirements for pooled investments. Over the course of this period the proportion of assets under the control of the LCIV will increase significantly, which may limit the availability of reduced fossil fuel investment mandates. Therefore, the Fund will continue to seek to exert influence over the strategic direction of the available investments within the LCIV, alongside other local authority partners, to ensure that these are appropriate for the sustainable strategy that the Fund wishes to implement. The opportunity for reduced fossil fuel or sustainable investment in multi asset mandates will likely develop as part of continued engagement between the Fund and other likeminded members of the LCIV.

1.34 Fund Managers

Continued engagement with fund managers to ensure that fossil fuel risks and opportunities are consistently and appropriately taken into consideration throughout the decision making process.

1.35 General

i) The Fund will continue a policy of engaging with companies through membership of the LAPFF and the LCIV to encourage companies to adopt the highest of standards with regard to fossil fuels and energy efficiency.
ii) The Fund will be able to measure progress made against targets for the proportion of investments exposed to low carbon or green revenues and the overall carbon exposure of the Fund. In the event that elements of the portfolio should be changed then subject to business case and appropriate due diligence, any change in portfolio must be considered in light of the overall investment strategy with regard to fossil fuels.

Long Term: 2030 onwards

1.36 Triennial Actuarial Valuation and Investment Strategy Review

The Fund will continue to assess the overall investment strategy as required to meet the pension benefits for members based upon the calculations within the triennial actuarial valuations. As and when asset and manager allocations require amending, the risk of fossil fuel exposure will be incorporated into any due diligence regarding risk and reward decision making.

1.37 Local Authority Collaboration and Pooling

In the long term, the vast majority of assets will be invested through the LCIV so ensuring the availability of suitable opportunities within the LCIV will be key for the continued reduction in fossil fuel investments as well as positioning the Fund to benefit from clean technology and low carbon industries. This will allow the Fund to invest across a variety of disparate asset classes without compromising the ambition to be a long-term sustainable investor.

1.38 Fund Managers

Most of this engagement will be exercised through the LCIV pooled investment vehicle

1.39 General

The Fund will fully incorporated fossil fuel risk, through regular and sophisticated monitoring and portfolio analysis into the investment decision making process. Carbon reduction targets as part of the overall portfolio will play a key role in the increasing percentage of investment assets within sustainable or low carbon income sources.

London Borough of Enfield – Investment Beliefs (Final - Approved 27/02/2020)

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

1. Responsible investment is supportive of long-term risk-adjusted returns, across all asset classes. As a long-term investor, the Fund should invest in assets with sustainable business models in fulfilling its fiduciary duty to the scheme members.
2. Investee companies and asset managers with robust governance structures are better positioned to handle shocks and stresses. They capture opportunities by investing in companies which have weak but improving governance of financially material Environmental, Social and Governance (ESG) issues. [An opportunity is defined by its potential and intention to become aligned with the Fund's objectives and strategy].
3. The Fund Investment managers should include the Fund ESG considerations in their investment processes.
4. It is important to consider a range of ESG risks and opportunities. Investible priorities should be based on the United Nations Sustainable Development Goals (UN SDGs).
5. Climate change (SDG 13, Climate Action) represents a long term material financial risk for the Fund, and will impact our members, employers and our portfolio holdings, and is therefore one of these priorities.
6. It must prioritise the following SDGs in its investment strategy:

a. SDG 7 – Affordable and Clean Energy

b. SDG 9 – Industry, Innovation and Infrastructure

c. SDG 11 - Sustainable Cities and Communities

d. SDG 12 – Responsible Consumption and Production

e. SDG 13 - Climate Action

7. The Fund's appointed Investment Managers are accountable for implementing appropriate responsible Investment policies, tailored to these priorities. The Investment managers should report back on these priorities.
8. Divestment mitigates ESG-related risk, when collaborative engagement with companies by investors and investment managers

fails to produce positive responses, which meet its ESG-related priorities.

9. The exercise of voting rights is consistent with an asset owner's fiduciary duty: The Committee expects its managers to exercise this right fully and reserves the right to direct votes.

Supporting evidence

Investment Theses behind the chosen SDGs (G applies to all)

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

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject:	**Investment Strategy Implementation Update**
Cabinet Member:	**Cllr Maguire**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report introduces Aon's report on the Fund's implementation plan.

Proposal(s)

2. Pension Policy and Investments Committee is recommended to

a) note the contents of this report and the Investment Strategy Review, Summary paper appended as Confidential Appendix 2;

b) note the contents of the Investment Strategy Implementation paper, appended as Confidential Appendix 1; and

c) consider and approve the recommendation of Aon of investing the Fund's new 5% allocation to alternative fixed income into the LCIV Global Bond Fund as appended as Confidential Appendix 3 to this report.

Reason for Proposal(s)

3. The decisions taken around investment strategy are some of the most important decisions taken by the Committee. Contributions and investment returns are the only two options available to fund benefit payments; decisions around the contribution and investment strategies are therefore some of the most significant in terms of their overall impact on the Fund. It should be noted that the high level decision making around the type of assets held has far more impact than manager selection.

4. **Relevance to the Council's Corporate Plan**

5. Good homes in well-connected neighbourhoods.

6. Build our Economy to create a thriving place.

7. Sustain Strong and healthy Communities.

Background

8. Appendix 1 to this report sets out specific recommendation to set the Fund's new asset allocation in line with the new investment strategy.

9. Importantly, it should be noted that these proposed changes will help to address and progress the Fund towards its previously set climate related objectives as it would represent a "greener" asset allocation.

Safeguarding Implications

10. None.

Public Health Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

14. Any form of investment inevitably involves a degree of risk.

15. To minimise risk the Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

16. This report helps in addressing value for money through planning to have a rigorous and robust investment strategy in place to aid in bridging the Fund's funding gap.

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

17. Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

18. The Aon paper sets out a number of recommendations in respect of the implementation of a revised Investment Strategy.

19. There are no direct financial implications arising from this report.

Legal Implications

20. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy in line with guidance published by the Secretary of State. Regulation 7(2) stipulates that the authority's investment strategy must include:

a) a requirement to invest fund money in a wide variety of investments;

b) the authority's assessment of the suitability of particular investments and types of investments;

c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

21. This paper helps demonstrate that the Committee is investing in line with Regulation 7(2), by carrying out an assessment of the suitability of different types of investments and considering how some of the risks to which the Fund is exposed can be managed through setting an appropriate investment strategy.

Workforce Implications

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

Property Implications

23. None

Other Implications

24. None

Options Considered

25. No alternative options considered.

Conclusions

26. The Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions.

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Date of report 14th March 2022

Appendices
Appendix 1 – Aon Investment Strategy Implementation Plan for Enfield PF (Confidential)
Appendix 2 – Aon Investment Strategy Review Summary for Enfield PF (Confidential)
Appendix 3 – Aon Alternative Fixed Income Allocation Report for Enfield PF (Confidential)

Investment Strategy Next Steps

Implementing the agreed investment strategy for the London Borough of Enfield Pension Fund

At a glance…

This report has been drafted to provide an overview of the various stages required to implement the Fund's revised investment strategy. We focus on the Fund's equity portfolio and also options for the allocations to alternative fixed income and infrastructure. We also provide an update in relation to the redemption terms for the Fund's hedge fund portfolio.

- **Equities:** We review the construction of the Fund's current equity portfolio, provide views on the Fund's current managers and comment on the alternative options available on the London CIV ('LCIV') and highlight the LCIV Sustainable Equity Fund as one which the Committee should consider in more detail. We recommend that the Fund's holdings in the LCIV Global Alpha Growth Fund be moved to the Paris-Aligned version of the fund, to enhance the integration of Environmental, Social and Governance ('ESG') views.
- **Fixed Income:** We comment on the options available from the LCIV for consideration in relation to the allocation to alternative fixed income and recommend that the Committee should consider the LCIV Global Bond Fund in more detail.
- **Infrastructure:** We provide views on the two infrastructure funds available through the LCIV and how they could be used to increase the Fund's allocation to infrastructure.

We also provide a suggested timeline for implementing the various stages of the Fund's revised investment strategy.

Throughout this report we have taken into account the Committee's ESG beliefs and have incorporated this into the consideration of new managers.

In addition, we have only considered options that are available to the Fund through the LCIV, as the move towards pooling the Fund's assets continues.

Why bring you this note?

To provide you with an overview of the various stages required to implement the Fund's revised investment strategy.

Next steps

This report is for discussions at the September 2021 Committee meeting.

The recommended next steps, subject to the agreement of the Committee, include:

- Transitioning the Fund's holdings in the LCIV Global Alpha Growth Fund be moved to the Paris-Aligned version of the fund
- Engaging with the LCIV to further understand their offerings in:
  - Sustainable Equities;
  - Global Bonds; and
  - Infrastructure.

Prepared for: The London Borough of Enfield Pension Fund ("the Fund") Policy & Investment Committee ("the Committee")
Prepared by: Daniel Carpenter, Joe Peach, Max Meikle
Date: 15 September 2021

Equities

Current allocation

The Fund's current equity allocation is based on a 'core-satellite' approach that the Committee previously implemented, whereby the Fund holds both passive (i.e. 'core') holdings to provide equity market beta and active (i.e. 'satellite') holdings that provided the opportunity to outperform and deliver returns above the general market.

This approach reduces the Fund's reliance on one of either the general market or manager skill to deliver returns, and we believe that a combination of passive and active managers remains appropriate for the Fund.

The Fund has recently moved its passive equity holdings to the BlackRock ACS World Low Carbon Equity Tracker Fund ('BlackRock World Low Carbon Fund') and the remaining active managers are the LCIV Emerging Market Equity Fund (managed by JP Morgan), the LCIV Global Equity Focus Fund (managed by Longview), the LCIV Global Alpha Growth Fund (managed by Bailie Gifford) and the MFS Global Unconstrained Fund.

The growth style bias of Baillie Gifford in particular means that the Fund's equity holdings have a slight growth bias overall which has had a positive impact on the performance of the Fund's equity portfolio over recent years.

The table below outlines the valuation of the Fund's equity portfolio as at 30 June 2021.

Equity allocation as at 30 June 2021

	Market Value (£m)	Percentage of Fund assets (%)
BlackRock World Low Carbon	236.7	16.2
MFS Global Unconstrained	151.0	10.3
LCIV Global Alpha Growth Fund (Baillie Gifford)	124.5	8.5
LCIV Global Equity Focus Fund (Longview Partners)	96.7	6.6
LCIV Emerging Market Equity Fund (JP Morgan)	37.1	2.5
Total	**646.0**	**44.2**

Source: Northern Trust
Note: we have excluded the Trilogy holding as it is immaterial and being divested.

The Fund's combined equity portfolio made up 44.2% of the Fund's total assets as at 30 June 2021, which is an overweight position relative to the strategic benchmark weight of 35.0%.

Balancing equity management styles

Passive vs. active management

The Fund has held active and passive funds for an extended period of time, as part of the aforementioned core-satellite approach. To help assess whether the Fund's passive and active equity managers have delivered on their objectives, we have included some performance information below.

The Fund has been invested with BlackRock, as its passive equity fund manager, since 2009. The aim of the passive fund is to track the performance of a market index (as opposed to outperforming it) and, although the index has changed recently to be a low carbon index, BlackRock's relative performance has been within the expected tolerance of the respective index it has been aiming to track. Aon's Manager Research Team Buy-rate BlackRock's ability to passively track an index and if our view of the manager should change, we would highlight this to Officers and the Committee. To this extent, we are comfortable that the Fund's passive equity allocation has delivered on its objective.

The Committee have previously expressed a view that they believe in active management within elements of the Fund's portfolio and we have assumed that this view has not changed.

We have included below details of the Fund's active global managers' performance relative to their respective benchmarks, to help assess whether the Fund has historically benefitted from the manager skill, and associated outperformance of the index, that active mandates should bring.

Performance relative to benchmark of the Fund's active equity mandates as at 30 June 2021

	1 years (% p.a.)	3 years (% p.a.)
MFS Global Unconstrained	+0.5	+0.5
LCIV Global Alpha Growth Fund	+5.4	+5.4
LCIV Global Equity Focus Fund	+1.6	n/a
LCIV Emerging Market Equity Fund	+4.6	n/a

Source: Northern Trust, LCIV
Note: LCIV EM benchmark is MSCI Emerging markets, other benchmarks are MSCI All Country World Index. Net of fees.

Broadly, the active equity managers have added value, most notably the LCIV Global Alpha Growth Fund, which is managed by Baillie Gifford.

Based on the historical performance and the diversification provided by the core-satellite equity allocation, we continue to believe that a mix of active and passive equity funds is a suitable approach for the Fund's equity portfolio.

Equity Style bias

Each of the Fund's active equity managers has a certain style bias and, as a result, there has been considerable deviation in performance between the various equity funds.

The main three style biases we refer to are value, growth and quality:

- **Value stocks** are companies that are currently considered to be trading below what they are actually worth and therefore will provide a better return. They are usually larger, more well-established companies that have a stable dividend pay-out history.
- **Growth stocks** are those companies that are considered to have the potential to outperform the overall market over time because of their future potential. This may be due to their better product/line of products/technological property/business model compared to their competitors.
- **Quality** stocks are companies which have low debt, stable earnings, consistent asset growth, and strong corporate governance.

In addition to the above, core management is defined as being broadly balanced between different styles (i.e. is 'style-neutral'), where the manager purely focuses on stock selection to deliver outperformance.

Since the start of the COVID-19 pandemic, investors have continued to pay a premium for stocks with resilient earnings and structural growth, particularly if that growth is linked to an internet-based business model. In contrast, lower valued, cyclical, businesses have remained out of favour. The business cycle, which in the normal course of events would help weed out weaker businesses and favour industry leaders, has been suppressed by the flow of cheap central bank finance.

However, simply because a certain style has outperformed in recent history does not mean it should be favoured going forwards. Indeed, we have begun to see valuations on growth stocks strained somewhat and other style biases outperform in certain quarters in 2021 (notably value outperforming growth in Q1 2021).

Therefore, we would argue in favour of maintaining a balance of manager styles within the Fund's equity portfolio going forwards, to diversify style exposure and rely on the active management element to deliver outperformance. Within the portfolio we would favour tempering but not eliminating the growth exposure and anchoring the core of the portfolio more around a quality / growth profile.

We will discuss the style associated with each manager in the context of our proposed portfolios later in this report.

Number of equity managers

As part of the recent investment strategy review discussions, the Committee expressed a desire to reduce complexity within the Fund's overall portfolio where possible. One way of doing this could be to reduce the number of managers that the Fund has investments with, which would also help reduce the governance requirements of the Committee.

We believe that the Committee can broadly take two approaches to the current equity portfolio:

- **Simplified**. Remove an active equity manager. This would reduce the governance requirements of monitoring the mandates (more specifically, the active equity mandates) and simplify the portfolio. However, it would increase the manager concentration risk within the portfolio. Although it is possible to do so, any additional reduction in the number of managers beyond this would further increase the manager concentration risk and the possibility of excessive style risk within the portfolio.
- **Increased Diversification.** Maintaining the same number of active equity managers as current. Whilst this approach does not reduce the governance requirements, it does reduce the Fund's reliance on individual active managers to deliver outperformance.

We highlight some potential portfolios for the Committee to consider later in this report.

Choosing the right manager

We have included below a short summary of each of the Fund's current equity managers and our recommendation for action in relation to each.

BlackRock

ACS World Low Carbon Equity Tracker Fund (Passive, Aon "Buy-rated")

- Earlier in the year the Committee chose to move the Fund's passive equity portfolio with BlackRock to an alternative, low carbon, fund, still with BlackRock. This fund aims to track the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index.
- The objective of the benchmark that the fund aims to track is to minimise carbon exposure and exclude companies with exposure to fossil fuels, whilst achieving a target level of tracking error relative to the broad market index. To date, the strategy appears to have delivered on its objective.
- While we do not specifically Buy-rate this approach, we do Buy-rate Blackrock as a passive equity manager, and we are comfortable that the fund should achieve its carbon targets in a relatively risk controlled manner.
- **No change recommended.**

LCIV Emerging Market Equity Fund

JP Morgan Emerging Market Equity Fund (Active, Aon "Not Rated")

- JP Morgan is a well-known diversified asset manager with a large and successful Emerging Markets franchise. The suite of equity strategies follow a long term, low turnover quality and growth orientated investment style that have generally delivered good results.
- The addition of Emerging Markets exposure provides regional equity diversification within the Fund's overall equity portfolio. As an active manager, JP Morgan have the ability to outperform their benchmark.
- Whilst we tend to prefer smaller organisations and more nimble approaches in Emerging Markets, the JP Morgan strategy should be a steady and dependable strategy capable of delivering good investment results. Therefore, we believe that there is no change needed.
- **No change recommended**

LCIV Global Alpha Growth Fund

Baillie Gifford Global Alpha Growth Fund (Active, Aon "Buy-rated")

Style - Growth

- Baillie Gifford is a long established, stable, Edinburgh based partnership and remains one of Aon's favoured diversified growth equity strategies. The Global Alpha fund is the more diversified of the manager's global equity strategies and has an excellent track record dating back to its inception in 2005.
- 2021 has seen the retirement of one of the three original founders of the Global Alpha strategy, Charles Plowden. The other two founder portfolio managers remain in place and have been joined by internal appointee, Helen Xiong, in a typically well managed Baillie Gifford transition. We have met with Helen Xiong and our view is that she is a capable investor who will enhance the Global Alpha team, especially in considering ESG.
- We believe that the Baillie Gifford Paris Aligned version of the Baillie Gifford fund available through the LCIV provides a good opportunity to further integrate ESG into the equities portfolio. We have not specifically reviewed or rated the Global Alpha Paris-Aligned strategy but we see no reason why the Paris-Aligned fund should not be able to mimic the successful record of the original strategy.
- Global Alpha's growth style naturally commands a lower carbon profile than the broad benchmark as it leans towards internet business models, technology and service businesses and away from slower
- growing, more asset based businesses which typically have a higher carbon footprint. Therefore, holdings overlap between the two Global Alpha approaches is in excess of 90% and we would expect the growth style bias to be similar.
- We would note that Baillie Gifford also offer a Positive Change Equity Fund, which provides a more impact-orientated ESG investment philosophy, is more aligned with the current Baillie Gifford fund in its

Recommendation

We recommend to transfer the Fund's investment from the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund.

high growth, highly concentrated, long-term outlook and is “Buy-rated” by Aon. However, this fund is not available on the LCIV platform.

LCIV Global Equity Focus Fund

Longview Global Equity Fund (Active, Aon “Buy-rated”)

Style – Slight Value & slight Quality

- Longview is a highly successful boutique equity manager whose impressive long term track record suffered a major blow in the Covid-19 sell-off of 2020. Its quality / value portfolio was not well placed for this extreme event due to its financial holdings, businesses hit by the global lockdown and a lack of exposure to defensive internet based businesses. Unfortunately, this challenging period also saw a second key investment staff departure, CIO Alistair Graham (Ramzi Rishani left in 2018). Two internal promotions to CIO and Head of Research ensured continuity and when we reviewed the strategy in late 2020, we reaffirmed our ’Buy‘ rating whilst recognising that the ‘new’ leadership needed to quickly establish its credibility.
- Performance has improved under their watch although market conditions have also been more favourable for quality/value. Longview's track record remains impressive over longer periods, and attribution analysis shows a significant contribution from stock selection, which is consistent with their process.
- Overall, we remain comfortable that, aside from a slight downgrade of our view of Longview staff and under-performance which we believe is short-term, the manager can deliver on the long-term performance objective. We would also note that the slight value / quality style bias of the fund provides a good counterbalance to the growth bias elsewhere in the equity portfolio (notably Baillie Gifford).
- Longview remain “on watch” within the LCIV and we note there are discussions ongoing between LCIV and the underlying investors in the fund in relation to alternative options. We do believe that there is therefore a governance risk involved with remaining in the fund, as the LCIV may make the decision to change the underlying manager, which could lead to a shift in the style bias of the fund depending on the option chosen. If this were to occur, we would recommend the Committee undergo necessary due diligence on the proposed replacement manager to determine its suitability for the Fund.
- Longview remains on Aon’s ’Buy‘ list albeit with a reduced level of conviction while we monitor how the new key decision makers perform.
- **Consider changing investment in context of number of desired equity managers and the view of the LCIV**

MFS

Global Equity Fund (Active, Aon “Qualified”)

Style - Quality & slight Growth

- The long serving and highly successful lead portfolio for MFS Global Equity, David Mannheim, retired in 2018 with the experienced Ryan

McAllister joining in a smooth transition. However, this did not alleviate our concerns that the portfolio team had become somewhat entrenched in its views and, in particular, had missed out on some key, successful ideas generated by its global research team, notably in the Technology sector, which had negatively impacted relative performance. We subsequently downgraded our recommendation from 'Buy' to 'Qualified' recognising that this was still a capable team but no longer one of our best ideas.

- MFS have delivered good performance over the duration the Fund has been invested, although in 2020 and 2021 the strategy has moderately underperformed, reflecting the relatively weaker performance of its quality style and, we would argue, a lack of established growth exposure which was one of our original concerns.
- We do not believe that a 'Qualified' rating alone would be sufficient to argue for a redemption from MFS, given performance has been good and we believe the strategy remains suitable for pension schemes to invest in. However, we believe that there are other alternative equity managers available on the LCIV which can also support the Committee's strong ESG beliefs and provide a more complimentary style bias to the Fund's other equity managers.

Recommendation

We believe the Committee should consider alternative manager offerings as a potential replacement for the MFS equity fund.

Alternative global active equity mandates

We have considered below active equity funds available on the LCIV, which we believe are suitable replacements for one or both of the Longview and MFS mandates.

Note that we have omitted the Baillie Gifford Paris Aligned fund as we have already included a recommendation on this earlier in the paper, to transfer funds from the current Baillie Gifford fund in which the Fund is invested to the Paris Aligned version.

Morgan Stanley

LCIV Global Equity Core Fund (Active, Aon "Not Rated")
Style - Quality & slight Growth

- New York based global investment bank Morgan Stanley has an excellent long term track record from investing in high quality, long term franchise type businesses.
- Aon has a fundamental Buy rating on the London investment team's Global Franchise product. Global Core Equity is a derivation which specifically excludes companies involved in certain industries (tobacco, alcohol, adult entertainment, gambling, gas/electric utilities, fossil fuels, civilian firearms and weapons).
- In reality, there is a high level of overlap with the main Aon Buy rated Franchise strategy though the later does have some tobacco and drinks company holdings.
- Performance has been challenged over the past 12 months as the manager has a high conviction focus on quality stocks which were less favoured during both the Covid-19 sell-off (growth stocks preferred) and subsequent 'vaccine rally' (value/cyclical stocks preferred).

- We expect the long term pattern of positive returns to be restored given the strength of the team and the robust underlying portfolio holdings.

Newton

LCIV Global Equity Fund (Active, Aon "Not Rated")
Style – Modest quality / large cap bias

- Newton is a London based investment manager and part of the BNY Mellon financial services group.
- The Global Equity strategy has a modest quality / large cap bias and is not rated by Aon.
- Newton has seen more turnover in senior staff than we would like though there has been more consistency on this product under the leadership of Jeff Munroe.
- The track record has been patchy with little value added against benchmark over most trailing time periods and a steady level of outflows has left the strategy with relatively modest assets of just over £4bn by mid-2021.
- We understand that Newton were on "watch" with the LCIV for a period recently.

RBC

LCIV Sustainable Equity Fund (Active, Aon "Not Rated")
Style – Core, with slight Quality & slight Growth

- RBC Global Asset Management is owned by Royal Bank of Canada with the team managing the Global Sustainable Equity product based in London. The Global Focus strategy is managed with a fundamental, bottom-up approach complemented by extensive risk management processes to control unintended portfolio risks. In our view lead portfolio manager, Habib Subjally, and his team supporting are of high quality. The performance track record is strong and consistent.
- We believe that the experienced team and their disciplined quality criteria, coupled with their view of ESG factors as a material determinant
- of investment decisions, differentiates this strategy from its peers. Risk control is key and integral to the investment approach.
- RBC has a tilt away from value and towards growth/quality characteristics.
- We do not formally rate this fund, but we do 'Buy' rate other RBC global equity strategies that are run by the same team and share the same philosophy, process and risk framework.
- Aon also does not formally rate the 'Exclusion' version of the strategy, which the LCIV Sustainable Equity Exclusion Fund invests in, but in broad terms the same comments apply.

Note

We have a slight preference for the LCIV Sustainable Equity Fund over the other options available on the LCIV, as it has more of an ESG focus. In turn, we have a slight preference for the LCIV Global Equity Core Fund over the LCIV Global Equity Fund, given the ESG overlay and governance risks of investing in the LCIV Global Equity Fund, given that the underlying manager was on "watch" by the LCIV for a period recently.

Proposed global equity portfolios

As mentioned previously, we recommend the Committee make no change to the passive BlackRock Low Carbon and LCIV Emerging Markets Equity funds.

Therefore, in our alternative equity portfolios for consideration below, we have only reflected on the combinations of active managers. We have created portfolios that account for:

- **Any concerns** from Aon or the Committee about the manager or underlying fund, including performance;
- **Managing the growth style bias** that arises from having the Baillie Gifford investment; and
- **ESG integration** into the portfolio:
  – Aon expects any recommended active equity managers to be able to demonstrate a good level of organisational commitment to Responsible Investing (e.g. UN PRI signatory, senior accountability, voting and engagement policies etc.) and to integrate the consideration of ESG risks and opportunities across all investment decisions.

Alternative Portfolio 1

Current	Alternative Portfolio 1
MFS Global Unconstrained	-
LCIV Global Alpha Growth Fund	LCIV Global Alpha Growth (Paris-Aligned) Fund
LCIV Global Equity Focus Fund	LCIV Global Equity Focus Fund

Comments

- The reduction in the number of equity managers within this option streamlines the portfolio but does increase the manager concentration risk.
- The portfolio continues to include an allocation to the LCIV Global Equity Focus Fund (managed by Longview, a manager that Aon “buy-rates” despite recent changes).
- Longview’s slight value and quality style bias provides the best compliment to Baillie Gifford of any portfolios considered.
- However, ESG integration is not as strong as other proposed portfolios.
- One of the key considerations here is if the Committee is comfortable to remain in the LCIV Global Equity Focus Fund, where there is a risk the LCIV may make a decision to change the underlying manager, and the governance cost that could be involved in assessing this move were it to happen.

Alternative Portfolio 2

Current	Alternative Portfolio 2
MFS Global Unconstrained	-
LCIV Global Alpha Growth Fund	LCIV Global Alpha Growth (Paris-Aligned) Fund
LCIV Global Equity Focus Fund	-
-	LCIV Sustainable Equity Fund
-	LCIV Global Equity Core Fund

Comments

- This portfolio has a higher level of ESG integration overall, due to ESG being a focus for each of the underlying funds.
- Maintaining three managers does not reduce the governance requirements, but it does reduce the manager concentration risk.
- The combination of managers results a slightly higher growth style bias within the portfolio.
- The underlying managers of the two additional funds are not ‘Buy’ rated by Aon, although in the case of the LCIV Sustainable Equity Fund, we do ‘Buy’ rate other of the underlying managers global equity strategies that are run by the same team and share the same philosophy, process and risk framework.

Alternative Portfolio 3

Current	Alternative Portfolio 3
MFS Global Unconstrained	-
LCIV Global Alpha Growth Fund	LCIV Global Alpha Growth (Paris-Aligned) Fund
LCIV Global Equity Focus Fund	-
-	LCIV Sustainable Equity Fund

Comments

- The reduction in the number of equity managers within this option streamlines the portfolio but does increase the manager concentration risk.
- ESG integration is favourable for both of the funds.
- Given the LCIV Sustainable Equity Fund has more of a core style than the LCIV Global Equity Core Fund, the style bias would also be more diversified than Alternative Portfolio 2, but not Alternative Portfolio 1.
- The same comments as Alternative Portfolio 2, in relation to the underlying manager of the LCIV Sustainable Equity Fund, apply.

Aon Comments on Equity Options

- As highlighted throughout this section of the report, we believe that the Fund should maintain a balance between active and passive management within its equity portfolio.
- In addition, we believe that a balanced style approach should also continue to be adopted within the Fund's equity portfolio, to avoid a strong bias to any one particular style.
- We continue to believe that the BlackRock World Low Carbon Fund is appropriate for the Fund's passive equity allocation.
- Furthermore, we continue to believe that a dedicated allocation to emerging market equities remains appropriate, given the diversification that it brings to the overall equity portfolio.
- Whilst Aon continue to 'buy' rate the underlying fund within the LCIV Global Equity Focus Fund (i.e. Longview), we recognise that there is a risk that, as the LCIV have the manager on 'watch', they may decide to change the underlying manager.
- MFS are the Fund's only equity manager who are not held through the LCIV and, with a number of alternative active equity managers now available on the LCIV, we believe that the Committee should consider alternative manager offerings as a potential replacement for MFS.
- Given the Committee's beliefs in relation to Environmental, Social and Governance issues, we believe that the LCIV Sustainable Equity Fund should be the main alternative option considered from the LCIV. We suggest that the Committee arrange to meet with the LCIV and the underlying manager, RBC, to better understand the offering.

Bonds

Recap – Why Invest in Bonds?

Pension funds typically incorporate bonds into their portfolio to provide protection from interest rate and inflation risk.

The profile of an investor's liabilities can be 'matched' by strategically investing in fixed interest gilts and index-linked gilts. These are extremely low risk investments as they are guaranteed by the UK government.

Matching the duration of the liabilities with gilts, if done effectively, can reduce interest rate and inflation risk.

The 'matching' approach outlined above is particularly beneficial if a pension scheme's liabilities are valued using a gilt-based Actuarial discount-rate. However, in the Fund's case, the discount-rate methodology is more of a risk-based approach (which involved projecting forward investment returns) as opposed to a gilt-based approach.

Therefore, the desirable characteristics of the Fund's bond portfolio can be extended to be:

- Duration exposure;
- Inflation protection;
- Accessing credit returns;
- Diversification (in a number of ways); and
- Income generation.

As well as government bonds mentioned above, fixed income securities can also include investments in non-government bonds.

Non-government bonds can serve to diversify and reduce the volatility of growth assets. This is because, generally, non-government bonds are lower risk should provide downside protection during periods of poor performance in the equity market.

Current allocation

The Fund's current bond portfolio is made up of a range of different investments, as outlined in the table below.

Bond allocation as at 30 June 2021

	Market Value (£m)	Percentage of Fund assets (%)
BlackRock Passive Fixed and Index-Linked Gilts	93.1	6.4
Western Active Bonds	106.7	7.3
Insight Absolute Return Bonds	32.0	2.2
LCIV Multi-Asset Credit	55.8	3.8
Total	**287.6**	**19.7**

Source: Northern Trust

As at 30 June 2021 the allocation to bonds was 19.7%, which is an underweight position relative to the strategic allocation of 24.0%. With the Committee having agreed to make an investment into Liquid Credit to help reduce the Fund's current allocation to Cash, the allocation will move closer towards its strategic allocation, although the Fund's overall allocations will need rebalancing in due course as part of the implementation of the Fund's revised investment strategy.

In addition to the current bond portfolio, as part of the Fund's revised investment strategy, the Committee agreed to make a 5.0% strategic allocation to 'alternative fixed income'. The role of this allocation is to provide further diversification to the current bond assets.

Alternative Fixed Income

The three fixed income funds that are currently available on the LCIV platform are:

- LCIV MAC Fund;
- LCIV Global Bond Fund; and
- LCIV Private Debt Fund.

We provide some information on each of these funds below:

LCIV MAC Fund

The Fund has already had an allocation to the LCIV MAC Fund since November 2018. The MAC fund is currently managed by CQS, but, as the Committee may recall, the LCIV have recently selected PIMCO as a complementary manager to CQS, with the fund being expected to have an equal allocation to CQS and PIMCO once the changes have been made. The latest indication from the LCIV is that this change is expected to take place later in 2021 or early 2022.

As a reminder, the LCIV MAC Fund has an objective to return Cash + 4- 5%, p.a. over a rolling 4-year period, net of fees.

LCIV Global Bond Fund

The LCIV Global Bond Fund is an actively managed portfolio that invests at least two-thirds of its assets in investment grade global corporate and credit instruments. The fund is similar to the Fund's current mandate with Western, in that it invests in corporate bonds, but it adopts a global approach to investing as opposed to the UK focus that Western have.

The underlying manager is PIMCO, and the objective is to outperform the Barclays Aggregate – Credit Index Hedged (GBP) over a rolling three-year period, net of fees.

We are aware that the LCIV have been working with PIMCO recently to enhance the Environmental, Social and Governance integration within the fund and further detail is expected on this in the near future. We view this is as a positive development from the LCIV and PIMCO.

LCIV Private Debt Fund

Private debt is debt which is not financed by a bank and is not issued or traded on an open market in the same way that other debt instruments such as gilts and corporate bonds are. Examples of some elements of the private debt market are infrastructure debt, property debt and direct lending (which involves providing finance to companies, often SMEs).

The LCIV Private Debt Fund currently has two underlying funds which it invests in, one managed by Churchill and the other managed by Pemberton, with the focus of both funds being to lend to companies. The objective of the fund is to generate a 6% - 8% IRR (net of fees) in local currency for the life of the fund. The expected life of the fund is 8 years, with the potential for further extensions with consent.

By their nature, private debt funds are illiquid investments, meaning that they are not regularly traded. This fund is a closed-ended fund and the LCIV have indicated that the second close of the fund is expected to be in mid-October and that this will be the final opportunity to invest in the fund.

The LCIV presented to the Committee at the February 2021 monthly manager meeting, though there were some questions raised about the fund during and post that meeting.

Aon Comments on Alternative Fixed Income Options

With the Fund already having exposure to the **LCIV MAC Fund**, we have not considered this as potential option for the ‘Alternative Fixed Income’ allocation. Given the changes that are scheduled to occur to this fund, we suggest that the Committee monitor its progress and development over time.

The Fund currently has a significant allocation to UK Corporate Bonds through its holding with Western. Furthermore, with an allocation to Gilts and Index-Linked Gilts in the BlackRock portfolio, the Fund’s current bond portfolio does have a bias towards the UK.

Whilst we believe that allocations to UK Corporate Bonds, Gilts and Index-Linked Gilts all retain roles within the Fund's strategy, we also believe that, similar to within the equity portfolio, rather than investing solely in UK focussed assets, the Committee should seek to add diversification by investing more globally.

Investing in a global bond fund would bring added benefits of diversification, by broadening the scope of potential investments. The Fund would be subject to less idiosyncratic risk from the UK economy and could therefore expect to see lower volatility from its non-government bond investment.

With this in mind, we suggest that the Committee arrange to meet with the LCIV and PIMCO to review the **LCIV Global Bond Fund**, with a view to potentially investing in the fund.

For completeness, whilst Aon do not directly rate the LCIV Global Bond Fund, we do ‘Buy’ rate other PIMCO Global Credit strategies that are comparable.

With the Fund's revised investment strategy seeing an increase in allocation to infrastructure, which is also an illiquid asset class, at the current time we do not believe that the Committee should further investigate the **LCIV Private Debt Fund,** especially given the time constraints with accessing this fund alongside reflecting on the overall illiquidity level as part of the Fund's wider assets.

Infrastructure

Current allocation

The Fund's current's infrastructure allocation is made up of two funds, outlined in the table below.

Infrastructure allocation as at 30 June 2021

	Market Value (£m)	Percentage of Fund assets (%)
Antin	23.3	1.6
IPPL (Listed PFI)	48.3	3.3
Total	**71.6**	**4.9**

Source: Northern Trust

As at 30 June 2021 the allocation to infrastructure was 4.9%, which is an underweight position relative to the previous strategic allocation of 6.0% and the recently agreed revised strategic allocation of 16.0%

The illiquid, closed-ended, nature of the Antin fund means that capital will be drawn down over time. The Fund has committed €25m to the Antin fund and, following the most recent capital call in June 2021, c.82% of this has been called to date (€20.6m).

As part of the revised investment strategy, the Committee agreed to increase the strategic allocation to infrastructure to 16.0%.

London CIV Funds

The LCIV have two infrastructure funds available to investors; the LCIV Infrastructure Fund and the LCIV Renewables Fund. We provide some details on each of these offerings below:

LCIV Infrastructure Fund

- Long term objective is to seek to achieve a net return of 8-10% p.a. and a cash yield of 4-6 % p.a.
- Invests in both brownfield and greenfield investments.
- Targets a minimum of 25% allocation to renewable investments.
- Launch date 31 October 2019
- Size of commitments: £399m from 6 investors (as at 31 May 2021)
- Manager: StepStone

The LCIV have appointed StepStone as their outsourced infrastructure manager, meaning that StepStone select the underlying managers that the fund invests in. The LCIV have input and oversight into which investments are selected and have a right to any investment. It would be possible, in the future, for the LCIV to take on StepStone's role in-house, as their level of expertise increases.

LCIV Renewables Fund

- The Fund focusses on investing in renewable energy – wind, solar, other generation, including biomass, biogas and hydroelectricity / transmission, distribution and other enablers.
- The fund invests in brownfield and greenfield investments.
- Long term objective is to seek to achieve a net return of 7-10% p.a. and a cash yield of 3-5% p.a.
- Launch date 30 March 2021
- Size of commitments: £435m from 5 investors (as at 31 May 2021)
- Underlying Managers: BlackRock, Stonepeak, Quinbrook, Foresight

The LCIV are the investment manager for the fund, with the initial underlying manager selection being advised by Redington. At outset the fund has invested in four underlying infrastructure funds; BlackRock Global Renewable Power Fund III; Stonepeak Global Renewables Fund; Foresight Energy Infrastructure Partners; and Quinbrook Renewables Impact Fund.

Aon Comments on Infrastructure

With the Fund's allocation to infrastructure set to increase, we believe that the Committee should consider the two funds available from the LCIV in more detail.

We are aware that some members of the Committee did meet with the LCIV in February 2021, where the Renewables Fund was discussed, but we would suggest that the Committee arrange to hear from the LCIV again, in relation to both infrastructure funds.

On the face of it, the LCIV Renewables Fund appears to fit strategically with the desired characteristics in terms the ability to implement Environmental Social and Governance factors into the portfolio and we would be supportive of the Committee making a commitment to this fund.

However, given the size of the additional allocation to infrastructure that is required in order to meet the desired strategic allocation (an additional 10%, which is equivalent to c. £140m), consideration should be given to appointing more than one fund. The LCIV Infrastructure Fund has a minimum allocation of 25% to renewables, so one area to question the LCIV on would be the potential overlap between the two funds in this sector of the market.

We understand that the LCIV are targeting Q4 2021 and/or Q1 2022 for the next close of both funds. Therefore, we suggest that the meeting with the LCIV happen in good time, so that the Fund can be in a position to commit to the fund(s) within these timescales.

Hedge Funds

Current allocation

The Fund's current's hedge fund allocation is made up of three funds, as outlined in the table below.

Hedge Fund allocation as at 30 June 2021

	Market Value (£m)	Percentage of Fund assets (%)
CFM Stratus	29.3	2.0
Davidson Kempner	30.9	2.1
York Capital	3.0	0.2
Total	**63.1**	**4.3**

Source: Northern Trust

As part of the revised investment strategy, the Committee agreed to redeem the Fund's hedge funds entirely, resulting a 0% strategic allocation.

Redemptions Terms

York Capital are already in the process of returning capital to the Fund, following the closure of their fund.

Aon's hedge fund research specialists have confirmed that the redemption terms for the Fund's two remaining hedge funds, CFM Stratus and Davidson Kempner are:

- Davidson Kempner: Quarterly redemptions, with 60 days notice;
- CFM Stratus: Monthly redemptions, with 60 days notice.

The combined holdings in these two hedge funds was c.£60m as at 30 June 2021 and once the redemptions notices have been placed and the proceeds have been received, this amount will be available for investment and will help move the Fund towards its revised investment strategy.

Even with the relatively long redemption notice required in each case, careful planning is required to ensure that the proceeds from the redemptions can be invested elsewhere within the Fund's investment strategy in a timely manner, to avoid holding a significant balance in cash for a prolonged period.

Timeline

Within this section of the report we have put together a suggested timeline for implementation of the Fund's revised investment strategy, building on the high-level implementation plan which was discussed earlier in the year.

This timetable provides the Committee with an indication of the various stages in implementing the Fund's revised investment strategy and our current expectations of when each stage will be completed. The exact timings may change, depending on decisions made at each stage.

30 Sep 2021

PPIC Meeting

- Formally agree the revised Investment Strategy Statement ("ISS")
- Present investment strategy review implementation timeline
- Work with the Committee to:
  - Review the **structure of the Fund's equity portfolio** to include;
    - consideration of the active vs passive split and the differing styles of equity management
    - overview of the different equity manager options available on the LCIV
  - **Decision**: In conjunction with the Committee's Responsible Investment views, consider moving the Fund's equity holdings with Baillie Gifford to the Paris aligned version of the Fund
- Review the options for the Fund's alternative **fixed income allocation**

Oct – Nov 2021

Intra-meeting

- Work with the Officers to:
  - Support the transition of the Fund's equity holdings with Baillie Gifford to the Paris aligned version of the fund through the LCIV
  - Understand the options under consideration by the LCIV in relation the Fund's equity mandate with Longview given the CIV's ongoing concerns in relation to this mandate
  - Consider the timing of submitting redemption requests to hedge fund managers
- Receive presentation(s) from selected LCIV equity managers as part of the Committee's monthly manager meetings
- Receive a presentation from selected LCIV bond managers as part of the Committee's monthly manager meetings

25 Nov 2021

PPIC Meeting

- Work with the Committee to:
  - **Decision**: Agree any potential final changes to the Fund's equity manager line up
  - **Decision**: Agree appointment for alternative fixed income mandate
  - Consider alternative investment opportunities for the Fund's increased **infrastructure allocation**
- **Decision:** Commit to suitably identified infrastructure fund(s)

Dec ‘21 – Jan ‘22	27 Jan 2022	Feb – Mar 2022	31 Mar 2022

Intra-meeting

- Work with the Officers to:
  - Support the implementation of the Fund’s alternative fixed income mandate
  - Support the implementation of any suitably identified infrastructure fund(s)
- Receive presentation(s) from selected infrastructure manager as part of the Committee’s monthly manager meetings

PPIC Meeting

- Work with the Committee to:
  - Review progress of the implementation of the Fund’s revised investment strategy
- **Decision:** Commit to suitably identified infrastructure fund(s)

Intra-meeting

- Work with the Officers to:
  - Meet any capital drawdowns from the Fund’s new infrastructure commitments
- Support the implementation of any suitably identified infrastructure fund(s)

PPIC Meeting

- Work with the Committee to:
  - Review progress of the implementation of the Fund’s revised investment strategy

Conclusion & Next Steps

This report has provided the Committee with an overview of the various stages for implementing the Fund's revised investment strategy.

Focussing first on the Fund's **equity portfolio**, we continue to believe that a balanced approach remains appropriate, both in terms of management approach (active vs passive) and management style (growth vs value vs quality). We recommend that the Fund's holdings in the LCIV Global Alpha Growth Fund be moved to the Paris-Aligned version of the fund and also that the Committee review the LCIV Sustainable Equity Fund in more detail.

For the additional allocation to **fixed income,** we believe that the Fund should diversify its portfolio more globally. We recommend that the Committee review the LCIV Global Bond Fund in more detail.

The increased allocation to **infrastructure** allows the Committee to reflect its ESG beliefs by considering investing into sectors such as renewables. We recommend that the Committee review both of the LCIV's infrastructure funds in more detail; the LCIV Infrastructure Fund and the LCIV Renewables Fund.

In relation to the redemption of the Fund's **hedge fund portfolio,** despite the length of notice periods being relatively long, consideration will need to be given to the timing of the redemption request submissions, to avoid the Fund holding an excess balance in Cash for a prolonged period.

The implementation of the Fund's revised investment strategy will continue into 2022, but there are a number of areas where progress can be made in the near-term. These include making changes to the Fund's equity portfolio (in particular in relation to the Paris-Aligned version of the Global Alpha Growth Fund) as well as engaging with the LCIV and the underlying managers to review their offerings in relation to sustainable equity, global bonds and infrastructure.

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Investment Strategy Review – Summary of discussions

London Borough of Enfield Pension Fund

Prepared for: Pension Policy & Investment Committee ("PPIC")
Prepared by: Aon
Date: 14 April 2021

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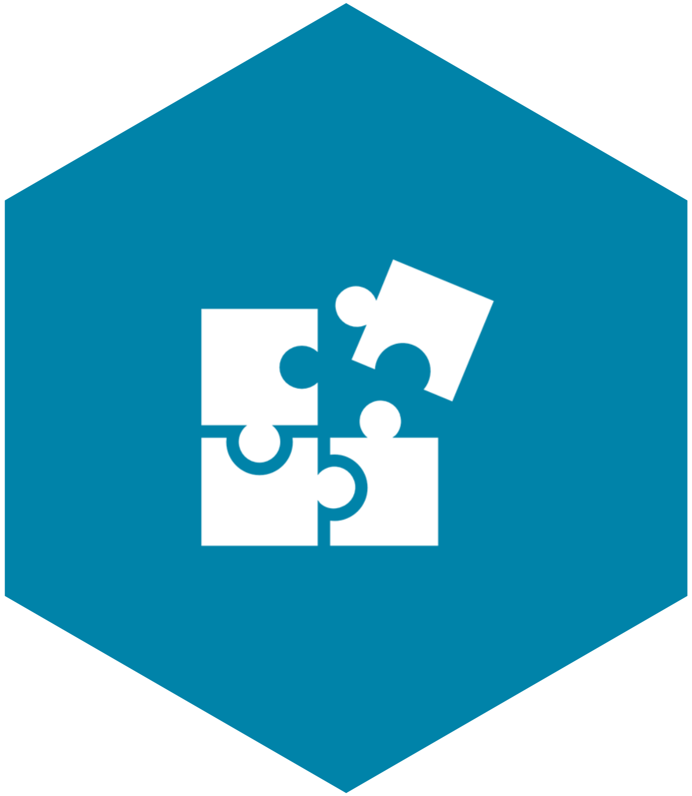
Introduction

Purpose

- The purpose of this slide deck is to consolidate the information provided to the PPIC throughout the investment strategy review exercise undertaken in 2020/21 with Aon.
- The aim is for this slide deck to act as a single point of reference for the PPIC for background on the investment strategies considered as part of the review.
- In addition, it outlines a high-level plan for implementing a revised investment strategy.



Recap: Key statistics

In our analysis we used data from the funding update provided by the Fund Actuary as at 30 September 2020:

Funding position

Discount Rate of **4.0% p.a.**

Fund asset value = £1,295m

Fund liability value = £1,260m

Fund surplus = £35m

Fund was **103% funded** as at 30 September 2020

Investment strategy

10 Year Expected Return of **c.5.8% p.a.** (equivalent to **CPI + 3.6% p.a**.) based on strategic allocation.

1 year Value-at-Risk of c.£269m (e.g. if a 1 in 20 year event were to occur, the value of the assets could decrease by c.£269m)

Key takeaway

The PPIC agreed to target a similar level of return, increasing efficiency within the portfolio if possible, subject to other constraints (e.g. liquidity, governance).

Initial portfolios considered

	Current	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Metrics	Current - Strategic	Equities into alternative Fixed Income	Hedge Funds into Illiquids	Hedge Funds into infrastructure and alternative Fixed Income	Hedge Funds and Property into Infrastructure and alternative Fixed Income	Hedge Funds and Property into Infrastructure, Inflation protection Illiquids and alternative Fixed Income
Expected Return (% p.a.)[1]	3.6	3.0	3.9	3.7	3.9	3.7
Volatility (% p.a.)	10.6	8.8	10.4	10.3	10.6	10.1
1 Yr VaR (95% percentile)[2]	269M	223M	259M	256M	259M	250M
1 Yr VaR Change (%)	-	-17%	-4%	-5%	-4%	-7%
Efficiency Measure[3]	34%	34%	37%	36%	37%	36%
Asset Class Allocations						
Equity	*35%*	*25%*	*35%*	*35%*	*35%*	*35%*
Fixed income	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*
Alternative Fixed Income	-	*10%*	-	*5%*	*5%*	*5%*
Hedge Funds	*10%*	*10%*	*0%*	*0%*	*0%*	*0%*
Private Equity	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Property	*10%*	*10%*	*10%*	*10%*	*5%*	*5%*
Infrastructure	*6%*	*6%*	*11%*	*11%*	*16%*	*11%*
Inflation linked illiquids	*10%*	*10%*	*15%*	*10%*	*10%*	*15%*

Portfolio modelling results detailed above are relative to CPI.
[1] 10 year median expected return
[2] EA 1 Yr 95% VaR (£m) is a measure of risk representing an unfavourable outcome. It is calculated as the loss relative to the median expected funding position in 1 year's time that there is a 5% chance of exceeding.
[3] Efficiency Measure calculated as Expected Return/Volatility.

Focussing in on two preferred portfolios

Asset class	Current strategic allocation
Equities	35%
Private Equities	5%
Hedge Funds	10%
Property	10%
PFI & Infrastructure	6%
Bonds	24%
Inflation protection illiquids	10%

Portfolios modelled (preferred strategies highlighted)

1. Equities into alternative Fixed Income
2. Hedge Funds into Illiquids
3. Hedge Funds into Infrastructure and alternative Fixed Income
4. Hedge Funds and Property into Infrastructure and alternative Fixed Income
5. Hedge Funds and Property into Infrastructure, Inflation protection Illiquids and alternative Fixed Income

Characteristics of asset classes & preferred portfolios

	Liquidity	Complexity	ESG Implement	ESG Monitor	Management	Expected Return[2]	Expected Volatility[2]	Current	Alt 1	Alt 2
Equity	*High*	*Low*	*High*	*High*	*Active/ Passive*	*7.0%*	*20%*	*35%*	*35%*	*35%*
Fixed income	*High*	*Low*	*Moderate*	*High*	*Active / Passive*	*1.6%*	*5%*	*24%*	*24%*	*24%*
Alternative Fixed Income[1]	*High*	*Low*	*Moderate*	*High*	*Active*	*0.9%*	*4%*	-	-	*5%*
Hedge Funds	*Low*	*High*	*Low*	*Low*	*Active*	*4.1%*	*12%*	*10%*	*0%*	*0%*
Private Equity	*Low*	*High*	*Low*	*Low*	*Active*	*8.1%*	*28%*	*5%*	*5%*	*5%*
Property	*Moderate*	*Moderate*	*Low*	*Moderate*	*Active*	*5.2%*	*13%*	*10%*	*10%*	*5%*
Infrastructure	*Low*	*Moderate*	*High*	*Moderate*	*Active*	*8.3%*	*19%*	*6%*	*11%*	*16%*
Inflation linked illiquids	*Low*	*Moderate*	*Low*	*Moderate*	*Active*	*4.6%*	*7%*	*10%*	*15%*	*10%*

	Current	Alt 1	Alt 2
Expected Return (% p.a.)[3]	3.6%	3.9%	3.7%
Volatility (% p.a.)	10.6%	10.4%	10.1%
1 Yr VaR (95% percentile)[4]	269M	259M	250M
1 Yr VaR Change (%)	-	-4%	-7%
Efficiency Measure[5]	34%	37%	36%

[1] based on global corporate bonds
[2] 10 year median expected returns and volatility as at 30 September 2020. Asset class expected returns in this table are quoted in absolute terms. Further details in Appendix

Portfolio modelling results detailed to the right are relative to CPI.
[3] 10 year median expected return
[4] EA 1 Yr 95% VaR (£m) is a measure of risk representing an unfavourable outcome. It is calculated as the loss relative to the median expected funding position in 1 year's time that there is a 5% chance of exceeding.
[5] Efficiency Measure calculated as Expected Return/Volatility.

Summary

1 Liquidity

The strategic allocations in both of the alternative portfolios is not expected to change the ability to source cash to meet the Pension Fund's increasing liquidity requirements.

Income generated within the portfolio is expected to be equal or potentially higher than current.

2 Complexity

The removal of a strategic allocation to hedge funds is expected to reduce the complexity within the investment strategy.

The role of each building block within each of the alternative strategies is understood.

3 Risk & Return

By adopting one of the alternatives strategies it is possible to reduce risk in the Fund's investment strategy whilst maintaining a similar level of expected return, thus improving the efficiency of the portfolio.

4 ESG

It is possible to incorporate the PPIC's Responsible Investment beliefs into the alternative portfolios.

In the more traditional asset classes, ESG considerations are easier to implement and monitor. Within property and infrastructure, implementation options are becoming more established (e.g. renewable energy infrastructure).

5 Management Style

All of the building blocks within the strategies have elements of active management within them.

The ability to combine active and passive approaches, will have an impact on the level of fees the Fund pays.

The specifics for each asset class will be further considered at the implementation stage.

6 Asset Pooling

Both of the alternative strategies allow for continued progression towards asset pooling with the London CIV, both within the traditional asset classes and also through some of the more recent offerings available, such as the Renewable Infrastructure Fund.

Aon's View

Suggested Portfolio

- Taking into account all of the discussions that we have had with the PPIC through the investment strategy review exercise, we believe that portfolio 'Alternative 2' best reflects the PPIC's views on asset classes (notably on Hedge Funds and Property), whilst also resulting in a meaningful increase in allocation to Infrastructure, where there is the ability to implement ESG views (for example by investing in renewables).

Implementation plan

Implementation Plan

Once a revised investment strategy is agreed upon it will take some time to implement. This is in part to allow the identification of appropriate opportunities within each bucket within the revised strategy, but also reflecting the fact that it may take time to redeem from some of the current investments (most notably the hedge fund portfolio).

Phase 1

Equities: Identify opportunities to implement Responsible Investment views (where not already reflected)

Fixed Income: Review options for 'Alternative Fixed Income' allocation (if portfolio Alt 2 is selected).

Identify opportunities to implement Responsible Investment views within Fixed Income.

Hedge Funds: Establish redemption terms and submit requests to redeem with managers

Infrastructure and Illiquids: Begin to identify suitable investment opportunities

Phase 2

Fixed Income: Implement allocation to 'Alternative Fixed Income' (if portfolio Alt 2 is selected). Rebalance liquid assets to fund this allocation.

Hedge Funds: Receive redemption proceeds and re-deploy within portfolio in order to rebalance. Note that this may include a 'temporary' holding position for assets intended to be committed to Infrastructure and Illiquids.

Infrastructure and Illiquids: Commit to suitably identified funds and continue to identify opportunities (if required)

Phase 3

Infrastructure and Illiquids: Assets drawn down over time to fund commitments.

Rebalancing: Ongoing rebalancing of portfolio

Note that the allocations to **Private Equity** (in both alternative portfolios) and **Property** (in portfolio Alt 2) are expected to naturally move towards their strategic allocations.

Appendix

Aon’s Capital Market Assumptions

Aon’s Capital Market Assumptions (‘CMAs’) are Aon's asset class return, volatility and correlation assumptions, calculated quarterly by our Global Asset Allocation team.

Best estimates

Calculated such that we expect there is a 50/50 probability of long-term results being better or worse than expected.

Forward looking and long-term

Long-term (10-year) assumptions that account for historical data but don’t rely on it. Note that they are different to our Medium Term Views, which look at the next 3-5 years.

Market returns

No active management, except for Hedge Funds and Private Equity, where traditional passive investments are not available.

Large data input

Our asset class expectations are based on consensus, rather than extreme subjective views, using wide range of sources.

Capital Market Assumptions

The Capital Market Assumptions used for the current investment strategy are detailed in the table below:

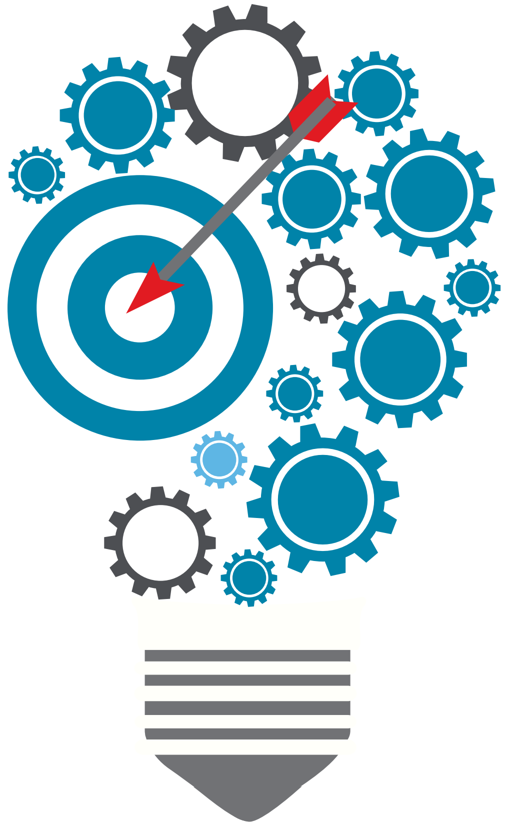
Asset Class	Sub asset class strategy	Expected Return[1]	Expected Volatility
Equities	Global Equities - Active and Passive	7.0%	20%
Private Equity	Private Equity	8.1%	28%
Hedge Funds	A combination of the Fund's respective hedge fund styles	4.1%	12%
Property	Domestic Property	5.2%	13%
PFI & Infrastructure	European Infrastructure	8.3%	19%
Bonds	Fixed Interest & Index-linked gilts, Corporate bonds, Absolute Return Bonds and Multi-asset Credit	1.6%	5%
Inflation protection illiquids	Inflation Opportunities Fund and European Infrastructure	4.6%	7%
Alternative Fixed Income	Global corporate credit	0.9%	4%

Asset class assumptions reflected in the table cover the current investment strategy and are based on Aon's Capital Markets Assumptions as at 30 September 2020.
[1]Expected returns detailed are the median expected annualised return over a 10 year timeframe. Expected returns in this table quoted in absolute terms.

Return Objective Relative to CPI Inflation

Benefits are linked to changes in CPI

- If inflation turns out to be higher than expected then the funding of the Fund would be decreased if the assets did not also perform strongly in that inflationary environment.
- We therefore consider a return objective relative to CPI.
- For an absolute return of 5.8% p.a. the equivalent return objective relative to CPI was: **CPI+3.6% p.a.**
- This was assessed by considering a distribution of possible returns from a specified investment strategy, relative to a distribution of possible year-on-year CPI scenarios.
- The scenarios were generated using Aon's Capital Market Assumptions, the details of which can be found in the Appendix.
- We consider strategies which are expected to broadly:
  – meet the return objective (i.e. median 10 year expected return of c CPI +3.6%);
  – with a suitably low volatility; and
  – a relatively low Value At Risk
- Note that without using assets that explicitly hedge inflation, even a strategy that is expected to perform well relative to CPI may still underperform those expectations in practice in some inflationary outcomes.



Median - A measure of the expected return of a strategy; the middle outcome of the distribution of possible outcomes. I.e. 50% chance of return of at least…

Volatility – A measure of long term risk; the spread of outcomes relative to the median

Value at Risk (VaR) - A measure of short term downside risk; the difference in the Funds surplus/deficit over 1 year between the expected outcome, and a bad outcome with a probability of occurrence of 1-in-20)

CPI – the Consumer Prices Index measure of inflation.

Roles & Views on Strategy Building Blocks

Property

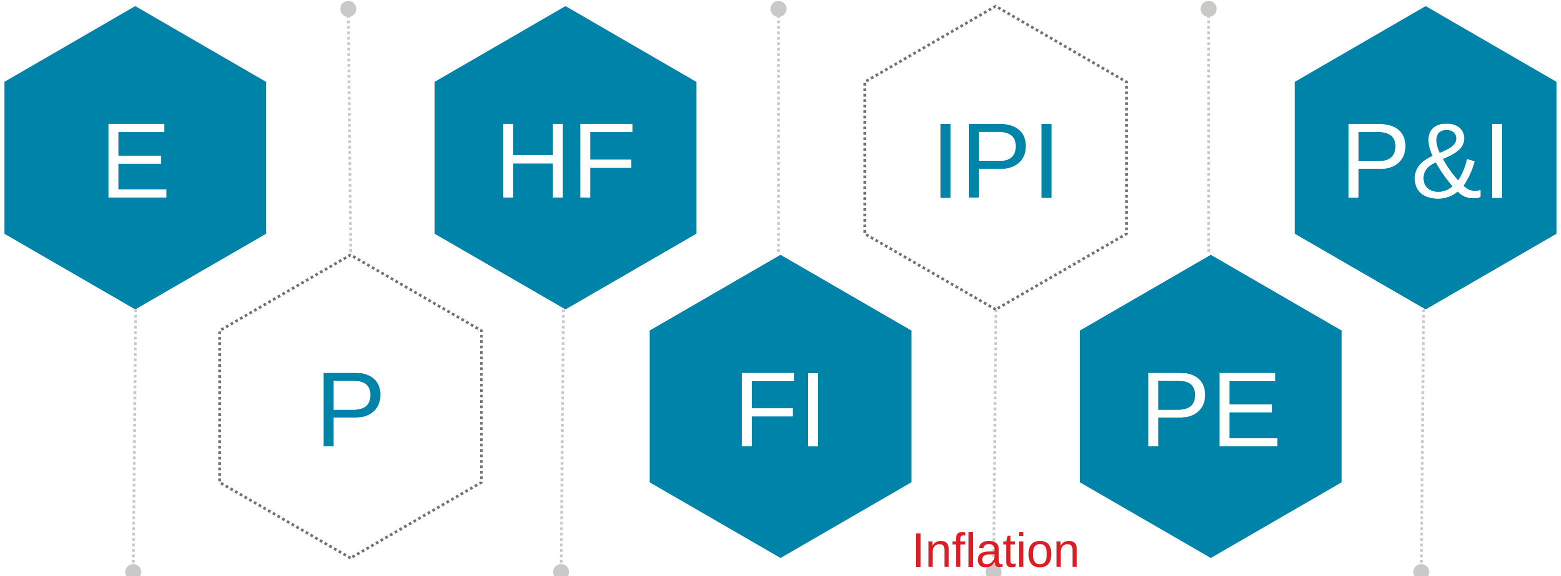
- PPIC view on future market challenges
- No increase from current allocation?

Fixed Income

- Defensive, low volatility asset class
- Consider alternative areas of fixed income universe?

Private Equity

- Illiquid return generator
- Different opportunity set, privately held companies
- Maintain allocation?



Equities

- Long term driver of returns
- Maintain a reasonable allocation
- Rebalance current overweight?

Hedge Funds

- Complex and often expensive
- High degree of manager skill
- Remove allocation?

Inflation Protection Illiquids

- Access ‘’illiquidity premium’
- Provide secure long term inflation protection
- Maintain or increase allocation?

PPI & Infrastructure

- Access ‘illiquidity premium’
- Stable secure cashflows
- Access to renewables
- Increase allocation?

Asset valuations (as at 30 September 2020)

Asset class	Strategy	Market Value (£m)	Percentage (%)	Strategic (%)	Relative (%)
Equities		**553.5**	**42.7**	**35.0**	**7.7**
	BlackRock Passive	196.1	15.1		
	Trilogy Global Unconstrained	0.9	0.1		
	MFS Global Unconstrained	125.6	9.7		
	LCIV Baillie Gifford	102.4	7.9	**32.5**	8.7
	LCIV JP Morgan EM	30.7	2.4		
	LCIV Longview Partners	78.1	6.0		
	Lansdowne Equity L/S[1]	19.8	1.5	**2.5**	**-1.0**
Private equity		**75.9**	**5.9**	**5.0**	**0.9**
	Adams Street	75.9	5.9		
Hedge Funds		**84.1**	**6.5**	**10.0**	**-3.5**
	Lansdowne Equity L/S[1]	19.8	1.5		
	York Distressed Securities	7.7	0.6		
	Davidson Kempner	29.5	2.3		
	CFM Stratus	27.1	2.1		
UK Property		**74.4**	**5.7**	**10.0**	**-4.3**
	BlackRock	35.2	2.7		
	Legal & General	33.1	2.6		
	Brockton	6.1	0.5		
PFI & Infrastructure		**70.9**	**5.5**	**6.0**	**-0.5**
	IPPL Listed PFI	47.7	3.7		
	Antin	23.2	1.8		
Bonds		**281.8**	**21.8**	**24.0**	**-2.2**
	BlackRock fixed and IL gilts	94.1	7.3		
	Western Active Bonds	106.1	8.2		
	Insight Absolute Return Bonds	30.8	2.4		
	LCIV CQS MAC	50.9	3.9		
Inflation protection illiquids		**103.6**	**8.0**	**10.0**	**-2.0**
	M&G Inflation Opportunities	76.7	5.9		
	CBRE	27.0	2.1		
Cash		**51.1**	**3.9**	**-**	**3.9**
Total		**1,295.3**	**100.0**		

Source: Northern Trust, Managers
Note: Numbers may not sum due to rounding.
[1]Due to the equity-like nature of the Lansdowne global equity long / short hedge fund investment, the valuation has been split 50:50 between equities and hedge funds.

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Alternative fixed income allocation

LCIV Global Bond fund

This paper is to provide further analysis on the LCIV Global Bond Fund as an appropriate strategy, for the newly agreed strategic allocation of 5% to alternative Fixed Income.

At a glance…

We recommend that the 5% allocation to alternative Fixed Income is invested in the LCIV Global Bond Fund. This is to provide diversification benefits within the portfolio away from UK corporate and government bonds, and retain the defensive characteristics of holding credit.

Background

The Committee reviewed the Fund's investment strategy in 2021 and agreed a new strategic allocation which includes a 5% allocation to alternative Fixed Income.

In September 2021 we discussed three options available on the LCIV, the LCIV Multi Asset Credit (MAC) Fund; the LCIV Global Bond Fund; and the LCIV Private Debt Fund.

We understand that Committee met with the manager of the LCIV Global Bond Fund, PIMCO, at a monthly manager meeting to discuss the underlying strategy, the PIMCO Global Credit Fund, in more detail.

Following the recent presentation from the LCIV to the Committee on their Global Bond Fund, this paper will focus on providing further information on this strategy to enable the Committee to make a decision on whether to invest 5% of assets in the LCIV Global Bond Fund. It will cover:

- Aon's view on global credit, including commentary on investing in the current economic environment
- Characteristics of the LCIV Global Bond Fund
- Commentary on how this fits with the Fund's other fixed income mandates
- Proposed next steps for the Committee

Why bring you this note?

To provide our view of the LCIV Global Bond Fund and how it could fit within the Fund's portfolio.

Next steps

- Discuss this note at the Committee meeting on 31 March 2021.
- Decide on whether to invest the 5% allocation to alternative fixed income in the LCIV Global Bond Fund or if further analysis on any alternatives is needed.
- Aon to work with Officers to implement any changes decided.

Prepared for: London Borough of Enfield Pension Fund
Prepared by: Aon
Date: 31 March 2022

Our view on global credit

The rise in shorter duration government bond yields has dented corporate bond performance of late. Expected returns are at the lower end, despite risks from rising interest rates or spreads being significant.

High institutional demand for investment grade bonds as a quasi liability-matching asset has compressed risk premiums and kept spreads over government bonds low.

As such our central view is that credit valuations are expensive, and this coupled with uncertainty surrounding the macro and market environment leave us cautious on credit in general.

However, as a long term strategic allocation we believe the defensive characteristics and income generation meant that the 5% strategic allocation remains a suitable option for the Fund. Active managers, in particular, are well placed to navigate the current turbulent market environment given the ability to shift between different credit markets and add value.

Our view on the PIMCO Global Bond Fund

Whilst Aon do not directly rate the LCIV Global Bond Fund, we rate PIMCO very highly as a large global fixed income manager and ‘Buy’-rate similar credit products, including other global credit strategies that are comparable.

PIMCO has an innovative approach to asset markets and a good long term track record in delivering performance objectives. The firm’s portfolio management hallmark is its significant emphasis on developing top-down macro views. The global credit team’s at PIMCO are knowledgeable and we are comfortable in the manager’s ability to add value in a risk-controlled manner across a range of market conditions.

The fund’s long-term performance to 31 December 2021 has been good, outperforming the benchmark (Barclays Aggregate – Credit Index Hedged (GBP) Index) by 32bps p.a. since inception in November 2018, and by 53bps p.a. over the 3-year period. More recent performance has also been encouraging, with the fund outperforming the benchmark by 59bps over the 1-year period to 31 December 2021.

Fit within the portfolio

We have included current credit exposure below:

			31 December 2021		Strategic
			£m	%	
Bonds	**Type of credit**	**Region**	**341.2**	**22.0**	**24.0**
BlackRock Passive Gilts and ILGs	*Gilts, ILGs*	*UK*	*95.3*	*6.1*	
Western Active Bonds	*Corporate bonds*	*Global*	*107.1*	*6.9*	
Insight Absolute Return Bonds	*Multi-Asset Credit*	*Global*	*31.9*	*2.1*	
London CIV Multi-Asset Credit	*Multi-Asset Credit*	*Global*	*57.0*	*3.7*	
Diversified Liquid Credit	*Short-Dated Credit, Asset Backed Securities*	*Global*	*49.9*	*3.2*	
Alternative fixed income			**-**	**-**	**5.0**

Source: Aon, Northern Trust

This strategy is a more traditional, long only credit strategy that invests in investment grade corporate bonds on a global basis. Relative returns are predominantly driven by a combination of security selection and sector allocation, with a lesser focus on duration and yield curve management.

Corporate bond strategies can offer varying yields depending on the underlying credit rating of the securities. The LCIV mandate is focused primarily on investment grade and may offer a lower yield than other alternatives. It will, however, be able to provide a greater level of cash flow than the existing MAC/ARB strategies.

The Fund currently has a significant allocation to UK Corporate Bonds through its holding with Western. Furthermore, with an allocation to Gilts and Index-Linked Gilts in the BlackRock portfolio, the Fund’s current bond portfolio does have a bias towards the UK. Whilst we believe that allocations to UK Corporate Bonds, Gilts and Index-Linked Gilts still have merit within the Fund's strategy, our view is that the Committee should seek to add diversification by investing more globally.

Investing in a global bond fund would bring added benefits of diversification, by broadening the scope of potential investments. The Fund would be subject to less idiosyncratic risk from the UK economy and could therefore expect to see lower volatility from its non-government bond investment.

The LCIV Global Bond Fund will have some overlap in holdings with the Fund’s other mandates, in particular the Multi-Asset Credit funds, though the additional diversification it brings to global credit markets outweighs this in our view.

Further details about PIMCO’s Global Bond Fund, and the alternatives available through the LCIV can be found in the appendix.

Recommendation

We recommend investing the Fund’s new 5% allocation to alternative Fixed Income in the LCIV Global Bond Fund, as:

- We have high conviction in the underlying manager in the global credit space and 'Buy'-rate similar global credit strategies with PIMCO, albeit not this one for the reasons outlined above.
- We view global credit as a good diversifier within the portfolio away from, UK Corporate and Government bonds in particular.

We note that there will be some overlap between the LCIV Global Bond Fund and the Fund's current bond holdings, but we are comfortable with this and believe the diversification benefits outweigh.

Next steps

If the Committee agrees to invest the Fund's 5% alternative fixed income allocation in the LCIV Global Bond Fund, we will support the Officers to implement the change if instructed.

Appendix – Alternative fixed income strategies

CQS & PIMCO
LCIV Alternative Credit Fund (Active, Aon "Not Rated")

- The Fund has already had an allocation to the LCIV Alternative Credit Fund (previously named the "LCIV MAC Fund") since November 2018.
- The fund is currently managed by CQS and PIMCO, after the LCIV recently selected PIMCO as a complementary manager to CQS.
- This change was made on 31 January 2022 and the fund now targets an equal allocation to CQS and PIMCO.
- As a reminder, the LCIV MAC Fund has an objective to return Cash + 4- 5%, p.a. over a rolling 4-year period, net of fees.

PIMCO
LCIV Global Bond Fund (Active, Aon "Not Rated")

- The LCIV Global Bond Fund is an actively managed portfolio that invests at least two-thirds of its assets in investment grade global corporate and credit instruments.
- The fund is similar to the Fund's current mandate with Western, in that it invests in corporate bonds, but it adopts a global approach to investing as opposed to the UK focus that Western have.
- The objective is to outperform the Barclays Aggregate – Credit Index Hedged (GBP) over a rolling three-year period, net of fees.
- Following approval from the FCA, the ESG enhancement of the LCIV Global Bond Fund has officially started on 10th January 2022.
- LCIV and PIMCO have agreed on a 6-month transition period where PIMCO's portfolio managers will exit (or not roll over) the positions gradually in the best interest of the portfolio.
- The portfolio has 5.8% of holdings currently captured by the ESG exclusions as of 28th February 2022 compared to 11.0% as of 30 June 2021. These positions will continue to be exited, to approach 0% exposure by the 10th July 2022.
- We view this as a positive step forward for the strategy in terms of ESG integration and welcome this considered approach to exiting the exclusion list positions.

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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject:	Fossil Fuel Exposure Report as at 31st December 2021
Cabinet Member:	Cllr Maguire
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

Purpose of Report

1. This report informs Members, the Pension Fund exposure to fossil fuel as at 31 December 2021 comparing this outcome to the 31 March 2021 fossil fuel exposure analysis carried out by the Fund Investment Consultant (Aon).

2. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the overall fossil fuel exposure of the Enfield Pension Fund as at 31st December 2021.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Background

9. Aon was commissioned to analyse the exposure to fossil fuels (in % and £ terms) at mandate and aggregate level. It is understandable that there might

be some mandates, who would have zero exposure as a function of their investment process and philosophy, whilst other mandates may have greater-than-benchmark exposure.

10. To do this work, Aon liaise with the Fund's managers to provide them with the relevant data (intention being to have a comparable and consistent basis). The information was then reviewed for comparability and any gaps, providing this to the Committee with a reasonable summary in aggregate.

11. Aon will further discuss the process, findings of this work with the Committee at this meeting.

Workforce Implications

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

Property Implications

13. None

Other Implications

14. None

Options Considered

15. There are no alternative options.

Conclusion

16. The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – was c.0.9% of Fund value, or c.£13.7m as at 31 December 2021.

17. This is slightly higher in money terms than the exposure as at 31 March 2021 of 0.9%, or £13.1m in sterling terms, but much lower than the exposure reported at the end of September 2021; that was about 1.2% of total Fund value, or £17.7m.

18. As expected, a number of the Fund's managers have zero exposure.

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Date of report 14th March 2022

Appendices
Appendix 1 – Enfield Pension Fund Exposure to fossil fuels as at 31 December 2021

Background Papers
None

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Review of fossil fuel exposure

Quantifying the Fund's holdings as at 31 December 2021

Summary

- Each of the Fund's managers were asked to provide a full breakdown of the Fund's exposure to oil, gas and coal, noting that we were looking to establish the extent to which the Fund is invested in debt or equity of a firm which produces, extracts or explores for oil, gas or coal as a material part of its business model; or, where the fund has any synthetic exposure to the same.
- Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.
- The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – is **c.0.9% of Fund value**, or **c.£13.7m** as at 31 December 2021.
  - This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m
  - A number of the Fund's managers have zero exposure.
  - A breakdown of the exposure between asset classes is shown in the table on the following page.
- The Pension Policy & Investment Committee will continue to monitor the Fund's fossil fuel exposure on a regular basis. Furthermore, as part of the implementation of the revised investment strategy which the Committee have recently agreed to, the Committee will have the ability to identify opportunities and integrate Environmental, Social and Governance views within a range of areas.

Prepared for: London Borough of Enfield Pension Fund ("the Fund")
Prepared by: Aon
Date: 14 February 2022

Fund fossil fuel data

Fossil fuel exposure

The table below summarises the exposure of the Fund to oil, gas and coal in various asset classes.

Q4 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
Equities	687.6	44.3	0.7%	4.6
Private Equity*	110.4	7.1	2.4%	2.6
Hedge Funds**	62.9	4.1	5.4%	3.4
UK Property	90.1	5.8	-	-
PFI & Infrastructure	70.8	4.6	-	-
Bonds	341.2	22.0	0.9%	3.1
Inflation protecting illiquids	121.9	7.9	-	-
Cash	66.4	4.3	-	-
Total Assets	1551.3	100.0	0.9%	13.7

*Data as at 30 September 2021, as 31 December 2021 data not available at time of writing.
**where the funds have long and short positions, figures only consider long positions.

Were there any limitations?

The Fund's private equity manager was unable to provide data as at 31 December 2021 as this information was not available at time of writing. We have therefore used lagged information as at 30 September 2021 for this mandate.

There may be companies that some managers have included in their 'fossil fuel' subset that may not be directly affiliated with oil, gas or coal production, extraction or exploration as a material part of its business model. We have avoided removing any of these companies from the underlying manager data to minimise any risk involved in manipulation of data, however acknowledge this is a limitation.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: Quarterly Investment Performance Monitoring Report for December 2021

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: [ ]

This report informs Members of the performance of the Pension Fund and its investment managers for the second quarter of 2021/22.

Over the quarter to 31 December 2021 the Fund posted a positive return of c.3.38%	Global equities continued to perform well over the quarter. The Fund underperformed its benchmark by 0.70%. Fund value was £1.551bn, an £51m increase from the September quarter end.
For the quarter nine mandates matched/achieved benchmark return	For this quarter, nine out of twenty mandates delivered returns, matching or achieving returns above the set benchmark. The eleven mandates lagging their set benchmark for the quarter are: LCIV BG Global Alpha, LCIV JP Morgan, LCIV Longview, MFS Global Equity, Blackrock IL Gilts, Insight, M&G Inflation, York Capital, CFM Stratus, Blackrock Property and Brockton.
The Fund's investments outperformed its benchmark over the 12-month period	Over the twelve-month period to 31 December 2021, the Fund outperformed its benchmark by 3.16%. For the year to 31 December 2021, thirteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.
Longer-term performance, the Fund outperformed its benchmark return	Looking at the longer-term performance, the three-year return for the Fund was 1.04% per annum above its benchmark return and for over five years, the Fund posted a strong return of 7.99% outperforming the benchmark return of 7.02% by 0.97% per annum.
Fund is broadly in line with benchmark weightings	The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:

   i) note the contents of this report and also to note and comments on section 23 to 30 on the Impact of Russian Invasion on Investments Market.

Reason for Proposal(s)

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

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

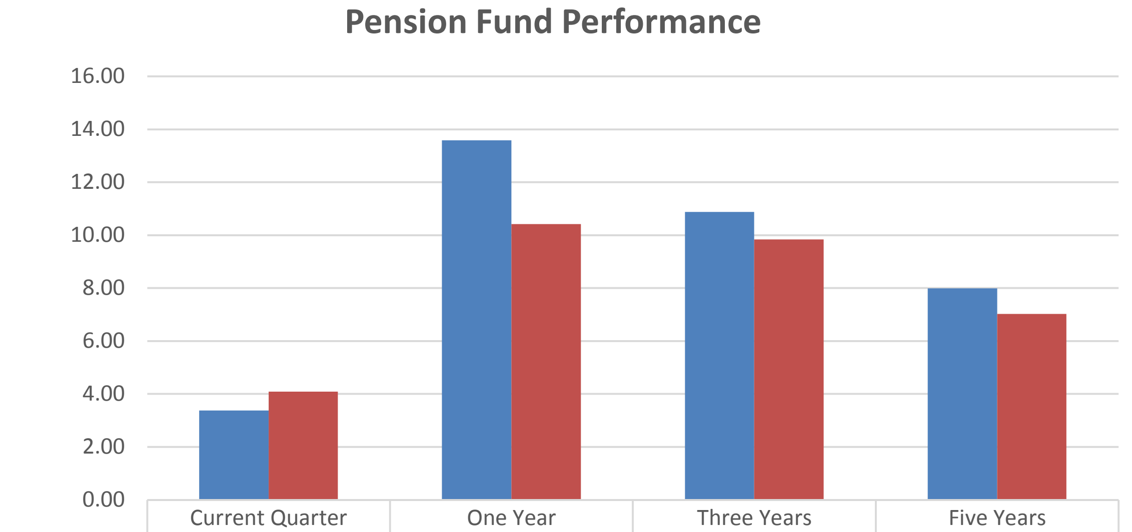
Background

INVESTMENT PERFORMANCE

9. The overall value of the Fund at 31 December 2021 stood at £1,551m, an increase of £51m from its value of £1,500m as at 30 September 2021.

10. The fund underperformed the benchmark this reporting quarter by posting a return of 3.38% against benchmark return of 4.09%. The twelve-month period sees the fund ahead its benchmark by 3.16%.

11. Looking at the longer-term performance, the three years return for the Fund was 10.88%, which was 1.04% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 7.99% outperforming the benchmark return of 7.02% by 0.97% per annum, as shown on the graph below.



	Current Quarter	One Year	Three Years	Five Years
Fund	3.38	13.58	10.88	7.99
Benchmark	4.09	10.42	9.84	7.02

12. For December quarter end, four out of the five Fund's active equity mandates underperformed their respective benchmarks. Nine out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.

13. For the 12 months to December 2021, thirteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were LCIV BG Global Alpha, LCIV JP Morgan, MFS Global Equity, Blackrock IL Gilts, Insight, M&G Inflation and Blackrock Property

INTERNAL CASH MANAGEMENT

14. Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by Enfield Council to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

15. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2021, which is delegated to the Executive Director of Resources to manage on a day to day basis within the agreed parameters.

16. The cash balance as at 31 December 2021, was £66.4m in short term deposits and money market funds. £33.8m with Goldman Sachs and £32.6m with Northern Trust.

ASSET ALLOCATION

17. The current strategic weight of asset distribution and the Fund's assets position as at 31 December 2021 are set out below:

Asset Class	Strategic asset allocation as at June 2021 (%)	Fund Position as at 31 Dec. 2021 (%)	Difference as at 31 Dec. 2021 (%)	Difference as at 31 Dec. 2021 (£m)
Equities	35.0	44.3	9.3	144.7
Private Equities	5.0	7.1	2.1	32.9
Total Equities	**40.0**	**51.5**	**11.5**	**177.6**
Hedge Funds	0.0	4.1	4.1	62.8
Property	5.0	5.8	0.8	12.6
Infrastructure	16.0	4.6	(11.4)	(177.4)
Alternative Fixed Income	5.0	0.0	(5.0)	(77.6)
Bonds	24.0	22.0	(2.0)	(31.0)
Inflation protection illiquid	10.0	7.9	(2.1)	(33.2)
Cash	0.0	4.3	4.3	66.4
Total	**100.0**	**100.0**		

18. The Fund has underweight position of 11.4% to Infrastructure, 2% underweight position in Bonds and Indexed linked gilts, 2.1% underweight in Inflation Protection and 7.5% overweight position in cash, 11.5% overweight position to total equities and 0.8% overweight position in Property.

19. 38% of the Equity portfolio which is 16.9% of the total Fund assets is being managed passively by BlackRock. The remainder is being managed on an active basis, with the largest share of 10.4% with MFS, followed by 8.0% with LCIV Baillie Gifford, 6.7% with LCIV Longview and 2.2% in LCIV Emerging Markets.

20. As at 31 December 2021, the MSCI All Country World Index had a 11.2% exposure to Emerging Markets and in aggregate, the Fund's equity portfolio was £686.8m and £46.3m was invested in Emerging market. At this quarter end, c.2.9% of the Fund’s total assets were invested in Emerging Markets which equates to 6.6% of the Fund’s equity portfolio.

21. Asset allocation is determined by several factors including: -

    i) The risk profile - there is a trade off between the returns that can be obtained on investments and the level of risk. Equities have higher potential returns, but this is achieved with higher volatility. However, the Fund remains open to new members and able to tolerate the volatility, allowing it to target higher returns, which in turn reduces the deficit quicker and should eventually lead to lower contribution rates by employers.

    ii) The age profile of the Fund - the younger the members of the Fund, the longer the period before pensions become payable and investments must be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.

iii) The deficit recovery term / the surplus amortisation period - Most LGPS funds are fully Funded or almost 100% funded because of great investment returns but being tampered mildly by increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. For 2019 valuation, the actuary used 16 years as the target of reducing the funding ratio, to illustrate the surplus amortisation.

22. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

The Impact of Russian Invasion on Investment Market

23. Russia's invasion of Ukraine can be seen as a serious escalation and the start of protracted and unpredictable Russia-U.S. tensions. Deploring the human toll and tragedy all this may bring

24. The key macro impact from this event, is fast-rising energy prices. This will exacerbate supply-driven inflation - while delaying and raising its peak. Central banks will need to normalise policy to pre-Covid settings to curb inflation, and they will find it tough to respond to any slowdown in growth as policy rates are headed higher.

25. The Enfield Pension Fund had £985k exposure in total to Russia and Ukraine, which was 0.069% of the total Fund assets as at 31st January 2022. This has no bearing or minimal impact on the Fund's investment strategy and indeed on the upcoming triennial valuation.

26. As at 28th February 2022, the council's pension fund holds under one million of investments in Russia and Ukraine, which is less than 0.07% of the total Fund's assets.

27. Our investments with London CIV contributed under £200k to this amount. One of the fund manager Baillie Gifford has investment in two Russian companies: Sberbank (Russia's main bank) and VK Company (Russian equivalent of Facebook), within its London CIV Global Alpha Growth Equity mandate, has now confirmed that Sberbank shares have fallen significantly and are now held at a de minimis position (0.01%) in the Global Alpha portfolio. The asset manager has also been actively selling down this position, as well as the small holding in VK Company, both of which trade on the London Stock Exchange. In terms of value, these holdings are now shown as zero within the portfolio.

28. The Council's pension fund will be seeking to divest from all investments in Russia and Ukraine. Although the current markets means this is not wholly possible, the intention will be to do so as soon as practically possible.

29. The LB Enfield Fund is working closely with other London Funds, the LCIV and indeed the LGPS Scheme Advisory Board to have a unified and

consistent message of condemning the deplorable human toll and tragedy the current actions have brought.

30. Scheme Advisory Board (SAB) issued a statement that LGPS funds may wish to consider divesting from assets held before 1st March 2022 for prudent financial reasons, although there may be significant challenges to achieving this due to a number of factors including the closure of the Russian stock exchange and the potential lack of buyers for such assets resulting in significantly depressed values.

Safeguarding Implications

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

Public Health Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

35. Any form of investment inevitably involves a degree of risk.

36. To minimise risk the Pension Policy and Investment Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

37. The monitoring arrangement for the Pension Fund and the work of the Pension Policy & Investment Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

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

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

Financial Implications

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

Legal Implications

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

41. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

42. The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

43. One of the functions of the Pension Policy & Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

44. When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support

compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

Workforce Implications

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

Property Implications

46. None

Other Implications

47. None

Options Considered

48. There are no alternative options.

Conclusions

49. The overall value of the Fund at 31 December 2021 stood at £1,551m, an increase of £51m from its value of £1,500m as at 30 September 2021.

50. The fund underperformed the benchmark this reporting quarter by posting a return of 3.38% against benchmark return of 4.09%. The twelve-month period sees the fund ahead its benchmark by 3.16%.

51. Looking at the longer-term performance, the three years return for the Fund was 10.88%, which was 1.04% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 7.99% outperforming the benchmark return of 7.02% by 0.97% per annum.

52. For December quarter end, four out of the five Fund's active equity mandates underperformed their respective benchmarks. Nine out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.

53. For the 12 months to December 2021, thirteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were LCIV BG Global Alpha, LCIV JP Morgan, MFS Global Equity, Blackrock IL Gilts, Insight, M&G Inflation and Blackrock Property

54. 38% of the Equity portfolio which is 16.9% of the total Fund assets is being managed passively by BlackRock. The remainder is being managed on an active basis, with the largest share of 10.4% with MFS, followed by 8.0% with LCIV Baillie Gifford, 6.7% with LCIV Longview and 2.2% in LCIV Emerging Markets.

55. As at 31 December 2021, the MSCI All Country World Index had a 11.2% exposure to Emerging Markets and in aggregate, the Fund's equity portfolio was £686.8m and £46.3m was invested in Emerging market. At this quarter end, c.2.9% of the Fund's total assets were invested in Emerging Markets which equates to 6.6% of the Fund's equity portfolio.

56. The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

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Date of report 11th March 2022

Appendices

Appendix 1 – Northern Trust Report: Enfield PF Asset Class Performance
Appendix 2 – London CIV Sub-Funds Quarterly Report

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SECTION 1

London Borough of Enfield

Investment Risk & Analytical Services

December 31, 2021

Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
			% Rate of Return							
London Borough of Enfield	**1,551,293,967**	**100.00**	**0.96**	**3.38**	**13.58**	**13.58**	**10.88**	**7.99**	**8.62**	**31/03/1987**
Enfield Strategic BM			*0.70*	*4.09*	*10.42*	*10.42*	*9.84*	*7.02*	-	*31/03/1987*
Excess Return			*0.27*	*-0.70*	*3.16*	*3.16*	*1.04*	*0.97*	-	*31/03/1987*
Total Equities	**687,630,218**	**44.33**	**1.94**	**4.18**	**17.48**	**17.48**	**18.06**	**12.78**	**9.83**	**31/03/1987**
Enfield Equities BM			*1.81*	*6.01*	*19.82*	*19.82*	*17.92*	*12.43*	-	*31/03/1987*
Excess Return			*0.13*	*-1.83*	*-2.34*	*-2.34*	*0.14*	*0.34*	-	*31/03/1987*
Blackrock Pooled	**262,843,233**	**16.94**	**2.45**	**6.83**	**25.08**	**25.08**	**20.25**	**13.71**	**14.63**	**31/03/2009**
LEFD02 Blackrock Blended BM			*2.45*	*6.83*	*24.99*	*24.99*	*19.78*	*13.25*	*13.76*	*31/03/2009*
Excess Return			*0.00*	*0.00*	*0.09*	*0.09*	*0.47*	*0.47*	*0.87*	*31/03/2009*
Henderson Global	**34,343,525**	**2.21**	**-1.29**	**-4.30**	**-4.57**	**-4.57**	**8.45**	-	**8.59**	**24/10/2018**
LEFD05018 MSCI EM Mrkts ND			*-0.49*	*-1.76*	*-1.64*	*-1.64*	*8.69*	-	*9.19*	*24/10/2018*
Excess Return			*-0.80*	*-2.55*	*-2.93*	*-2.93*	*-0.24*	-	*-0.60*	*24/10/2018*
London LGPS	**123,877,953**	**7.99**	**-2.53**	**0.06**	**8.91**	**8.91**	**22.72**	**16.78**	**16.73**	**30/09/2016**
LEFD05016 MSCI ACWI ND			*1.59*	*6.20*	*19.63*	*19.63*	*17.94*	*12.32*	*13.02*	*30/09/2016*
Excess Return			*-4.11*	*-6.13*	*-10.73*	*-10.73*	*4.78*	*4.46*	*3.71*	*30/09/2016*
LongView Partners	**104,180,891**	**6.72**	**4.17**	**3.79**	**21.58**	**21.58**	**13.25**	-	**12.15**	**24/10/2018**
LEFD05019 MSCI ACWI ND			*1.59*	*6.20*	*19.63*	*19.63*	*17.94*	-	*15.71*	*24/10/2018*
Excess Return			*2.58*	*-2.41*	*1.94*	*1.94*	*-4.69*	-	*-3.57*	*24/10/2018*
MFS Global Equity	**161,545,506**	**10.41**	**4.05**	**5.51**	**18.20**	**18.20**	**17.90**	**12.37**	**14.11**	**31/07/2010**
LEFD05005 MSCI ACWI ND			*1.59*	*6.20*	*19.63*	*19.63*	*17.94*	*12.32*	*12.33*	*31/07/2010*
Excess Return			*2.47*	*-0.69*	*-1.44*	*-1.44*	*-0.04*	*0.06*	*1.78*	*31/07/2010*
Transition Account For Enfield	**14,503**	**0.00**	**-0.90**	**1.20**	-	-	-	-	**-18.46**	**05/03/2021**
Trilogy	**824,608**	**0.05**	-	-	-	-	-	-	-	**30/09/2007**
LEFD04 MSCI ACWI ND			-	-	-	-	-	-	-	*30/09/2007*
Excess Return			-	-	-	-	-	-	-	*30/09/2007*
Total Bonds and Index Linked	**291,297,537**	**18.78**	**-1.51**	**1.37**	**-0.04**	**-0.04**	**4.90**	**3.43**	**5.76**	**30/06/2005**
Enfield Bonds & IL BM			*-1.68*	*1.39*	*-1.22*	*-1.22*	*4.29*	*3.44*	-	*30/06/2005*
Excess Return			*0.17*	*-0.02*	*1.18*	*1.18*	*0.62*	*-0.00*	-	*30/06/2005*
Blackrock IL Gilts	**95,311,003**	**6.14**	**-2.62**	**1.75**	**0.78**	**0.78**	**3.21**	**2.13**	**5.06**	**30/09/2005**
LEFD01 Blended Benchmark			*-2.45*	*1.82*	*0.86*	*0.86*	*3.16*	*2.09*	*6.99*	*30/09/2005*
Excess Return			*-0.17*	*-0.07*	*-0.07*	*-0.07*	*0.05*	*0.04*	*-1.93*	*30/09/2005*
CQS MAC A GBP	**57,026,867**	**3.68**	**0.82**	**1.00**	**6.40**	**6.40**	**4.81**	-	**4.26**	**30/11/2018**
LEFD05020 3 Month GBP Libor			*-0.02*	*0.01*	*0.08*	*0.08*	*0.56*	-	*0.58*	*30/11/2018*
Excess Return			*0.84*	*0.99*	*6.32*	*6.32*	*4.25*	-	*3.68*	*30/11/2018*

Category: **Total Fund Gross of Fees**

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
Insight Bonds	**31,909,144**	**2.06**	**0.58**	**-1.19**	**1.95**	**1.95**	**1.12**	**-0.32**	**0.68**	**31/12/2013**
LEFD05006 Libor 3 Month GBP+4%			*0.31*	*1.00*	*4.08*	*4.08*	*4.56*	*4.59*	*3.32*	*31/12/2013*
Excess Return			*0.27*	*-2.19*	*-2.13*	*-2.13*	*-3.44*	*-4.91*	*-2.64*	*31/12/2013*
Western	**107,050,523**	**6.90**	**-2.32**	**2.01**	**-4.38**	**-4.38**	**7.83**	**5.13**	**6.43**	**31/03/2003**
LEFD03 ML Stg Non-Gilts 10+			*-2.42*	*1.86*	*-4.99*	*-4.99*	*7.26*	*4.84*	-	*31/03/2003*
Excess Return			*0.09*	*0.15*	*0.61*	*0.61*	*0.56*	*0.28*	-	*31/03/2003*
Inflation Protection Illiquids	**121,887,541**	**7.86**	**-1.67**	**2.13**	**7.14**	**7.14**	**5.82**	**-**	**5.49**	**30/11/2018**
Enfield Inflation Iliquids BM			*0.88*	*3.29*	*8.20*	*8.20*	*4.97*	-	*5.01*	*30/11/2018*
Excess Return			*-2.55*	*-1.16*	*-1.06*	*-1.06*	*0.85*	-	*0.48*	*30/11/2018*
CBRE Long Income Fund	**36,804,603**	**2.37**	**0.00**	**2.81**	**3.56**	**3.56**	**0.90**	**-**	**0.89**	**17/12/2018**
LEFD06007 BMK			*0.00*	*2.81*	*3.56*	*3.56*	*0.90*	-	*0.89*	*17/12/2018*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*-0.00*	-	*-0.00*	*17/12/2018*
M&G Inflation Opportunities Fd	**85,082,938**	**5.48**	**-2.38**	**1.84**	**8.59**	**8.59**	**6.99**	**6.76**	**6.89**	**30/04/2013**
LEFD05010 UK RPI +2.5%			*1.25*	*3.49*	*10.05*	*10.05*	*6.12*	*6.03*	*5.33*	*30/04/2013*
Excess Return			*-3.63*	*-1.65*	*-1.46*	*-1.46*	*0.87*	*0.73*	*1.56*	*30/04/2013*
Total Hedge Funds	**62,880,118**	**4.05**	**-1.39**	**-0.81**	**8.72**	**8.72**	**-2.65**	**-2.14**	**3.63**	**31/07/2007**
Enfield Hedge Funds BM			*-1.27*	*-0.22*	*0.59*	*0.59*	*-0.22*	*-0.09*	-	*31/07/2007*
Excess Return			*-0.12*	*-0.59*	*8.13*	*8.13*	*-2.43*	*-2.05*	-	*31/07/2007*
CFM Stratus	**28,893,433**	**1.86**	**0.28**	**-1.09**	**9.79**	**9.79**	**6.08**	**2.98**	**0.15**	**31/12/2015**
LEFD06004 Libor 3 Month GBP			*-0.02*	*0.01*	*0.08*	*0.08*	*0.56*	*0.59*	*0.59*	*31/12/2015*
Excess Return			*0.31*	*-1.11*	*9.71*	*9.71*	*5.51*	*2.38*	*-0.44*	*31/12/2015*
Davidson Kemper	**31,455,888**	**2.03**	**-2.65**	**-0.35**	**8.92**	**8.92**	**4.37**	**3.60**	**4.89**	**30/11/2014**
LEFD05004 Libor 3 Month USD			*-2.30*	*-0.40*	*1.19*	*1.19*	*-0.64*	*-0.20*	*1.14*	*30/11/2014*
Excess Return			*-0.35*	*0.05*	*7.73*	*7.73*	*5.01*	*3.80*	*3.75*	*30/11/2014*
York Capital	**2,530,797**	**0.16**	**-4.28**	**-3.33**	**4.29**	**4.29**	**-20.52**	**-11.71**	**-1.68**	**31/12/2009**
LEFD05011 Libor 3 Mnth USD			*-2.30*	*-0.40*	*1.19*	*1.19*	*-0.64*	*-0.20*	*1.92*	*31/12/2009*
Excess Return			*-1.98*	*-2.93*	*3.10*	*3.10*	*-19.87*	*-11.51*	*-3.60*	*31/12/2009*
Private Equity	**110,395,762**	**7.12**	**6.25**	**8.27**	**69.40**	**69.40**	**27.40**	**20.24**	**14.99**	**31/03/2007**
Enfield PE BM			*1.59*	*6.20*	*19.63*	*19.63*	*17.94*	*12.32*	-	*31/03/2007*
Excess Return			*4.66*	*2.07*	*49.77*	*49.77*	*9.46*	*7.92*	-	*31/03/2007*
Adams Street	**110,395,762**	**7.12**	**6.25**	**8.27**	**69.40**	**69.40**	**27.40**	**20.24**	**13.45**	**31/12/2004**
LEFD06005 MSCI ACWI ND			*1.59*	*6.20*	*19.63*	*19.63*	*17.94*	*12.32*	*8.39*	*31/12/2004*
Excess Return			*4.66*	*2.07*	*49.77*	*49.77*	*9.46*	*7.92*	*5.06*	*31/12/2004*
Infrastructure	**70,769,129**	**4.56**	**0.43**	**3.31**	**6.82**	**6.82**	**9.59**	**5.07**	**4.89**	**30/06/2016**
Enfield Infrastructure BM			*1.31*	*4.86*	*4.32*	*4.32*	*8.13*	*6.16*	*5.74*	*30/06/2016*
Excess Return			*-0.88*	*-1.55*	*2.50*	*2.50*	*1.46*	*-1.09*	*-0.85*	*30/06/2016*

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
Antin Infrastructure	**21,651,265**	**1.40**	**-1.27**	**0.29**	**12.39**	**12.39**	**13.11**	**-**	**9.31**	**31/12/2017**
INPP	**49,117,864**	**3.17**	**1.31**	**4.86**	**4.32**	**4.32**	**8.13**	**6.20**	**8.41**	**31/12/2008**
LEFD05015 Fund returns			*1.31*	*4.86*	*4.32*	*4.32*	*8.13*	*6.20*	*4.17*	*31/12/2008*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*-0.00*	*0.00*	*4.24*	*31/12/2008*
Property	**90,110,475**	**5.81**	**3.54**	**7.37**	**18.42**	**18.42**	**6.37**	**6.56**	**8.99**	**31/03/1987**
Enfield Property BM			*3.49*	*7.50*	*19.17*	*19.17*	*6.21*	*7.06*	*-*	*31/03/1987*
Excess Return			*0.05*	*-0.13*	*-0.75*	*-0.75*	*0.16*	*-0.50*	*-*	*31/03/1987*
Blackrock UK FD	**39,851,350**	**2.57**	**3.36**	**6.70**	**16.26**	**16.26**	**5.35**	**5.42**	**3.92**	**31/07/2002**
LEFD05012 IPD All Balncd Prpty			*3.49*	*7.50*	*19.17*	*19.17*	*6.21*	*7.06*	*6.75*	*31/07/2002*
Excess Return			*-0.13*	*-0.80*	*-2.91*	*-2.91*	*-0.86*	*-1.64*	*-2.84*	*31/07/2002*
Brockton Capital Fund	**9,686,457**	**0.62**	**0.00**	**5.12**	**22.84**	**22.84**	**9.97**	**11.56**	**6.58**	**30/11/2014**
LEFD06001 IPD All Balncd Prpty			*3.49*	*7.50*	*19.17*	*19.17*	*6.21*	*7.06*	*5.17*	*30/11/2014*
Excess Return			*-3.49*	*-2.38*	*3.67*	*3.67*	*3.76*	*4.50*	*1.42*	*30/11/2014*
Legal & General Property	**40,572,667**	**2.62**	**4.60**	**8.65**	**20.06**	**20.06**	**7.06**	**6.78**	**7.32**	**31/01/2010**
LEFD05013 IPD All Balncd Prpty			*3.49*	*7.50*	*19.17*	*19.17*	*6.21*	*7.06*	*7.71*	*31/01/2010*
Excess Return			*1.12*	*1.15*	*0.89*	*0.89*	*0.85*	*-0.28*	*-0.39*	*31/01/2010*
Cash	**116,323,186**	**7.50**	**-0.81**	**0.00**	**1.04**	**1.04**	**-0.27**	**0.82**	**0.97**	**30/06/2016**
Cash & Other Transition Assets	**214**	**0.00**	**-3.70**	**-3.56**	**-9.43**	**-9.43**	**-8.63**	**-**	**-8.36**	**30/11/2018**
Goldman Sachs cash funds	**83,743,750**	**5.40**	**-0.57**	**0.51**	**1.30**	**1.30**	**-0.05**	**0.74**	**0.96**	**30/06/2016**
PE Cash & Other Assets	**18,570,429**	**1.20**	**-2.62**	**-1.56**	**1.07**	**1.07**	**-1.96**	**-0.72**	**-0.39**	**30/06/2016**
LEFD06002 LIBID 7 Day			*-0.00*	*-0.02*	*-0.08*	*-0.08*	*0.19*	*0.24*	*0.23*	*30/06/2016*
Excess Return			*-2.61*	*-1.54*	*1.15*	*1.15*	*-2.15*	*-0.96*	*-0.62*	*30/06/2016*
UT Cash & Other Assets	**14,008,794**	**0.90**	**-0.35**	**0.05**	**0.47**	**0.47**	**0.80**	**6.83**	**6.42**	**30/06/2016**
LEFD05002 LIBID 7 Day			*-0.00*	*-0.02*	*-0.08*	*-0.08*	*0.19*	*0.24*	*0.23*	*30/06/2016*
Excess Return			*-0.35*	*0.06*	*0.55*	*0.55*	*0.61*	*6.59*	*6.19*	*30/06/2016*

Market Value Summary - One Month

Account/Group	30/11/2021 Market Value	Net Contribution*	Income	Fees	Appreciation	31/12/2021 Market Value
London Borough of Enfield	**1,536,413,081**	**69,010**	**735,588**	**-69,010**	**14,076,288**	**1,551,293,967**
Total Equities	**674,493,267**	**69,035**	**-7,978**	**0**	**13,075,894**	**687,630,218**
Blackrock Pooled	256,554,532	0	0	0	6,288,700	262,843,233
Henderson Global	34,792,460	0	0	0	-448,935	34,343,525
London LGPS	127,090,654	0	0	0	-3,212,701	123,877,953
LongView Partners	100,010,875	0	0	0	4,170,016	104,180,891
MFS Global Equity	155,188,696	69,035	0	0	6,287,774	161,545,506
Transition Account For Enfield	14,634	-0	-132	0	0	14,503
Trilogy	841,415	-0	-7,847	0	-8,960	824,608
Total Bonds and Index Linked	**295,760,430**	**0**	**267,637**	**0**	**-4,730,530**	**291,297,537**
Blackrock IL Gilts	97,875,354	0	0	0	-2,564,351	95,311,003
CQS MAC A GBP	56,562,815	0	0	0	464,052	57,026,867
Insight Bonds	31,725,244	0	0	0	183,900	31,909,144
Western	109,597,017	0	267,637	0	-2,814,131	107,050,523
Inflation Protection Illiquids	**123,957,806**	**0**	**0**	**0**	**-2,070,264**	**121,887,541**
CBRE Long Income Fund	36,804,603	0	0	0	0	36,804,603
M&G Inflation Opportunities Fd	87,153,202	0	0	0	-2,070,264	85,082,938
Total Hedge Funds	**64,038,660**	**-271,417**	**0**	**0**	**-887,126**	**62,880,118**
CFM Stratus	28,811,513	0	0	0	81,920	28,893,433
Davidson Kemper	32,311,333	0	0	0	-855,445	31,455,888
York Capital	2,915,814	-271,417	0	0	-113,600	2,530,797
Private Equity	**108,663,350**	**-4,927,288**	**0**	**0**	**6,659,700**	**110,395,762**
Adams Street	108,663,350	-4,927,288	0	0	6,659,700	110,395,762
Infrastructure	**73,976,123**	**-3,523,871**	**264,709**	**0**	**52,168**	**70,769,129**
Antin Infrastructure	25,493,902	-3,523,871	264,709	0	-583,475	21,651,265
INPP	48,482,221	0	0	0	635,643	49,117,864
Property	**87,129,622**	**-101,932**	**211,224**	**0**	**2,871,560**	**90,110,475**
Blackrock UK FD	38,656,052	-101,932	211,224	0	1,086,006	39,851,350
Brockton Capital Fund	9,686,457	0	0	0	0	9,686,457
Legal & General Property	38,787,113	0	0	0	1,785,554	40,572,667
Cash	**108,393,824**	**8,824,482**	**-4**	**-69,010**	**-895,115**	**116,323,186**
Cash & Other Transition Assets	222	0	-8	0	0	214
Goldman Sachs cash funds	34,194,870	50,000,000	97	0	-451,217	83,743,750
PE Cash & Other Assets	28,502,862	-9,548,866	-86	25	-383,481	18,570,429

Category: **Total Fund Gross of Fees** • Currency: **GBP**

Market Value Summary - One Month

Account/Group	30/11/2021 Market Value	Net Contribution*	Income	Fees	Appreciation	31/12/2021 Market Value
UT Cash & Other Assets	45,695,869	-31,626,652	-7	-69,035	-60,417	14,008,794

**Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.*
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Category: Total Fund Gross of Fees • Currency: GBP

ENFIELD Council

London CIV

London CIV Quarterly ACS Investment Review

31 December 2021

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Enfield

Introduction

We are pleased to present the London CIV Quarterly Investment Report for the London Borough of Enfield Pension Fund for the quarter to 31 December 2021.

The Report provides an Investment Summary with valuation and performance data of your Pension Fund's holdings. It includes an update on activities at London CIV, a market update and Fund commentary from the London CIV Investment Team as well as key portfolio data and a summary of ESG activity during the quarter.

Investment Summary

The table below shows the Sub-funds held by the London Borough of Enfield Pension Fund by asset class as at 31 December 2021 and how these have changed during the quarter.

ACS	30 September 2021	Net Subscriptions / (Redemptions)	Cash Distributions Paid	Net Market Move	31 December 2021
Active Investments	£	£	£	£	£
Global Equities					
LCIV Global Alpha Growth Fund	123,800,686	-	-	77,267	123,877,953
LCIV Global Equity Focus Fund	100,380,407	-	-	3,800,484	104,180,891
LCIV Emerging Market Equity Fund	35,887,020	-	-	(1,543,495)	34,343,525
Fixed Income					
LCIV MAC Fund	56,459,692	-	-	567,175	57,026,867
Total	**316,527,805**	**-**	**-**	**2,901,431**	**319,429,236**

The table below outlines the valuation of investments held per passive manager at the beginning and end of the quarter. A listing of the individual funds held can be found at the end of the Funds section of this report.

	30 September 2021	31 December 2021
Passive Investments †	£	£
Blackrock	339,659,521	358,061,278

† Passive investments are managed in investment funds for which London CIV has no management or advisory responsibility and are shown for information purposes only.

Performance Summary

Please see below the performance for ACS Sub-funds in which you, the Client Fund (CF), are invested. Performance since inception is annualised where period since inception is over 12 months.

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since CF Inception p.a. %	CF Inception Date
LCIV Global Alpha Growth Fund	**0.05**	**8.91**	**22.77**	**16.88**	**16.88**	**30/09/2016**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%	*6.72*	*22.46*	*20.95*	*15.14*	*15.84*	
Relative to Investment Objective	**(6.67)**	**(13.55)**	**1.82**	**1.74**	**1.04**	
Benchmark: MSCI All Country World Gross Index (in GBP)	*6.18*	*20.06*	*18.57*	*12.88*	*13.57*	
Relative to Benchmark	**(6.13)**	**(11.15)**	**4.20**	**4.00**	**3.31**	
LCIV Global Equity Focus Fund	**3.79**	**21.60**	**13.34**	**n/a**	**12.22**	**24/10/2018**
Target: MSCI World (GBP)(TRNet)+2.5%	*7.95*	*26.01*	*22.21*	*n/a*	*19.55*	
Relative to Target	**(4.16)**	**(4.41)**	**(8.87)**	**n/a**	**(7.33)**	
Benchmark: MSCI World (GBP)(TRNet)	*7.28*	*22.94*	*19.23*	*n/a*	*16.63*	
Relative to Benchmark	**(3.49)**	**(1.34)**	**(5.89)**	**n/a**	**(4.41)**	
LCIV Emerging Market Equity Fund	**(4.35)**	**(4.65)**	**8.27**	**n/a**	**8.46**	**24/10/2018**
Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%	*(1.14)*	*0.82*	*11.41*	*n/a*	*11.93*	
Relative to Investment Objective	**(3.21)**	**(5.47)**	**(3.14)**	**n/a**	**(3.47)**	
Benchmark: MSCI Emerging Market Index (TR) Net	*(1.76)*	*(1.64)*	*8.69*	*n/a*	*9.20*	
Relative to Benchmark	**(2.59)**	**(3.01)**	**(0.42)**	**n/a**	**(0.74)**	
LCIV MAC Fund	**0.96**	**6.40**	**4.89**	**n/a**	**4.35**	**30/11/2018**
Investment Objective: 3m LIBOR +4.5%	*1.15*	*4.59*	*4.90*	*n/a*	*4.91*	
Relative to Investment Objective	**(0.19)**	**1.81**	**(0.01)**	**n/a**	**(0.56)**	

Quarterly Update - Client Relations Team Report

Q4 2021 A reflection on 2021 - the year that was

Welcome to the London CIV Quarterly Investment Report ("QIR")

As we begin this New Year, we will continue to place a high emphasis on making sure we put in place high quality client engagement arrangements despite any further restrictions that may be imposed by the Covid-19 pandemic. Last year we made significant progress to improve our investment reports, website, and client portal, which in addition to serving you, it also raises the profile of the London CIV.

In terms of assets under management, the value of our public market funds offered via the London CIV's Authorised Contractual Scheme (ACS) rose by 26%, from £10.8 billion to £13.9 billion, and the cumulative commitments raised into our private market funds increased by 74%, from £606 million to £2.0 billion by the end of 2021.

In our annual submission to the Department of Levelling Up, Housing and Communities (DLUHC - previously known as MHCLG) we reported cumulative net savings of £33 million to our Client Funds for the first four years of operation to March 2021. As the value of pooled assets grow, we expect the level of savings to increase. Securing further savings is critically dependent on delivering the benefits of scale through collective investment in our product offering whilst also ensuring that the product range provides the solutions required to meet the Client Fund's strategic investment requirements. Working in a collaborative manner with our clients and broader stakeholders is critical to our success and our commitment in improving our communication with all parties will continue to evolve and improve.

Whilst we continued to make significant progress in 2021, one of our ongoing challenges is to gain greater commitment/demand from seed investors at an early stage to overcome the difficulties we face in securing attractive deals from investment managers. Your contribution as seed investors is vital in enabling us to attain greater negotiation leverage with the investment managers to secure better fee outcomes. We thank all our investors for your trust and commitment to the London CIV during 2021 and we look forward to further successful collaboration with you in 2022, and beyond.

Q4 2021 Activity in Brief

During our Annual Strategy and Responsible Investment Conference in October 2021, our Chief Executive Officer, Mike O'Donnell, reflected on the progress we have made with our existing product range and the strong demand seen for the new funds we launched in 2021, each of which were developed in partnership with Seed Investor Groups (SIGs). Our Chief Investment Officer, Jason Fletcher, presented at high-level our strategic product roadmap, and our Chief Operating Officer, Brian Lee, presented our medium-term pooling plan based on your responses to our annual survey.

We have made significant strides towards the 6 priorities of our Responsible Investment & Engagement Programme set out at the end of 2019. We were the first LGPS pool to announce a net zero strategy. Our ambitious target to achieve net zero by 2040 is intended to reflect the ambitions of our Client Funds, recognising the fact that each one of you will set targets of your own with different timescales. By announcing our target, we are not aiming to determine the net zero target for any of our Client Funds. You will likely have different terms and speeds and we respect that.

While setting the net zero target may prove to be the easier step, the challenge ahead will lie on creating an appropriate road map that will enable us to hit these targets. We recognise that the decisions each Client Fund will take in respect to their strategic asset allocation will play a significant role on their ability to achieve this. For us, it means that we need to work with our Client Funds to ensure our product range remains relevant and continues to offer what is required when/if tighter net zero targets are agreed in the future.

As we keep on developing our existing fund range in response to climate change commitments, we consider the financial implications of climate related risks.

During Q4 2021, we advanced in the process of further integrating Environmental, Social and Governance (ESG) factors to the strategy used by our LCIV Global Bond Fund. Effective 1 November 2021, Hermes EOS became our partner in respect to stewardship and engagement activities effective as part of our engagement step. The role of Hermes EOS is to sit alongside the voting guidance we receive as members of the Local Authority Pension Fund Forum (LAPFF). In terms of reporting, we have been conducting a trial with one of our Client Funds to assess the carbon footprint in line with the Task Force on Climate Financial Disclosures (TCFD) for its entire investment portfolio, irrespective of those assets being pooled or not. Going forward we are confident that we will be able to offer this service to all our Client Funds, which will present an aggregate assessment of the entire investment portfolio, show relevant metrics, and enable each of the Pension Committees to work towards their net zero targets. If this is something in which your Pension Fund is interested, please contact your designated Client Relations Manager at clientservice@londonciv.org.uk.

Our primary focus remains on financial returns; therefore, conversations with investment managers to improve the sustainability credentials of our products need to sit alongside the appropriate level of financial return our Client Funds depend on to generate the acceptable funding level to pay pensions without further recourse to the taxpayer. Our aim is to safeguard that our collective voice is heard in Responsible Investment debates whilst supporting our Client Funds to pool in line with their respective investment strategies.

We were also pleased to be approved as an asset owner to the first list of signatories to the 2020 UK Stewardship Code over the last quarter, which is an achievement to be celebrated. In December, Jeff Houston of the Local Government Pension Scheme Advisory Board (SAB) was our guest at our Business Update, and he provided us with an update on LGPS pooling and discussed the role pools can play to invest in social capital and support the challenges of the financial impact climate change can cause. A recording of this session is available to you in our Client Portal. Our fourth quarter Meet the Manager webinar was chaired by our Responsible Investment Manager Alison Lee and featured a discussion with Hermes EOS and their engagement capabilities.

Current Position

On 31 December 2021, the total assets deemed pooled by our Client Funds were £29.6 billion, of which £15.9 billion are in funds managed by the London CIV, being the ACS plus amounts committed to private market funds. Assets under management in our ACS stood at £13.9 billion. Over the fourth quarter, we had £250 million of additional commitments from four new investors to the LCIV Private Debt Fund, bringing total commitments raised by our private market funds as of 31 December 2021 to £2.0 billion of which £744m had been drawn. The value of 'pooled' passive assets was £12.8 billion, with £9.5 billion managed by Legal and General Investment Management and £3.3 billion managed by BlackRock.

Fund Activity - ACS

During Q4 2021 we had net flows of £1 million into the London CIV's ACS funds. Transactions included two investors seeding the Passive Equity Progressive Paris Aligned (PEPPA) Fund in early December with a total contribution of £540 million, new investors into the LCIV Global Bond Fund, LCIV Sustainable Equity Fund, and LCIV MAC Fund, positive net flows into the multi-asset LCIV Diversified Growth Fund and LCIV Absolute Return Fund due to rebalancing activity, and smaller negative net flows recorded for the LCIV Global Total Return Fund, LCIV Global Equity Fund, and LCIV Global Alpha Growth Fund.

Feedback from our regular catch-up calls with Pension Officers suggests that there are further opportunities for Client Funds to invest in our existing funds to meet their strategic asset allocation requirements. Looking ahead, we are working towards the launch the LCIV Alternative Credit Fund at the end of January 2022, which will in turn allow us to introduce PIMCO's Diversified Income Strategy to the LCIV MAC Fund which is anticipated to be incorporated from February 2022.

Fund Activity - Private Market Funds

We had a total of £420.5 million in drawdowns across all our private market funds over the quarter. The largest drawdowns were attributed to the LCIV Inflation Plus Fund and the LCIV Renewable Infrastructure Fund, which were respectively £132.4 million and £128.0 million.

On 30 September 2021, the LCIV Inflation Plus Fund held three assets in the education sector with total fund value of £35.4 million. During Q4 2021, we have agreed terms to acquire a £158 million portfolio (net of tax and transaction costs) of real estate long income assets. The portfolio consists of 11 assets across a range of sectors including hotels, student accommodation and supermarkets. By year-end, eight properties transaction have been completed with an acquisition price of £97 million (net of transaction costs) and the remainder is anticipated to be completed by end of March 2022.

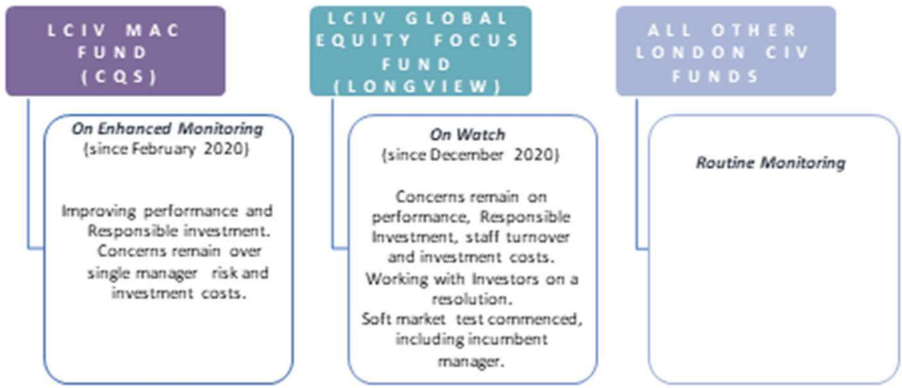
Separately, the Fund is also under offer on another student accommodation transaction of £22 million. We are targeting to complete both transactions, totalling £189m (including costs), by the end of March 2022. This portfolio acquisition represents a unique opportunity for the Fund to deploy all the existing investor queue quickly and efficiently into a diverse portfolio of high-quality, inflation linked long income assets, providing a platform for the continued strong performance and growth of the Fund. These acquisitions will create a diverse c.£217m portfolio of assets across 6 sectors and with an average investment grade credit rating of BBB+.

In October 2021, the LCIV Renewable Infrastructure Fund bought a single position in the BlackRock Renewable Income UK Fund that invests in a portfolio of 48 wind and solar projects across the UK. This investment allowed us to immediately deploy capital into a mature portfolio of renewable energy assets which is already generating cash, and therefore it is offering our Client Funds an immediate return on their investment.

For 2022, we will focus on developing a property fund offering, recognising this could be a complex process and individual Client Funds will have different starting points and different requirements in terms of their strategic asset allocation.

Investment Manager Monitoring

Below is a summary of the status of the London CIV investment manager monitoring programme as of 31 December 2021:



Cost Transparency Initiative templates for all funds ran by the London CIV as at 31 March 2021 were shared on the Byhiras Portal.

Group Engagement

We hosted seven group meetings over the quarter. The table below shows the types of meetings held:

Meeting Types	Quantity
Specific Pooling Opportunities	13
Catch-up Calls	12
Pension Committee Meetings	12
Preparation Meetings	7
Induction to the London CIV	1
Pooling Progression Strategy (PPS)	1
Total	46

Participation to our monthly Business Update and quarterly Meet the Manager webinars has improved significantly over last year, and we note a greater attendance from Pension Chairs and Pension Committee Members. In December we had representation from 75% of our Client Funds in addition to investment consultants and independent advisors.

We will continue to host our monthly Business Update webinars via Microsoft Teams at 10am every third Thursday of the month. We will be hosting a Workshop on Property Investments on 31 January 2021 and the next Seed Investor Group (SIG) discussion on Sterling Credit will be held on 1 February 2022. This SIG group will determine demand for us to move to Stage 2: Mandate Development of our Fund Launch Framework as we work with interested investors to determine sufficient appetite to launch this product. If you wish to join us at any of these meetings, please contact your designated Client Relations Manager at clientservice@londonciv.og.uk.

Client Fund Meetings

Over Q4 2021 we have recorded over 46 meetings/calls with our Client Funds. The table below shows the types of meetings held during Q4 2021:

Meeting Type	Quantity
Seed Investment Group (SIG)	2
Business Update (BU)	2
Investment Consultant Update	1
Independent Advisors Update	1
Meet the Manager (MTM)	1
Total	**7**

Pooling Strategy

Following approval by the London CIV Board during Q4 2021, we are now working on the basis that a realistic pooling target is to achieve 71% pooled by 2025 instead of 75% by 2023. This figure is based on one-to-one pooling strategy meetings with our Client Funds and the responses to the annual survey submitted to the DLUHC). This new target also forms part of the basis for our Medium-Term Financial Strategy (MTFS) and Budget for 2022/23 on which we are now monitoring progress and forecasting for the financial year ending in March 2022.

Please see below a summary of the London CIV Sub-funds, including both those in which you are invested, and those you are not. All performance is reported Net of fees and charges with distributions reinvested. For performance periods of more than a year performance is annualised.

ACS	Size	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
Global Equities								
LCIV Global Alpha Growth Fund	**£2,642m**	**0.05**	**8.91**	**22.77**	**16.88**	**19.19**	**11/04/2016**	**11**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%		6.72	22.46	20.95	15.14	18.04		
Performance Against Investment Objective		**(6.67)**	**(13.55)**	**1.82**	**1.74**	**1.15**		
Benchmark: MSCI All Country World Gross Index (in GBP)		6.18	20.06	18.57	12.88	15.72		
Performance Against Benchmark		**(6.13)**	**(11.15)**	**4.20**	**4.00**	**3.47**		
LCIV Global Alpha Growth Paris Aligned Fund	**£1,375m**	**(0.19)**	**n/a**	**n/a**	**n/a**	**1.20**	**13/04/2021**	**6**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%		6.72	n/a	n/a	n/a	13.18		
Performance Against Investment Objective		**(6.91)**	**n/a**	**n/a**	**n/a**	**(11.98)**		
Benchmark: MSCI All Country World Gross Index (in GBP)		6.18	n/a	n/a	n/a	11.58		
Performance Against Benchmark		**(6.37)**	**n/a**	**n/a**	**n/a**	**(10.38)**		
LCIV Global Equity Fund	**£782m**	**6.53**	**20.40**	**18.90**	**n/a**	**13.28**	**22/05/2017**	**3**
Investment Objective: MSCI All Country World Index Total Return (Gross)+1.5%		6.69	21.94	20.29	n/a	14.49		
Performance Against Investment Objective		**(0.16)**	**(1.54)**	**(1.39)**	**n/a**	**(1.21)**		
Benchmark: MSCI All Country World Index Total Return (Gross)		6.29	20.13	18.51	n/a	12.80		
Performance Against Benchmark		**0.24**	**0.27**	**0.39**	**n/a**	**0.48**		
LCIV Global Equity Core Fund	**£601m**	**8.90**	**20.32**	**n/a**	**n/a**	**15.95**	**21/08/2020**	**2**
Benchmark: MSCI All Country World Index (with net dividends reinvested)		6.09	19.55	n/a	n/a	21.44		
Performance Against Benchmark		**2.81**	**0.77**	**n/a**	**n/a**	**(5.49)**		
LCIV Global Equity Focus Fund	**£1,001m**	**3.79**	**21.60**	**13.34**	**n/a**	**10.81**	**17/07/2017**	**5**
Target: MSCI World (GBP)(TRNet)+2.5%		7.95	26.01	22.21	n/a	15.86		
Performance Against Target		**(4.16)**	**(4.41)**	**(8.87)**	**n/a**	**(5.05)**		
Benchmark: MSCI World (GBP)(TRNet)		7.28	22.94	19.23	n/a	13.04		
Performance Against Benchmark		**(3.49)**	**(1.34)**	**(5.89)**	**n/a**	**(2.23)**		
LCIV Emerging Market Equity Fund	**£557m**	**(4.35)**	**(4.65)**	**8.27**	**n/a**	**2.76**	**11/01/2018**	**7**
Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%		(1.14)	0.82	11.41	n/a	5.66		
Performance Against Investment Objective		**(3.21)**	**(5.47)**	**(3.14)**	**n/a**	**(2.90)**		
Benchmark: MSCI Emerging Market Index (TR) Net		(1.76)	(1.64)	8.69	n/a	3.08		
Performance Against Benchmark		**(2.59)**	**(3.01)**	**(0.42)**	**n/a**	**(0.32)**		

ACS	Size	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
Global Equities								
LCIV Sustainable Equity Fund	**£1,468m**	**6.57**	**19.34**	**23.64**	**n/a**	**18.53**	**18/04/2018**	**8**
Investment Objective: MSCI World Index Total Return (Net) in GBP+2%		7.82	25.40	21.62	n/a	17.77		
Performance Against Investment Objective		**(1.25)**	**(6.06)**	**2.02**	**n/a**	**0.76**		
Benchmark: MSCI World (GBP)(TRNet)		7.28	22.94	19.23	n/a	15.46		
Performance Against Benchmark		**(0.71)**	**(3.60)**	**4.41**	**n/a**	**3.07**		
LCIV Sustainable Equity Exclusion Fund	**£481m**	**6.74**	**22.77**	**n/a**	**n/a**	**42.95**	**11/03/2020**	**3**
Investment Objective: MSCI World Index Total Return (Net) in GBP+2%		7.82	25.40	n/a	n/a	32.37		
Performance Against Investment Objective		**(1.08)**	**(2.63)**	**n/a**	**n/a**	**10.58**		
Benchmark: MSCI World (GBP)(TRNet)		7.28	22.94	n/a	n/a	29.78		
Performance Against Benchmark		**(0.54)**	**(0.17)**	**n/a**	**n/a**	**13.17**		
LCIV Passive Equity Progressive Paris Aligned Fund	**£533m**	**n/a**	**n/a**	**n/a**	**n/a**	**2.69**	**01/12/2021**	**2**
Index: S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (GBP)		n/a	n/a	n/a	n/a	2.75		
Performance Against Index		**n/a**	**n/a**	**n/a**	**n/a**	**(0.06)**		
Multi Asset								
LCIV Global Total Return Fund	**£230m**	**1.26**	**3.64**	**3.90**	**2.26**	**3.33**	**17/06/2016**	**3**
Target: RPI + 5%		3.11	11.72	8.41	8.48	8.50		
Performance Against Target		**(1.85)**	**(8.08)**	**(4.51)**	**(6.22)**	**(5.17)**		
LCIV Diversified Growth Fund	**£912m**	**3.78**	**9.32**	**7.94**	**5.04**	**6.22**	**15/02/2016**	**8**
Target: UK Base Rate +3.5%		0.90	3.61	3.86	3.90	3.90		
Performance Against Target		**2.88**	**5.71**	**4.08**	**1.14**	**2.32**		
LCIV Absolute Return Fund	**£1,205m**	**1.39**	**10.25**	**9.73**	**4.82**	**6.41**	**21/06/2016**	**10**
Target: 1m LIBOR +3%		0.77	3.06	3.33	3.38	3.37		
Performance Against Target		**0.62**	**7.19**	**6.40**	**1.44**	**3.04**		
LCIV Real Return Fund	**£187m**	**3.74**	**7.28**	**8.92**	**5.79**	**6.02**	**16/12/2016**	**2**
Investment Objective: 1m SONIA from 1 October 2021 1m LIBOR previously +3%		0.77	3.05	3.33	3.38	3.38		
Performance Against Investment Objective		**2.97**	**4.23**	**5.59**	**2.41**	**2.64**		

ACS	Size	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
Fixed Income								
LCIV MAC Fund	**£1,215m**	**0.96**	**6.40**	**4.89**	**n/a**	**3.89**	**31/05/2018**	**13**
Investment Objective: 3m LIBOR +4.5%		1.15	4.59	4.90	n/a	4.97		
Performance Against Investment Objective		**(0.19)**	**1.81**	**(0.01)**	**n/a**	**(1.08)**		
LCIV Global Bond Fund	**£689m**	**(0.21)**	**(0.54)**	**5.65**	**n/a**	**5.63**	**30/11/2018**	**7**
Benchmark: Barclays Aggregate – Credit Index Hedged (GBP) Index		(0.04)	(1.13)	5.12	n/a	5.31		
Performance Against Benchmark		**(0.17)**	**0.59**	**0.53**	**n/a**	**0.32**		
Total LCIV ACS Assets Under Management	**£13,877m**							

Please see below a summary of the London CIV Private Market Funds, including both those in which you are invested, and those you are not. The figures are as at 30 September 2021 as the valuations for private markets are calculated and released during the following quarter so are unavailable at the date this report is produced.

Private Markets	30 September 2021 Total Commitment	Called to Date	Undrawn Commitments	30 September 2021 Fund Value	Inception Date	No. of Investors
EUUT	**£'000**	**£'000**	**£'000**	**£'000**		
LCIV Infrastructure Fund	**399,000**	**122,061**	**276,939**	**124,154**	**31/10/2019**	**6**
LCIV Inflation Plus Fund	**202,000**	**35,772**	**166,228**	**35,393**	**11/06/2020**	**3**
LCIV Renewable Infrastructure Fund	**682,500**	**51,606**	**630,894**	**48,442**	**29/03/2021**	**10**
LCIV Private Debt Fund	**290,000**	**91,552**	**198,448**	**94,435**	**29/03/2021**	**3**
SLP	**£'000**	**£'000**	**£'000**	**£'000**		
The London Fund	**195,000**	**22,917**	**172,083**	**21,662**	**15/12/2020**	**2**

*For details on remaining current capacity available for further investment please contact the Client Service Team at clientservice@londonciv.org.uk.

London CIV Fund Performance Q4 2021

In aggregate London CIV funds had a poor relative performance in 2021 and Q4 reversing to some extent the exceptional relative performance we saw in 2020.

The best quarterly and annual relative performance has been led by the LCIV MAC Fund (by CQS), LCIV Equity Core Fund (by MSIM) and the multi-assets funds except for LCIV Global Total Return Fund with Pyrford which continues to suffer with a high bond weighting and the toughest benchmark. Over the last 12 months the LCIV Global Alpha Growth Fund (by Baillie Gifford) has underperformed the index by 11.2% and LCIV Global Alpha Growth Paris Aligned Fund (by Baillie Gifford) have underperformed the index by 10.3% in the last 9 months which has been caused by the bias towards the underperforming growth companies that they favour but also some poor stock selection as they shifted away from the technology sector. Thankfully the exceptional performance from the previous three years means that long-term performance is still significantly ahead of target. The LCIV Global Equity Core Fund (by MSIM) has seen a strong pick up in performance after a poor start but remains below its benchmark since its inception in August 2020. All the performance data can be found in the table above. We have challenged the underperforming investment managers at our regular Quarterly review meetings regarding the reasons for this underperformance and share more detail in the attached Sub-fund reports.

On the ACS, the LCIV MAC Fund with CQS was moved to ‘normal monitoring’ from ‘enhanced monitoring’ in December 2021 after we observed significant improvements in performance, integration of ESG into their process and improved team stability. The LCIV Global Equity Focus Fund with Longview remains on our ‘watch list’ and has continued to underperform in 2021. We have seen an uptick in staff turnover with several of our investment managers recently and some mergers which are also detailed in the underlying reports. London CIV is engaging with those investment managers where we feel investment costs are higher than similar sized asset owners using peer group data (see below). The individual reports will update progress from those investment managers that failed to get FRC stewardship status last year. All other London CIV Sub-funds are on standard monitoring, though we are reviewing Pyrford given their long term and short-term performance respectively.

We have introduced performance versus the investment objective targets per the prospectus in this report to show where investment managers are beating the index and also where they are beating the outperformance target. Though these are sometimes challenging targets this is the expected return we are seeking for the active management over the passive equivalents and London CIV expect these investment managers to be taking a commensurate level of risk to deliver these targets.

London CIV has moved the Sub-funds that use LIBOR as a Benchmark to a SONIA Benchmark as of the end of this year. Historic performance will remain against LIBOR with future performance measured against SONIA. The LCIV Real Return Fund (by Newton) has adopted this change in September 2021. We have engaged with all our investment managers that utilised LIBOR to ensure that they transitioned to the SONIA benchmark before the end of 2021. SONIA is calculated and published by the Bank of England using a transparent methodology based on actual transactions.

Markets

The last 12 months has seen remarkable performance from Equities returning 17.5% (Bloomberg 15/1/22) after three double digit returning years and up over 70% since the lows of the Covid-19 Outbreak. Emerging Markets (-6.3%) and Japan Equities (+7.5%) were the laggards with U.S. equities (+24.4%) the clear leading market. Bonds have been disappointing seeing a -2.2% return. Broadly private market assets have been recovering and multi-asset funds have seen positive returns in the last 12 months. Listed proxies for property and private equity have outperformed the equity market.

Bond markets have suffered in the recent environment mostly due to rising interest rates and inflation. Credit has managed to outperform government bonds through low default rates and lower duration/ interest rate sensitivity.

Emerging market equities have suffered from rising rates, strength in the US$ and also the specific issues in China which makes up 30% of the MSCI Emerging Market Index. China has seen GDP growth slow to a multiyear low of 4% in Q4 driven by Covid-19 lock downs, the crack down on technology companies and credit problems in the real estate sector. In response to this slowing, China has bucked the global trend and recently cut interest rates.

Chart 1: Asset Class returns

	Last Price	Last 3 months	Last 12 months	3yr	5yr	10y
		%	%	cagr %	cagr %	cagr %
Global Equities £	16806.1	3.1	17.5	17.3	11.5	14.2
Emerging Market Equities £	677.9	-0.4	-6.3	8.5	7.0	6.9
Global Credit £	840.7	-1.1	-2.2	2.8	2.1	3.0
High Yield Credit £	557.9	-1.2	1.2	4.6	3.4	6.1
UK Property listed Proxy £	171.7	6.5	30.3	14.1	7.4	10.8
Global Infrastructure Proxy (US$)	2794.2	2.7	11.0	9.3	7.7	7.7
Global Private Equity Proxy (US$)	223.1	-2.4	36.4	26.1	17.7	16.7
Source Bloomberg Date 15/01/22						

Source: Green–Red formatting by time period Global Credit Index: Bloomberg Global AGG index

By factor or style performance trends have reversed in 2021 with value and quality outperforming, growth and momentum underperforming. We have shared the benchmark for the recently launched LCIV Passive Equity Progressive Paris Aligned fund of the "S&P Developed Ex Korea LargeMidCap Net Zero 2050 Paris Aligned ESG index", (I think we can all be thankful for the shortened name) showing that this index would have outperformed over the full year but suffered in the most recent quarter as the Energy sector has done very well recently. Energy was the best performing sector in the MSCI sector indices last year.

Chart 2: Equity Factor returns US$

EQUITY FACTORS					
SecurityName	Last Quarter %	Last 12 Months %	3yr cagr%	5yr cagr%	10y cagr%
MSCI World Value Index	6.5	20.9	13.9	9.9	10.4
MSCI World Growth Index	-0.3	14.7	25.9	19.2	16.1
MSCI World Quality Price USD Index	2.4	20.6	25.3	19.0	#N/A N/A
MSCI World Small Cap Index	-2.3	7.5	16.7	11.9	12.8
MSCI World Momentum Pri$	-1.4	8.2	21.3	18.2	15.1
MSCI World High Dividend Yield	7.6	16.7	13.5	10.5	9.7
MSCI WORLD MINIMUM VOLATILITY IN USD Price Return USD	1.8	10.9	11.7	10.3	10.7
S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (USD)	2.6	19.8	21.5	14.5	#N/A N/A
MSCI World Index	3.2	18.0	20.2	14.7	13.3

Source: Green–Red formatting by time period.: Bloomberg data 17/1/22

Responsible Investment

The London CIV team has recommended a net zero target for our funds. We have set a 2040 net zero target for our collective funds with 5-year progress intervals set. We have also set ourselves (London CIV Office and staff) a 2025 Net zero target for emissions. These targets have been approved by the Board and shared with shareholders and investors at our conference held in October. London CIV recognise that strategic asset allocation and setting net zero ambitions will be done at the fund level but stand ready to assist clients in implementing those changes through the funds that we offer. The London CIV continues to work with Client Funds through the Responsible Investment Reference Group ("RIRG") and with partners outside the LGPS. We have developed TCFD reporting with S&P/ Trucost data services, and we are looking to expand reporting outside of the London CIV Sub-funds with a pilot study with Haringey to help with TCFD reporting on your funds. We have partnered with Hermes EOS to combine the voting and engagement across all London CIV segregated active funds. We are reviewing the Responsible Investment policies and our investment beliefs and will share these updates in the next three months. Responsible Investment is a critical factor in developing the London CIV roadmap and also the modifications being made to our existing funds with the launch of the Paris Aligned funds and recent changes to the LCIV Global Bond Fund. It is also an increasingly important component in the selection and ongoing monitoring of the investment managers that we select to manage your funds.

Cost Transparency and Value Assessment

London CIV continue to work with our Client Funds (as Investors and Shareholders) through the Cost Transparency Working Group ("CTWG"). We will work with you to improve cost reporting and look to manage those full investment costs effectively on your behalf. We published the London CIV funds 31 March 2021 cost transparency reports on the SAB/Byhiras portal. We will be sharing our annual ACS Assessment of Value in the Q2 quarter. We have appointed CACEIS to assist with peer group analysis, adding to market impact measurement across all Sub-funds and also the reporting for private markets funds.

Investment/Economic Outlook

Global economic activity has stalled a bit in Q4 with 2021 forecasts reduced into the end of the year as fears of the Omicron variant have spread. However, Inflation expectations have picked up with the 2022 forecast rising from 2.5% to 3.8% in the last quarter. Employment prospects have improved globally, and wage growth is accelerating. Central banks have already raised rates, reversed bond buying programmes and are all expected to increase rates in the coming year except for China. The assumption that inflation is only transitory has been dropped from central bank rhetoric.

Chart 3: G8 Economic forecasts

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Economic Activity										
Real GDP (YoY%)	1.8	2	1.5	2.2	2.2	1.7	-4.7	5	3.8	2.3
CPI (YoY%)	1.9	0.9	1	1.8	2.1	1.6	0.9	4.2	3.8	2.1
Unemployment (%)	6.6	5.9	5.6	5.1	4.7	4.4	7	5.5	4.4	4.2
External Balance										
Curr. Acct. (% of GDP)	-0.5	-0.3	-0.1	0.1	0	0	-0.5	-0.7	-0.8	-0.9
Fiscal Balance										
Budget (% of GDP)	-2.9	-2.5	-2.7	-2.6	-2.6	-3	-11.8	-9.8	-5.2	-3.7
Interest Rates										
Central Bank Rate (%)	1.29	0.84	0.88	1.32	1.94	1.47	0.35	0.54	0.93	1.32
3-Month Rate (%)	0.22	0.37	0.49	0.89	1.53	1.04	0	0	0.53	1
2-Year Note (%)	0.42	0.57	0.5	0.97	1.36	0.84	-0.09	0.36	0.79	1.11
10-Year Note (%)	1.57	1.66	1.61	1.65	1.82	1.23	0.49	1.02	1.47	1.72

Source Bloomberg Concensus Data 17/1/22 Forcasts highlighted in yellow

Chart 3 High yield (YTM) versus Inflation UK

The last three months has seen yields on 10y government bonds rise sharply, though the yield curve has remained flat as short rates have risen too with the expectation of Interest rate hikes. Though this is good news for pension funds as rising discount rates reduces liabilities, the impact on the economy is uncertain and rising rates will likely uncover bad debts (corporate, consumer and government) built up in the period of aggressive monetary expansion after the financial crisis of 2007-2008. Japanese and European 10year yields have moved into positive territories in nominal terms but still are a long way from seeing real returns given inflation.

Chart 4 Sterling Bonds and Yield curve

Source Bloomberg 19/1/22

Summary and Outlook

London CIV welcomes Chris Osborne (Senior portfolio manager Private Markets) to the investment team to focus on the London CIV Property offering. We are also adding two investment Analysts that will start in February to ensure we develop the roadmap products and services, robust monitoring of existing funds. We will also be focused on adapting your funds to the challenges that the future presents us all.

So, where do you find returns to meet and beat your liabilities? After the 17.5% (source table 1 above) move in equities over the last 12 months, returns seem likely to moderate in the future with the risk of a significant decline rising. Unfortunately for all the doomsters out there the over valuation of equities has not been a good indicator for the direction of the market. Historically when employment and confidence (measured as survey data) are rising it is very rare for equity markets to decline. Laggard regional markets including the U.K. and emerging markets may represent good relative value currently offering comparable yields to their respective credit markets and the banking sector looks to be favoured in the current interest rate environment. Bonds and credit will likely remain under pressure from rising inflation, interest rates and default uncertainty. This leaves income generating private assets, such as property and infrastructure (despite valuations being fairly rich) as the favoured asset classes, given their inflation protection and income attributes. Property will likely be a key focus as many of you are underweight your strategic allocation post Covid-19 and the long-term shift from office and retail to residential, warehousing and logistics has accelerated. The newer asset class of Real Estate Long Income (RELI) could be a more liquid and stable alternative to property. We will look to address many of these opportunities in the property workshop we are holding on the 31st January sadly remotely given the current environment

London CIV believe the long-term transition to climate stability and responsible investment will continue to offer better risk-adjusted returns over the long term and also help clients meet their own net zero targets. The London CIV is endeavouring to improve client reporting, assisting clients in meeting their requirements and building your trust.

LCIV Global Alpha Growth Fund

Quarterly Summary as at 31 December 2021

Total Fund Value:

£2,642.2m

Inception date:	11/04/2016
Price:	262.20p
Distribution frequency:	Quarterly
Next XD date:	04/01/2022
Pay date:	28/02/2022
Dealing frequency:	Daily

Investment Objective

The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross fee basis over rolling five year periods.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been Baillie Gifford & Co since the Sub-fund's inception date.

Enfield Valuation:

£123.9m

Enfield investment date: 30/09/2016

This is equivalent to 4.69% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £-

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Fund Inception p.a. %†	Since CF Inception p.a. %†
Fund	0.05	8.91	22.77	16.88	19.19	16.88
Investment Objective*	6.72	22.46	20.95	15.14	18.04	15.84
Relative to Investment Objective	(6.67)	(13.55)	1.82	1.74	1.15	1.04
Benchmark**	6.18	20.06	18.57	12.88	15.72	13.57
Relative to Benchmark	(6.13)	(11.15)	4.20	4.00	3.47	3.31

** Investment Objective: MSCI All Country World Gross Index (in GBP)+2%*
*** Benchmark: MSCI All Country World Gross Index (in GBP)*

† The objective target return outperformance is compounded daily therefore the index return plus the outperformance may not equal the objective target.

LCIV Global Alpha Growth Fund

Quarterly Commentary

Performance

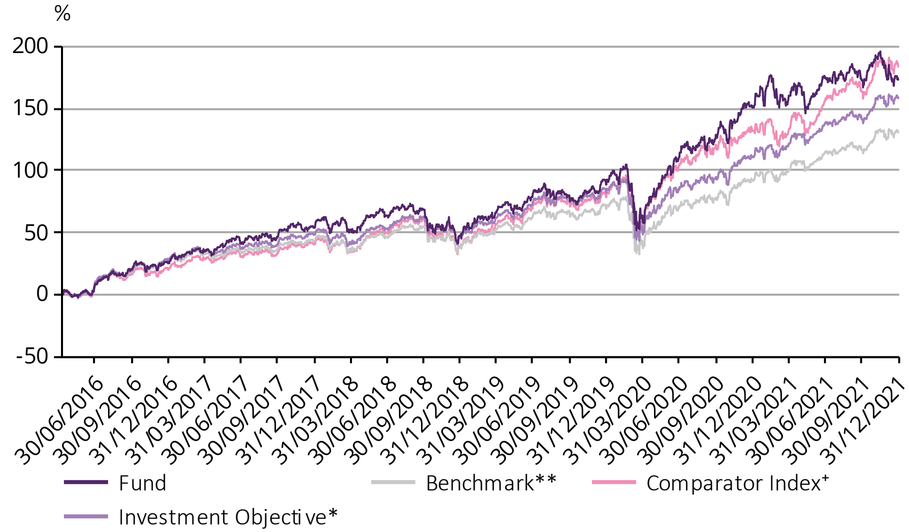
The latest quarter and calendar year have been challenging in performance terms for the LCIV Global Alpha Growth Fund. The Sub-fund returned 0.1% in Q4 2021, underperforming the benchmark by 6.1% in the period. One year performance for the Sub-fund is 8.9%, 11.2% less than the MSCI All Country World benchmark index. The Sub-fund has generated 19.2% on an annualised basis since inception, outperforming the benchmark by 3.5%. The Sub-funds' Investment objective target is to exceed the return of the benchmark by 2-3% over rolling five year periods which the fund has achieved to date.

The comparator index, MSCI World Growth, returned 7.6% in Q4 2021 which means the Sub-fund also underperformed the comparator index assigned to it by 7.5%. Longer term performance has now also turned negative with the Sub-fund lagging the comparator index by 0.8% p.a.

At the stock level the largest detractors were SEA Limited, Moderna and DoorDash. SEA, the online content, e-commerce and payments company, reversed previous quarter relative gains and dropped sharply in Q4 (c. -30%). The stock price came under significant pressure following an announcement from Tencent, one of the largest shareholders of SEA, that they will be reducing the size of their holding to 18% (a reduction of 2%). The number of shares divested is not large in absolute terms, but the market didn't like the signalling effect of this move and the overhang it creates over the stock price.

The biotechnology pharmaceuticals company Moderna also detracted this quarter as shipment delays prompted a downgrade in 2021 revenue guidance and caused subsequent pressure on the stock price. The investment manager takes the view the downward pressure on the stock price will be short lived and remains very confident in the long-term prospects of the company which they view as essentially a 'software' company with favourable operating leverage due to its innovative mRna technology.

Performance since LCIV inception



Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Investment Objective: MSCI All Country World Gross Index (in GBP)+2%*

*** Benchmark: MSCI All Country World Gross Index (in GBP)*

+ The Comparator Index MSCI Growth Index Net Total Return is not the stated fund objective, but has been selected as an appropriate index given the style of the Sub-fund. For further details, please refer to the Glossary.

Lastly, the U.S. food ordering and delivery platform DoorDash performed poorly as investors were unnerved by the company's heavy reinvestment of earnings in acquisitions such as the recent one of Wolt (a European courier business). While investors with shorter term horizons penalised the stock, Baillie Gifford emphasised that spending now to grow the business later should be beneficial over the longer term.

The largest positive contributors were: Teradyne, a company that develops automatic test equipment for semiconductors and wireless devices, which

LCIV Global Alpha Growth Fund

advanced on the back of strong demand for their products and services; the heavy building materials producer Martin Marietta Materials which had a good quarter on the back of positive news for the infrastructure sector in its key U.S. market; and Anthem, a health care benefits and life insurance provider, that benefitted from a positive surprise in its quarterly earnings and improved full year guidance.

Market Views

Despite the positive absolute returns for equity markets in Q4 an undercurrent of uncertainty affected particular pockets of the market where the investment manager is heavily invested. In particular, the emergence of the Omicron Covid-19 variant, the ongoing debate about the timing and extent of interest rate hikes and scepticism around the intentions of the Chinese government has underpinned sharp downward moves in the share prices of rapid growth, procyclical and prominent Chinese companies which have attracted scrutiny because of their dominant market positions.

The investment manager anticipates that the period of heightened volatility can extend well into 2022 and they take the view that headlines will continue to affect share prices in the near term. Against this backdrop Baillie Gifford remain focused on what they believe they can do best: generate insight which will help inform their view of the growth prospects of companies over time horizons many years longer than most investors.

Clearly, the investment manager tries to remain positive after what was a difficult quarter and indeed a difficult calendar year for their performance. They recognise that periods of underperformance are uncomfortable but inevitable given the nature of companies held in the portfolio.

Positioning

The Sub-fund maintained a significant regional allocation to North American equities at c. 58% followed by an exposure of 15.6% to European equities. At the sector level the largest exposure was to consumer discretionary with 20.7% followed by information technology at 17.1% and financials at 13.8%. The largest positions at the stock level remain Prosus at 3%, Microsoft at 2.9% and Moody's at 2.8%.

Rolling 1 year turnover was stable at 14%. Over the quarter the nvestment manager has initiated two new positions, Chewy and Coupang. Chewy is an online pet superstore that serves a large and economically insensitive pet owner market, estimated to be worth around $100bn annually, which is gradually shifting online. Attractive features of the company according to Baillie Gifford are the combination of both volume growth via new customer acquisition and increasing wallet share which is likely to materially increase Chewy's earnings. The investment manager took advantage of weakness in the stock price to initiate this position.

Coupang (South Korean ecommerce, logistics and payments) is a young and innovative founder-led business. Its ecommerce platforms have become known as the 'Amazon of South Korea' as its offering in terms of choice, price and service has the potential to underpin its emergence as the long-term winner in the region. The company was listed in the local exchange in March, and we note that the stock has been in a downward trajectory since.

Beyond these new positions the investment manager has been carefully adding to existing holdings with defensive characteristics, such as Martin Marietta Material and Anthem, and business models that do not rely heavily on online presence. We welcome this at it can potentially offer diversification benefits to the Sub-fund and reduce the concentration risk of a monothematic exposure to online retailers.

LCIV Global Alpha Growth Fund

Notable sales over the quarter include: Autohome, the Chinese online auto platform, which suffered from declining user engagement levels, strengthening competition and further concerns regarding declines in auto advertising spend in China which may hamper future growth; and Hays, the UK-based recruitment business which faces competition from online platforms such as LinkedIn which look set to disrupt the traditional operators in the recruitment sector in the years ahead. In both cases the investment manager recognises that the initial investment thesis did not materialise.

Additionally, the investment manager took profits on a few positions that performed well. These were Resmed, the U.S. supplier of specialist equipment for sufferers of sleep apnoea, Advantest Corporation, the Japanese semiconductor test equipment maker and ICICI Bank, the Indian bank. They also made another reduction to Tesla in December, the fourth since the start of the pandemic in early 2020.

Fund Monitoring

During the quarter the investment manager introduced a number of evolutionary changes in the investment process and in particular, how they categorise growth profiles within the portfolio. As a reminder the investment process maintained four growth profiles: Stalwart, Rapid, Cyclical and Latent, that were introduced in 2009. These help in providing clarity about the inefficiency the investment manager seeks to exploit and provide a framework of expectations about how growth is to be delivered.

Following an analysis of the diversification benefits that each of the profiles delivered since inception and their relative performance, the investment manager concluded that the Latent Growth profile has been somewhat of a laggard, outperforming considerably less than its siblings and contributing little diversification. They note that on reflection, the Latent Growth profile has seen too many instances where either the fate of the business depended too much on external factors outside the control of management or where it had become a hospice for failing investment theses that should have been sold earlier.

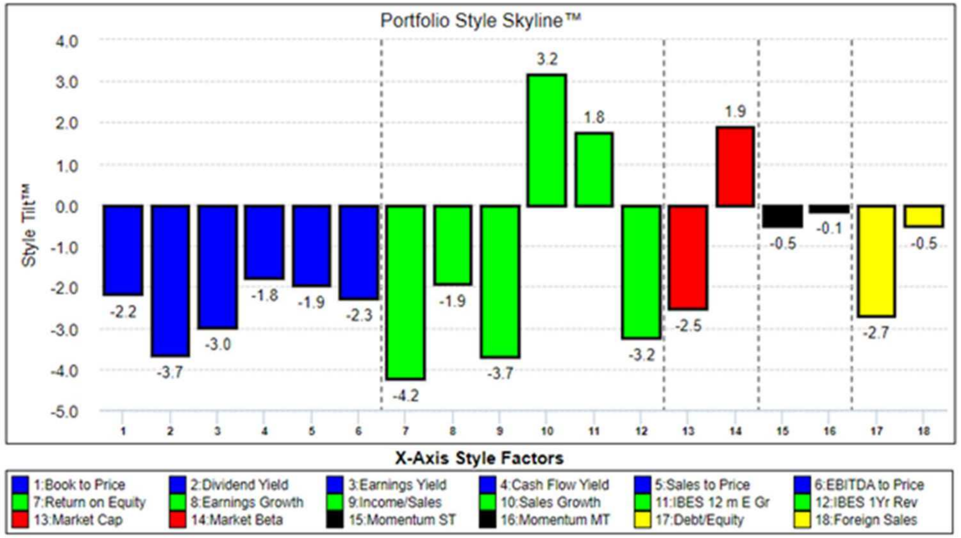
A decision was made therefore to stop explicitly seeking Latent Growth opportunities for the Sub-fund. Alongside this change, the investment manager will change the titles of the remaining growth profiles to better reflect the way the businesses are likely to grow rather than the rate of growth. Therefore, ‘Stalwart Growth’ will become ‘Compounders’, ‘Rapid Growth’ will become ‘Disrupters’ and ‘Cyclical Growth’ will become ‘Capital Allocators’. At this stage these changes will not lead to any change to the underlying holdings in the portfolio. The current Latent Growth positions will be rolled over into the ‘Capital Allocators’ profile. It is also worth noting that the investment manager does not expect any meaningful change in the overall growth or risk characteristics of the portfolio either.

We view these changes as evolutionary rather than radical and we consider them as a good indication that the investment manager continues to evaluate and evolve elements of the process that have not delivered in line with expectations. It is highly likely that recent changes in the portfolio management team with the retirement of Charles Plowden, and promotion of Helen Xiong, have provided a fertile ground for the thinking around investment process to evolve and planned changes to be brought forward. However, the timing of this implementation coincides with a period of relative underperformance which may have caused a rush to apply these changes in a haste or alternatively may have just helped to focus minds on what works and what doesn’t. We will continue to monitor developments in the application of these changes.

LCIV Global Alpha Growth Fund

Style Analysis

The style of the Sub-fund remains consistent and is tilted away from all value factors and some growth (return on equity, income/sales) with a strong positive tilt towards sales growth. The Sub-fund is also biased towards small cap stocks with a high market beta. The exposure to momentum (medium term) has declined over the quarter.

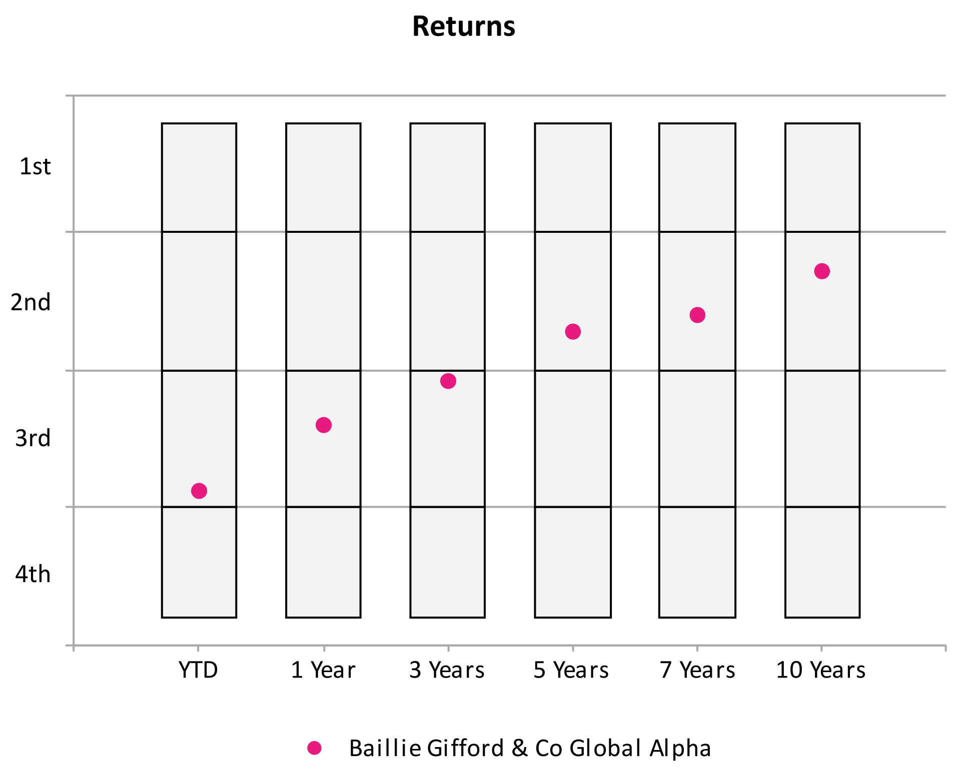


Source: eVestment as at 30 September 2021

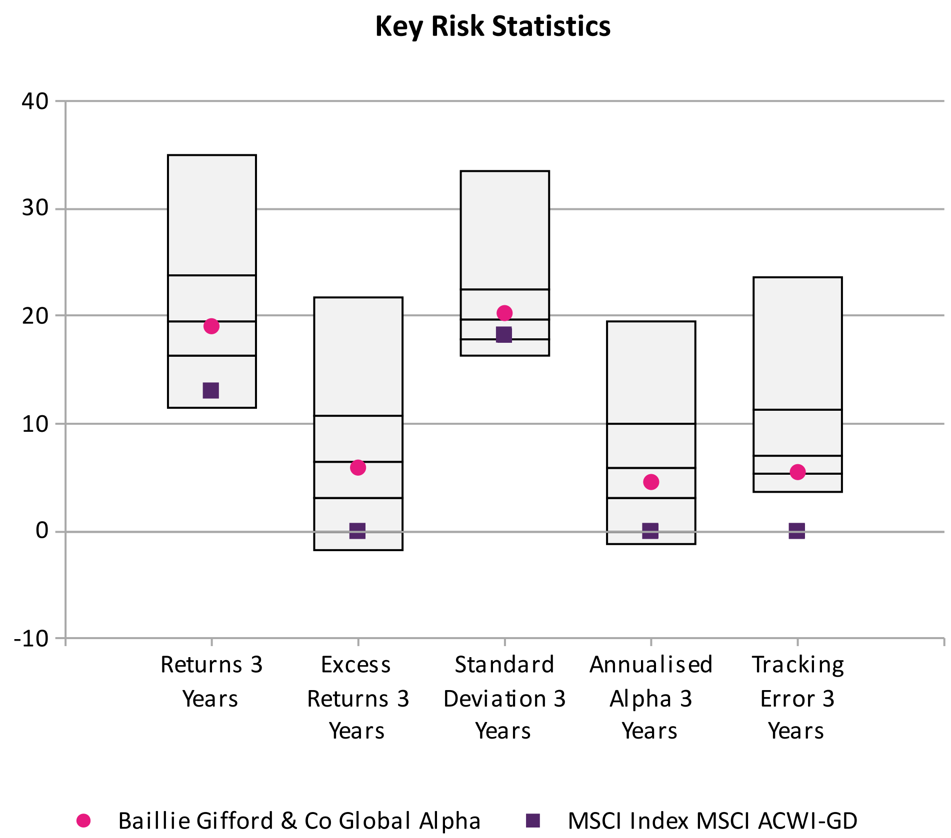
LCIV Global Alpha Growth Fund

Peer Analysis

The peer group is the **Global All Cap Growth Equity.** Over the shorter term (year to date and 1 year to end September 2021), the Sub-fund has not performed as well as it has historically and is in the bottom two quartiles of its peer group. Over the longer term, the performance remains in the top two quartiles and has consistently out-performed the MSCI ACWI index. This is coupled with low risk (tracking error) compared to other funds in the global all cap growth equity peer group.



Source: eVestment as at 30 September 2021



Source: eVestment as at 30 September 2021

LCIV Global Alpha Growth Fund

Conclusion

This was a very challenging quarter and the worst calendar year for the Sub-fund in terms of relative performance. The Sub-fund suffered heavy losses in parts of the portfolio which have historically been areas of strength such as consumer discretionary companies with strong online presence and China. An overall market rotation into 'value investing' areas such as Energy where traditionally the Sub-fund does not have significant exposure also created an unfavourable background.

We don't expect the investment manager to chase performance into these areas or rapidly shift gears into defensive growth mode. In fact, we would have been concerned if such portfolio activity occurred. While underperformance of such magnitude is never pleasant, we take a step back to put things into perspective and view this year's underperformance into the context of longer-term numbers driven in particular by an exceptionally strong 2020. Recent volatility may extend well into the next year so we will pay close attention to the investment manager's ability to hold their nerve and remain focused on identifying successful businesses that can drive Sub-fund returns over the long term.

During the quarter the investment manager introduced a number of changes in the investment process which we view as evolutionary rather than revolutionary and have no immediate concerns about. These were centred on the way they categorise growth profiles. At this stage we don't expect these process changes to alter the growth or risk profile of the Sub-fund meaningfully but will monitor developments and exposures closely.

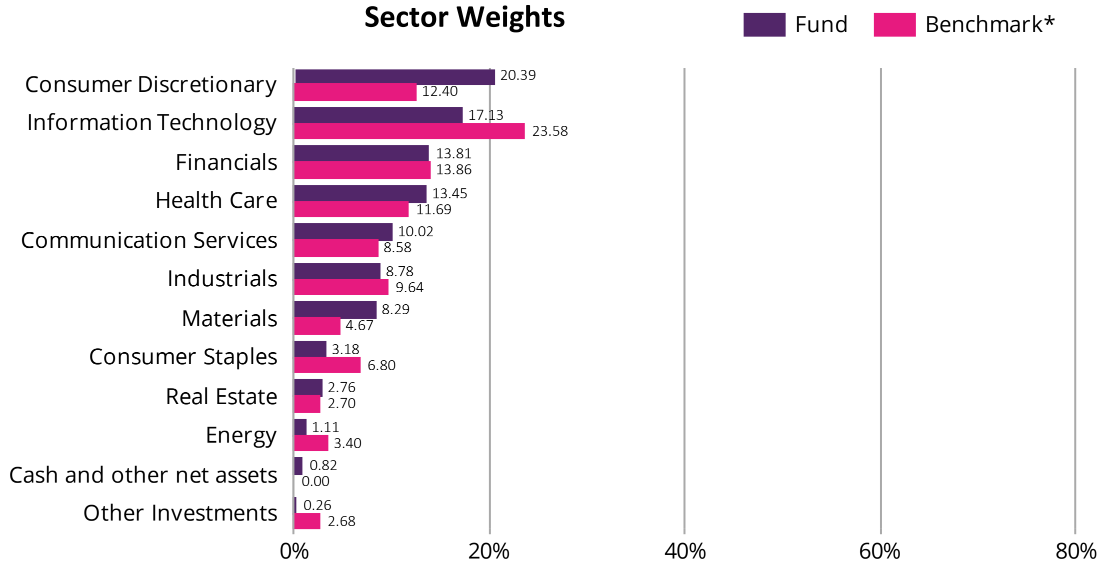
LCIV Global Alpha Growth Fund: Portfolio Characteristics

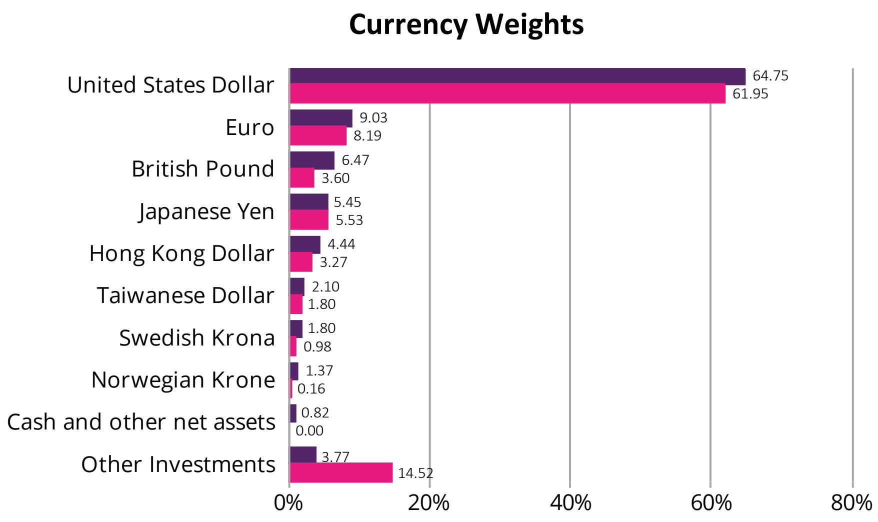
Key Statistics	
Number of Holdings	100
Number of Countries	24
Number of Sectors	10
Number of Industries	37
Yield %	0.96

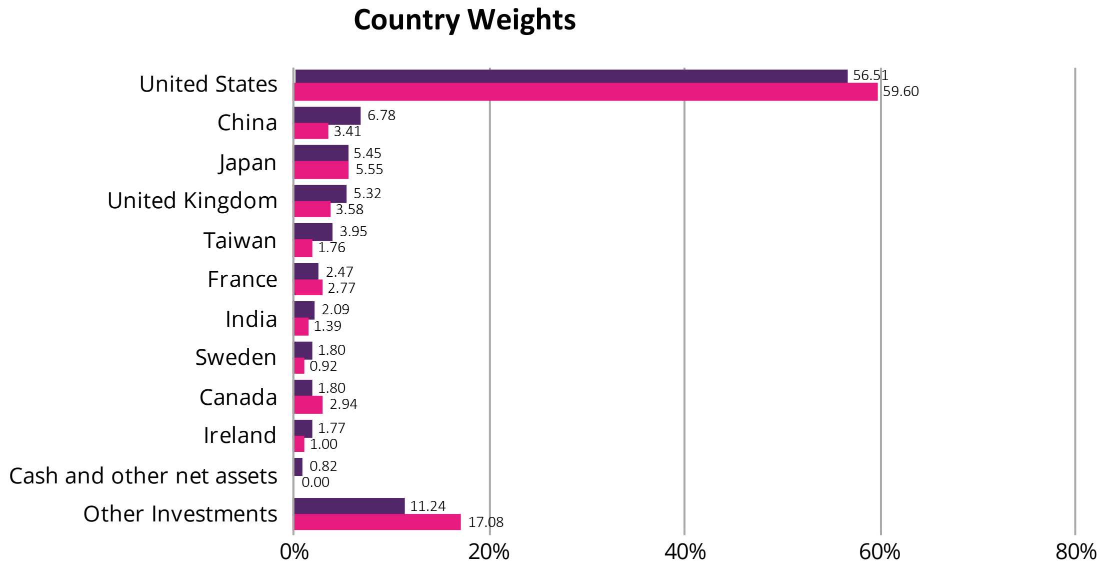
Source: London CIV data as at 31 December 2021

Risk Statistics	
Tracking Error (%)	4.41
Beta to Benchmark	1.03

Source: London CIV







Source: London CIV data as at 31 December 2021
**MSCI All Country World Gross Index (in GBP)+2%*

LCIV Global Alpha Growth Fund: Portfolio Characteristics

Top Ten Equity Holdings

Security Name	% of NAV
Prosus Nv	3.03
Microsoft	2.86
Moody's	2.81
Anthem Com	2.81
Martin Marietta Materials	2.67
Alphabet Inc Class C	2.65
Taiwan Semiconductor Manufacturing	2.10
Amazon.com	1.97
SEA	1.85
Shopify	1.80

Top Ten Contributors

Security Name	% Contribution
Tesla Inc	+0.59
Anthem Com	+0.50
Martin Marietta Materials	+0.48
Teradyne	+0.46
Microsoft	+0.45
Trade Desk	+0.33
Cie Financiere Richemon-Reg	+0.29
Estee Lauder Cos	+0.26
Service Corporation International	+0.25
Moody's	+0.25

Top Ten Detractors

Security Name	% Detraction
Moderna	(0.80)
SEA	(0.77)
Doordash	(0.33)
Peloton Interactive Inc	(0.26)
Oscar Health Inc	(0.26)
Chegg	(0.25)
Zillow Group C	(0.24)
Prudential	(0.24)
Wayfair Inc	(0.22)
Twilio A	(0.20)

New Positions During Quarter

Security Name
Coupang
Chewy

Completed Sales During Quarter

Security Name
Resmed
Advantest
ICICI Bank ADR
ICICI Bank
Hays
PING AN Healthcare & Technology
Orica
Autohome
Lendingtree

Source: London CIV data as at 31 December 2021

LCIV Global Alpha Growth Fund: ESG Summary

Summary of ESG Activity for the Quarter

Baillie Gifford's ESG team grew from 29 last quarter to 31 with the appointment of an Assistant Research and Engagement Analyst for their Multi Asset team and an ESG Specialist in their Clients Department.

The investment manager met with Orica, an Australia-based provider of explosives and associated services to the mining and construction industries. Whilst Orica is a leader in a highly regulated market, dominated by only a few large players, the investment manager has concerns surrounding trade tensions between Australia and China and operational issues at its plants. However, their greatest concern relates to the viability of coal as future long-term power source. Coal is a significant end market for Orica and its reliance on this raw material is inconsistent with the requirements of a rapid and profound low-carbon transition. For those reasons, they have sold our holding in the fourth quarter of 2021.

Following an unfortunate fire at one of Coupang's distribution centres and negative media coverage of worker conditions, Bailie Gifford met with Coupang's founder CEO to explore Coupang's response under such duress. While there seems to be an extreme mismatch between the press coverage and Coupang's own discussion of worker conditions, management takes the concerns seriously. The CEO believes all employees must imagine that the CEO can and will be on the shop floor, as it were, for all the negative and positive incentives that builds. One looming issue is employees or candidates not returning to the labour force post-pandemic and he is concerned that the company has grown complacent about attracting new talent. This is the area where he is spending most of his time today. The investment manager is encouraged by the CEO's energy and focus on long-term labour issues and will continue to monitor developments.

The investment manager engaged with CBRE's head of corporate responsibility to discuss the firm's climate strategy. In December 2020, CBRE committed to reduce absolute scope 1 and 2 GHG emissions and have committed to achieving 100 per cent renewable electricity by 2025. The company has also committed to reducing scope 3 GHG emissions from the use of sold products managed on behalf of occupiers. CBRE's scope 3 emissions are approximately 1000x its scope 1 and 2 emissions. More recently, the company strengthened its ambitions, joining the Amazon-led Climate Pledge and committing to be net zero for all scope 1, 2 and 3 emissions by 2040. The investment manager considers CBRE to be a climate leader. The company has been rated as such in their recent climate audit.

Ahead of the Tesla's AGM, the manager spoke with the Chairwoman to discuss the meeting resolutions and broader sustainability topics. The investment manager states that the board has been impressed by Tesla's global expansion, with significant progress made at its Shanghai, Berlin and Nevada giga factories. In support of these new facilities, talent development and regionalisation of local workforces has been a key focus. The company's 2020 Impact Report provides a comprehensive overview of how Tesla manages its operations, its treatment of stakeholders as well as the environmental benefits of the company's core products.

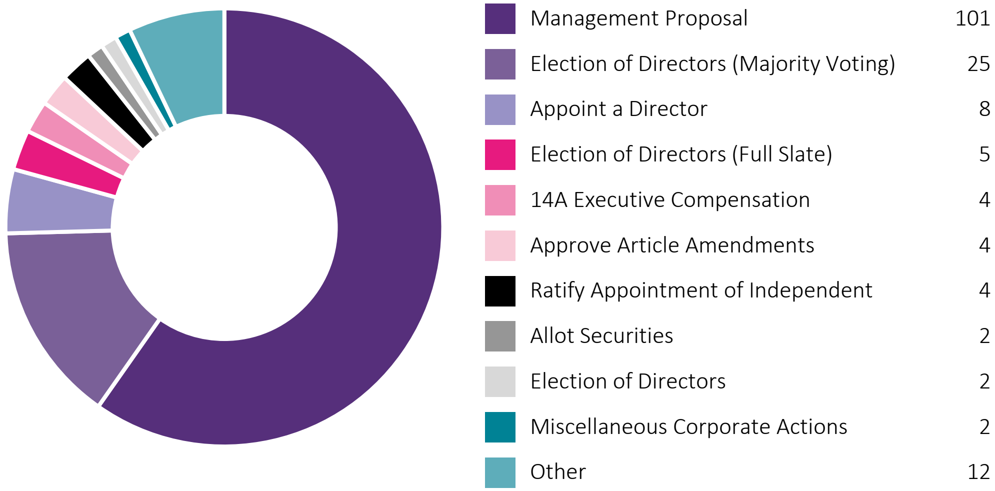
The investment manager met with Rio Tinto to discuss their environmental impact. They are pleased to see the company strengthen its scope 1 and 2 emissions reduction targets for 2030. However, these emissions only account for approximately 5% of the company's total footprint. The investment manager asked the firm to share their strategy on how they could work with customers and other stakeholders to reduce scope 3 emissions. The investment manager has encouraged Rio Tinto to lead the mining and minerals industry by setting stretching scope 3 emissions reduction targets.

LCIV Global Alpha Growth Fund: ESG Summary

Voting Summary

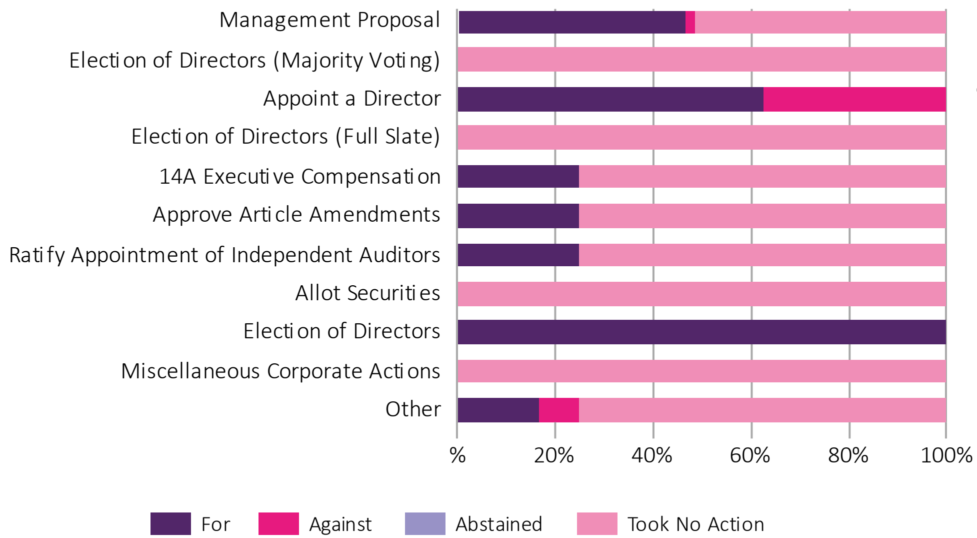
As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 October 2021 - 31 December 2021).

Proposals Breakdown



Source: London CIV data as at 31 December 2021

Voting Instruction Breakdown



Source: London CIV data as at 31 December 2021

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10275

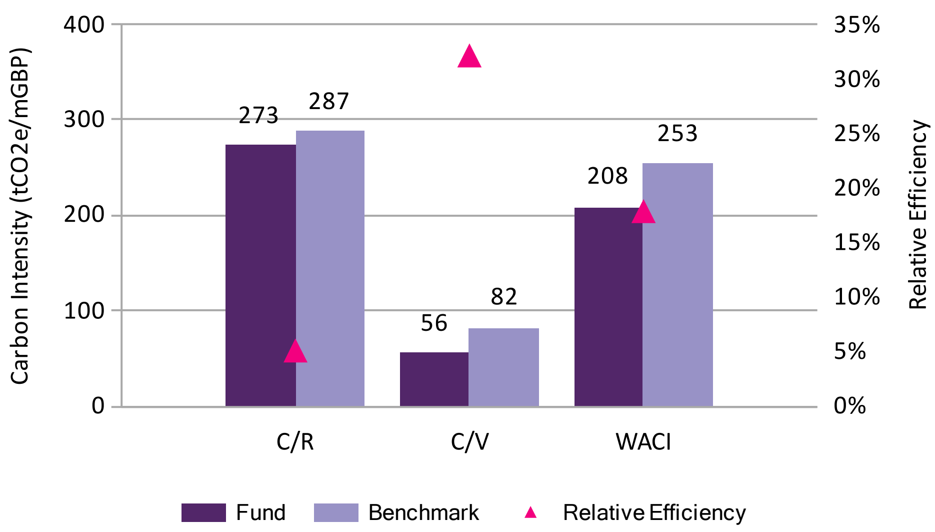
LCIV Global Alpha Growth Fund: ESG Summary

Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climaterelated disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

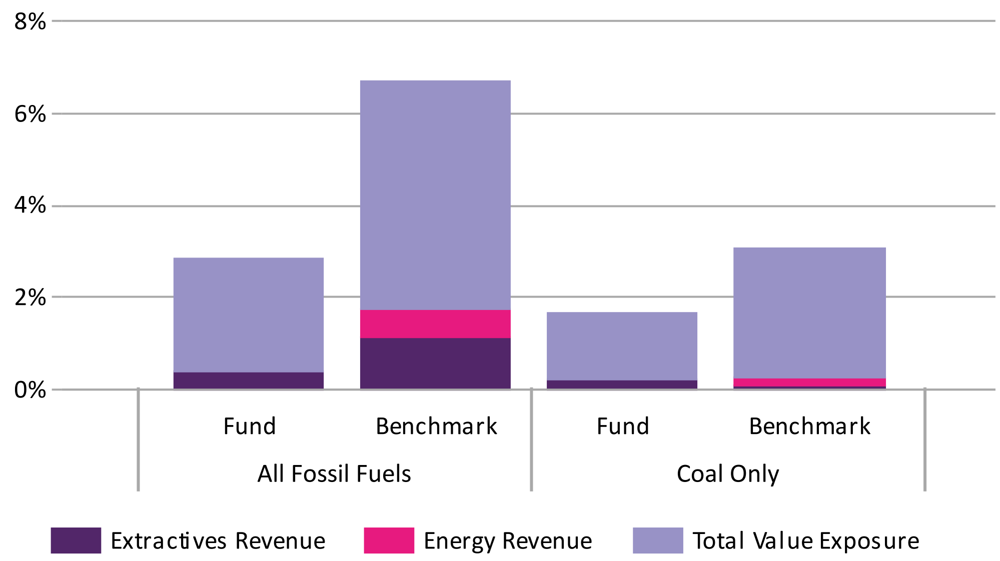
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

LCIV Global Alpha Growth Fund: ESG Summary

Climate Risk Exposure

Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

Name	Carbon Intensity (tCO2e/mGBP)	WACI Contribution	Climate 100+
Martin Marietta Materials, Inc.	2,008.95	-25.16%	Yes
CRH Plc	2,088.43	-13.37%	Yes
Ryanair Holdings Plc	781.16	-5.24%	No
Rio Tinto Group	1,005.81	-5.00%	No
Wizz Air Holdings Plc	1,730.96	-4.04%	No
BHP Group	599.77	-3.17%	No
Reliance Industries Limited	748.29	-3.08%	No
Albemarle Corporation	526.87	-2.39%	No
Taiwan Semiconductor Manufacturing Company Limited	373.62	-1.82%	No
Pernod Ricard SA	331.02	-1.11%	No

Top Contributors - Fossil Fuel Revenues

The table below shows the companies with the most significant weighted average fossil fuel revenues. The degree towhich the company's own revenues are derived from fossil fuel activities is also indicated. For more information, please consult the Appendix.

Name	Fossil Fuel Revenue	Portfolio Weighted Fossil Fuel Revenue	Climate 100+
BHP Group	23.68%	0.392%	No
Reliance Industries Limited	0.70%	0.008%	No

LCIV Global Equity Focus Fund

Quarterly Summary as at 31 December 2021

Total Fund Value:

£1,000.9m

Inception date:	17/07/2017
Price:	149.90p
Distribution frequency:	Quarterly
Next XD date:	04/01/2022
Pay date:	28/02/2022
Dealing frequency:	Daily

Investment Objective

The Sub-fund's long term objective is to achieve capital growth.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been Longview Partners (Guernsey) Limited since the Sub-fund's inception date.

Enfield Valuation:

£104.2m

Enfield investment date: 24/10/2018

This is equivalent to 10.41% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £93,107

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Fund Inception p.a. %†	Since CF Inception p.a. %†
Fund	3.79	21.60	13.34	n/a	10.81	12.22
Target*	7.95	26.01	22.21	n/a	15.86	19.55
Relative to Target	(4.16)	(4.41)	(8.87)	n/a	(5.05)	(7.33)
Benchmark**	7.28	22.94	19.23	n/a	13.04	16.63
Relative to Benchmark	(3.49)	(1.34)	(5.89)	n/a	(2.23)	(4.41)

** The Target MSCI World (GBP)(TRNet)+2.5% is an absolute level of return which is deemed as the appropriate return which investors can expect for the level of risk taken within the Sub-fund. For further details, please refer to the Glossary.*
*** Benchmark: MSCI World (GBP)(TRNet)*

† The target has been selected as it in a outperformance target set in the agreement with the investment manager it is not explicitly stated in the investment objective of the Sub-fund. The target return outperformance is compounded daily therefore the benchmark return plus the outperformance may not equal the objective target.

LCIV Global Equity Focus Fund

Quarterly Commentary

Performance

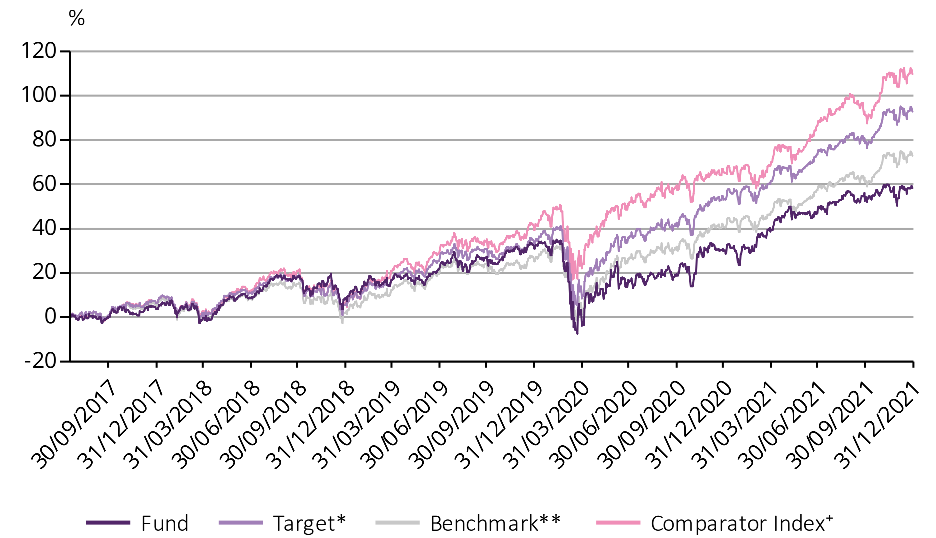
In the fourth quarter of 2021 the Sub-fund returned 3.8%, underperforming the MSCI World benchmark return of 7.3% by 3.5%. In the 12-month period to end December 2021 the Sub-fund delivered 21.6% against a benchmark return of 22.9% thus posting a relative performance of -1.3%. Since inception, the Sub-fund has returned 10.8% per annum in absolute terms against 13% for the benchmark and is now lagging by 2.2% p.a. in relative terms. The investment manager has been set the target of outperforming the benchmark by 2.5% net of fees annualised over rolling three year periods, the Sub-fund has currently underperformed this target by 8.9%.

This was a disappointing quarter for the Sub-fund (worst quarter for relative performance since Covid-19 hit in Q2 2020) as the investment manager did not benefit from the 'pivot-to-value' that characterised many segments of the market. An additional headwind was not owning the IT behemoths Apple, Microsoft and NVIDIA which again drove returns in what was to some extent a narrow market.

Beyond these headwinds, performance was driven by stock selection, as would be expected given the concentrated nature of the Sub-fund. The three largest relative detractors were Medtronic, Charter Communications and the financial infrastructure companies Fidelity National Information Services (FIS) and Fiserv.

Medtronic was the largest negative contributor to performance mainly due to a warning letter from the U.S. Food and Drug Administration (FDA). In this letter, the agency expressed concerns regarding the inadequacy of specific medical device quality system requirements at the Medtronic Diabetes business headquarters production facility. The main effect of the FDA warning letter is that no new products can be manufactured in this facility until the quality issues are addressed. Medtronic's diabetes business is relatively small so the net effect on the company's bottom line should be

Performance since LCIV inception



Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Target: MSCI World (GBP)(TRNet)+2.5%*

*** Benchmark: MSCI World (GBP)(TRNet)*

⁺ The Comparator Index MSCI World Quality Price Index Net Total Return is not the stated fund objective, but has been selected as an appropriate index given the style of the Sub-fund. For further details, please refer to the Glossary.

limited; however, the stock price reacted negatively on this news as well as on the weaker than expected three-month results. Longview continue to rate Medtronic highly in terms of quality and do not expect a lasting effect on the company's bottom line from these developments.

Charter Communications (Charter), a large cable operator in the U.S. that provides high-speed broadband, telephony and television products, underperformed in the fourth quarter due to slower than expected net subscriber growth. The company performed well during the pandemic as Covid-19 pulled forward demand for high-speed broadband products as people worked from home. However, it has now become apparent that this

LCIV Global Equity Focus Fund

growth level cannot be sustained over the long-term. Despite the recent stock price weakness, the investment manager continues to consider Charter a high-quality company, particularly because of the base of recurring revenues from the subscription fee model, which combined with low customer turnover leads to a high degree of predictability of earnings.

Fidelity National Information Services (FIS) and peer company Fiserv were also detractors from performance in the fourth quarter and have been two of the three largest detractors to portfolio performance over 2021. Both FIS and Fiserv operate in the core banking software and services industry that is characterised by significant recurring revenues and captive clients, features that Longview's strategy favours based on predictability. Despite both companies being well positioned several well-funded new entrants as well as the perceived threat from digital-only neo banks are increasing the competition causing margin pressure reflected in the underperformance of the whole sector. Longview maintain a positive outlook for both holdings and believe the market has overreacted.

The common characteristic of the three main positive contributors was that they performed well after reporting strong quarterly results. The industrial supply company W.W. Grainger benefited from better-than-expected guidance and positive news regarding its inventory. UnitedHealth, which sells health care products and insurance services, also performed strongly after reporting strong earnings and increasing its guidance for the full year. Lastly IQVIA, the U.S. health information technology and clinical research company, guided investors to 8-10% annualised organic revenue growth which along with expected margin expansion over 2022-25 was ahead of market expectations.

Market Views

On the pandemic front the investment manager takes the view that while there is a strong probability that further new variants of Covid-19 will emerge over 2022, vaccinations and improved treatments should help societies and economies find a way back to some sort of normality as we learn to live with a virus that is becoming endemic in most western populations.

On the other key area of concern, inflation, Longview anticipate there will be some respite in items such as energy and transport in 2022 due to base effects. However, they note that the breadth of inflation has spread significantly with the cost of basic needs such as food, shelter and apparel all rising at rates above central bank targets. Perhaps the most concerning aspect of inflationary pressures is the tightness in the labour market which is driving wage inflation and may not be easily solved. Against this background the main risk ahead is that any tightening in monetary policy will come in faster than expected which could have a disproportionate impact on the multiples of high growth companies.

From a portfolio construction perspective, the investment manager's focus remains on finding companies that are less impacted by rates and inflation and which provide an element of diversification to the portfolio.

Positioning

The Sub-fund maintained a significant regional allocation to North American equities at c. 77% followed by an exposure of 12% to European equities (ex UK). At the sector level the largest exposure was to health care at 28.5% followed by financials at 20.2%. The largest positions at the stock level at the end of December 2021 were: IQVIA and United Health at 4.7% each and Bank of New York Mellon at 4.5%.

A significant addition over the quarter was to the Sub-funds holding in the world's second largest brewer, Heineken N.V. (Heineken). According to the investment manager, Heineken is a high-quality business that generates high and sustainable returns on operating capital. Heineken exhibits quality characteristics and fundamentals that are in line with other holdings in the

LCIV Global Equity Focus Fund

Sub-fund and are favoured by the investment manager's investment process. These are: 1) Heineken is one of the leaders within its industry, 2) the industry is highly consolidated, 3) there are high barriers to entry. In addition, the company appears to benefit from greater exposure to faster-growing segments of the market and has consistently returned around half of its free cash flow to shareholders through dividends and share buy-backs.

Post quarter end, the investment manager fully exited from the position in Henkel. A number of inventory problems, first in North America and then in China, the need to reinvest in marketing and product development and more recently input cost pressures have led the investment manager to re-evaluate their thesis on Henkel. True to their process, the investment manager penalises companies with low predictability of cash flows and concerns over the sustainability of returns.

Fund Monitoring

The investment manager has been on watch since October 2020 due to concerns regarding their investment approach, high personnel turnover, including the departure of the CIO Alistair Graham, and weak performance.

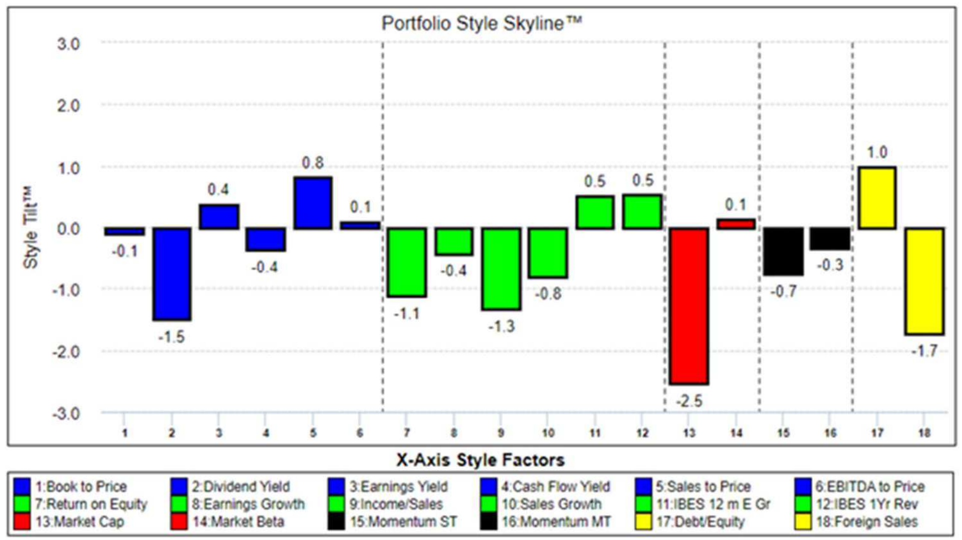
On the performance front, the investment manager had a negative quarter which pushed relative returns further into negative territory. Coming into 2021, we were hopeful that Longview would make up at least some of the ground lost in 2020 as the market environment evolved away from some of the most overstretched areas and investors started focusing more on valuations and corporate fundamentals. These hopes did not materialise. While we don't believe that anything is fundamentally broken in Longview's process, the investment manager now has a lot of ground to make up.

From a team perspective Longview added Tom Kieszkowski as a Research Analyst in December 2021. Prior to joining Longview in 2021, Tom worked for Westray Capital Management (fundamental long/short equities), where he was a partner for five years. Before this, he worked within the public equities team at Man GLG, for two years and as a private equity investment professional at TPG Capital.

As with the other members of the research team Tom will be a generalist; however, he is expected to initially leverage his existing skillset while concurrently developing his knowledge of new areas. The investment manager has a good record of bringing high calibre individuals into the team and the new hire seems to fit that pattern well while also adding valuable expertise in key areas such as long/short portfolios and private equity.

Style Analysis

In terms of style, the Sub-fund maintains its strong tilt away from dividend paying companies as well as those presenting growth characteristics. The market cap of the portfolio is lower than the benchmark, suggesting that it is tilted away from mega cap stocks in favour of large and mid-sized companies.



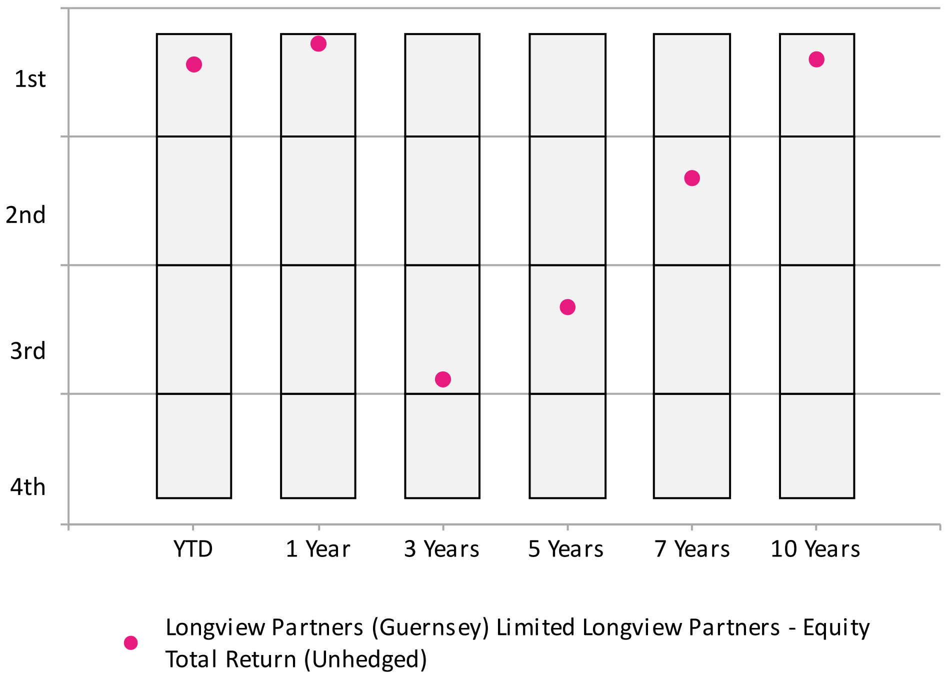
Source: eVestment as at 30 September 2021

LCIV Global Equity Focus Fund

Peer Analysis

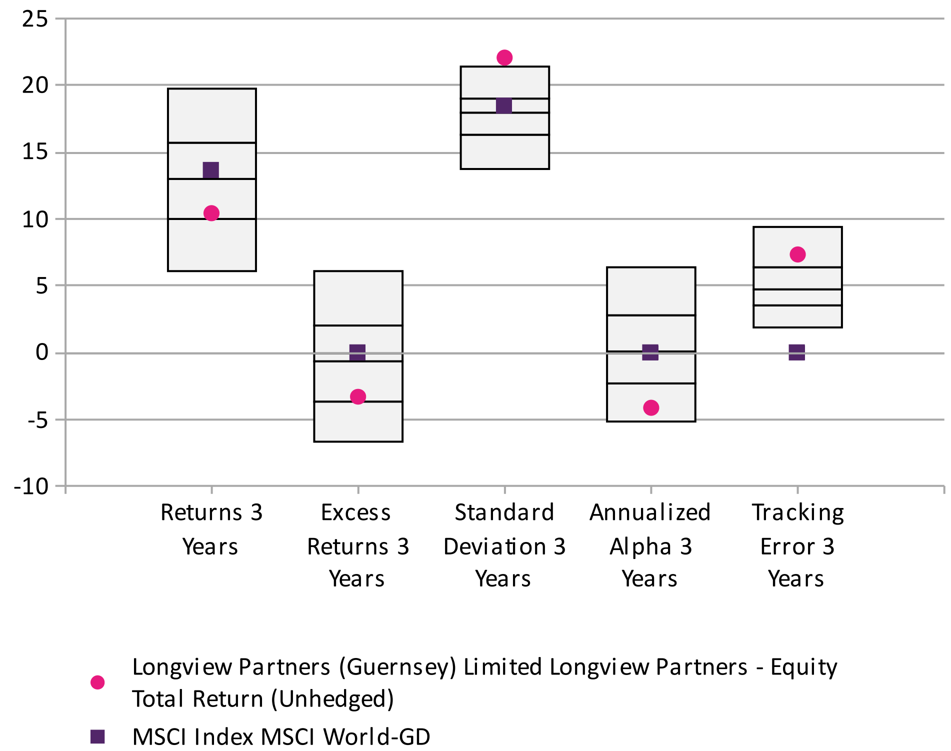
The peer group is the **Global Large Cap Core Equity.** During the last year and over the longer term (7 and 10 years), the Sub-fund has generated returns in the top quartile. However, the Sub-fund has under-performed the MSCI World benchmark and the peer group over three years and has taken a relatively high amount of risk, both in absolute (standard deviation) and relative (tracking error) terms.

Returns



Source: eVestment as at 30 September 2021

Key Risk Statistics



Source: eVestment as at 30 September 2021

LCIV Global Equity Focus Fund

Conclusion

This was a disappointing quarter as positive results generated in the third quarter of 2021 reversed rapidly. This rapid swing underlines the elevated levels of volatility of Sub-fund returns relative to the benchmark index. The Sub-fund outperformed or underperformed the index by more than 200bps in eight out of twelve months in 2021. This volatility does not reflect any change in the investment manager's approach, philosophy or process; however, it does highlight the importance of ensuring that a concentrated portfolio is structured to capture multiple drivers of returns from equity markets.

Against this background we retain the 'watch' status for the Sub-fund and continue to monitor performance closely.

LCIV Global Equity Focus Fund: Portfolio Characteristics

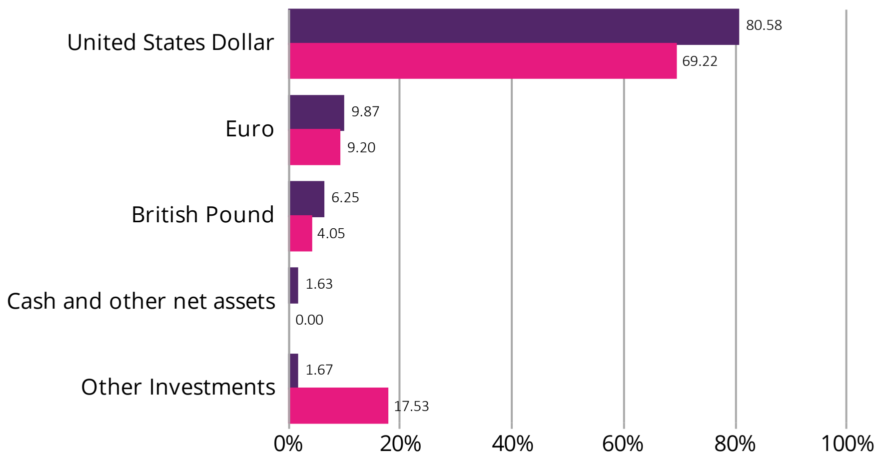
Key Statistics	
Number of Holdings	34
Number of Countries	7
Number of Sectors	7
Number of Industries	22
Yield %	1.16

Source: London CIV data as at 31 December 2021

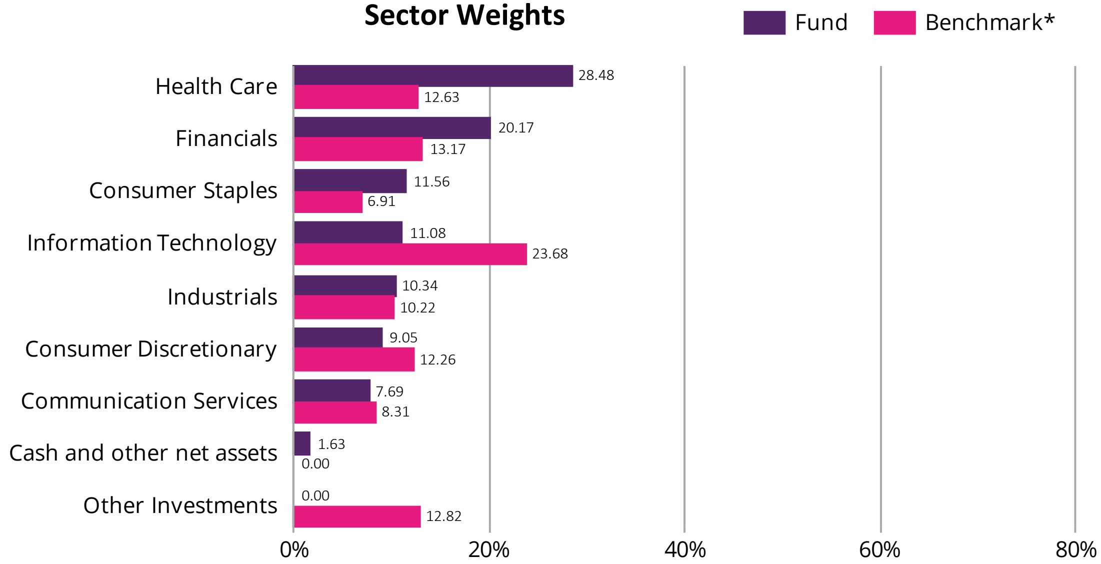
Risk Statistics	
Tracking Error (%)	4.57
Beta to Benchmark	1.00

Source: London CIV

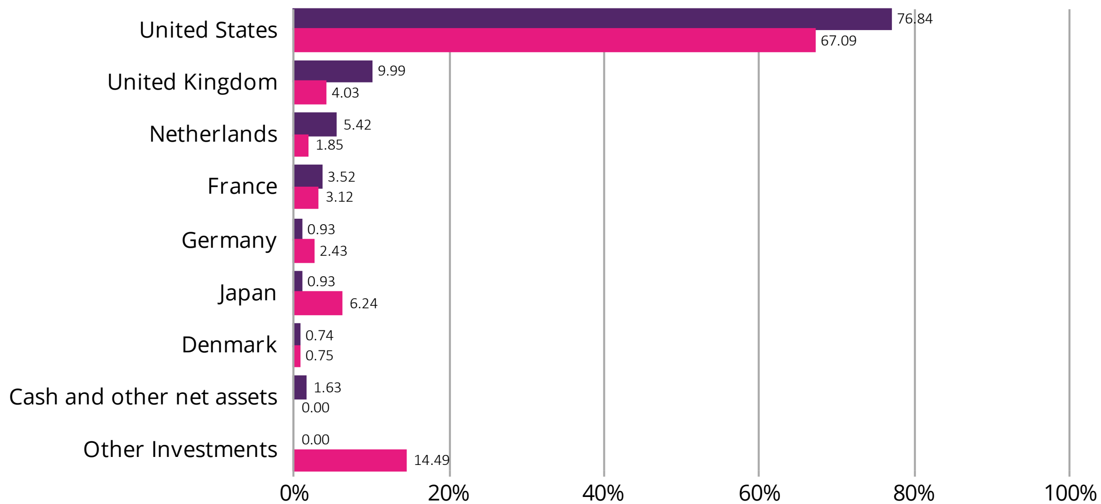
Currency Weights



Sector Weights



Country Weights



Source: London CIV data as at 31 December 2021
**MSCI World (GBP)(TRNet)+2.5%*

LCIV Global Equity Focus Fund: Portfolio Characteristics

Top Ten Equity Holdings

Security Name	% of NAV
IQIVA Holdings	4.68
Unitedhealth Group	4.66
Bank of New York Mellon	4.49
Ww Grainger	4.33
State Street	4.23
Alphabet Inc Class A	4.21
HCA Healthcare Inc	4.16
Marsh & Mclennan Co's	4.02
Oracle	3.81
Aon	3.74

Top Ten Contributors

Security Name	% Contribution
Ww Grainger	+1.08
Unitedhealth Group	+1.07
IQIVA Holdings	+0.71
Marsh & Mclennan Co's	+0.53
Bank of New York Mellon	+0.51
Tjx Cos	+0.48
State Street	+0.41
Alphabet Inc Class A	+0.32
Compass Group	+0.29
Heineken Nv	+0.26

Top Ten Detractors

Security Name	% Detraction
Medtronic	(0.63)
Charter Communications	(0.43)
Asahi Group Holdings	(0.39)
Henkel Vorzug Prf	(0.33)
Fidelity National Infomation Services	(0.30)
Zimmer Biomet Holdings	(0.24)
Whitbread	(0.16)
Fiserv	(0.15)
L3harris Technologies	(0.11)
American Express	(0.10)

New Positions During Quarter

Security Name
CDW Corp

Completed Sales During Quarter

Security Name
not applicable, no completed sales during the quarter

Source: London CIV data as at 31 December 2021

LCIV Global Equity Focus Fund: ESG Summary

Summary of ESG Activity for the Quarter

Longview has become a co-signatory to the "2021 Global Investor Statement to Governments on the Climate Crisis", which was delivered to government representatives ahead of COP26. The statement calls on governments to raise their climate ambitions and implement meaningful policies to tackle climate change.

In December 2021, Longview met with Becton Dickinson to discuss diversity and inclusion and the company's approach to climate change, and follow-up on a previous engagement regarding Sustainalytics. Longview asked why they say "will advocate for" rather than "commit to" net-zero emissions. The company said they've signed up to the UN Race to Zero Campaign. Longview asked about the intention to provide more detail on emissions targets plans. Becton confirmed they intend to publish more practical information in the coming months. Becton explained to Longview how they interact with ESG data providers: they review providers' reports and contact providers if there are inconsistencies. They use providers' questions as a guide for their own report. Longview requested a specific ROIC target in the 2022 proxy report. Lastly, the investment manager discussed how Becton defines diversity and inclusion and who is responsible for its governance, details of data they collect and disclose, key initiatives and metrics.

Longview spoke to Whitbread to discuss its proposed remuneration policy. The first material change was a reduction in executives' pension contributions to 10% of salary, in line with the wider workforce. Longview agreed this is a reasonable step. Secondly, Whitbread proposed to revise its Annual Incentive Scheme for executives, changing the wording to remove the underlying profit metric to create more flexibility in financial measures used. The investment manager questions how this approach would be in the best interests of shareholders. The company stated they would never exclude profit entirely and said group-level profits are not always the most appropriate performance measure.

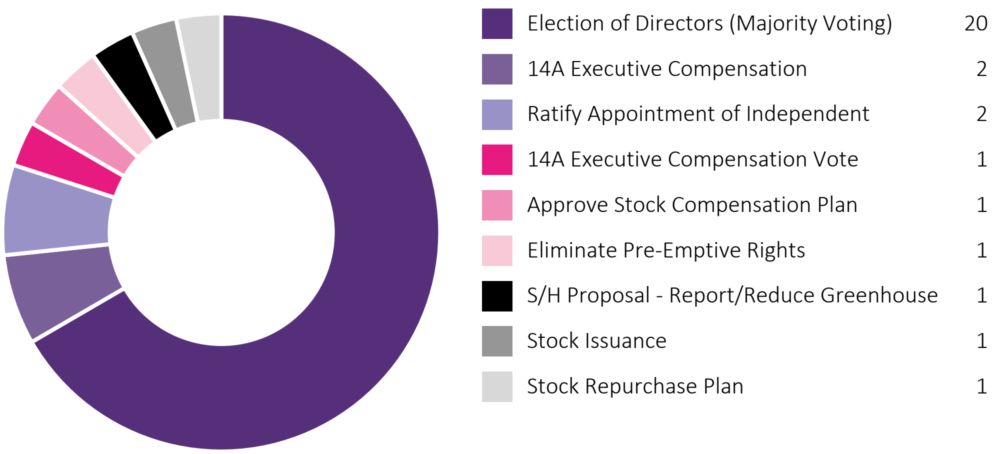
Lastly, the investment manager spoke to Oracle to discuss Glass Lewis's voting recommendations and Oracle's response, which concerned proposals for the re-election of directors, an advisory vote on executive compensation and a racial equity audit.

LCIV Global Equity Focus Fund: ESG Summary

Voting Summary

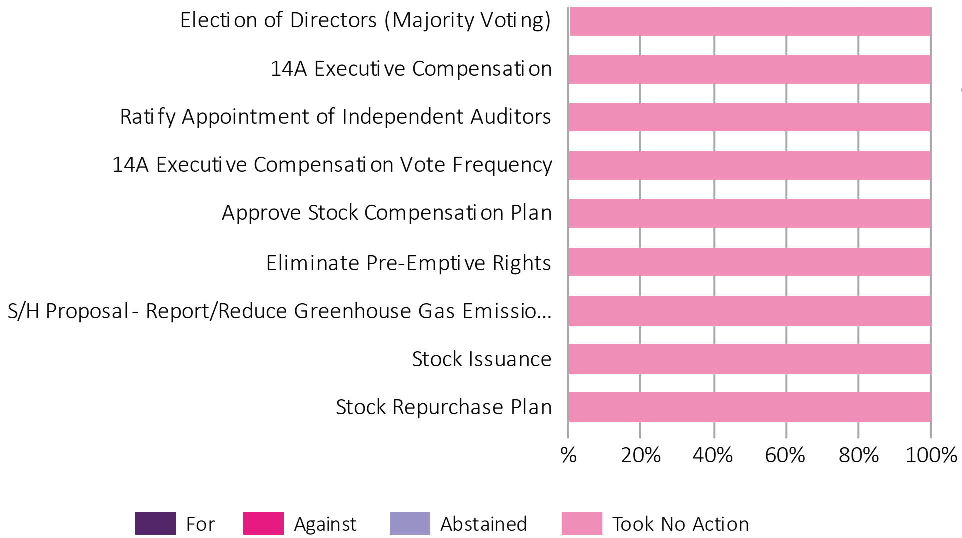
As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 October 2021 - 31 December 2021).

Proposals Breakdown



Source: London CIV data as at 31 December 2021

Voting Instruction Breakdown



Source: London CIV data as at 31 December 2021

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10284

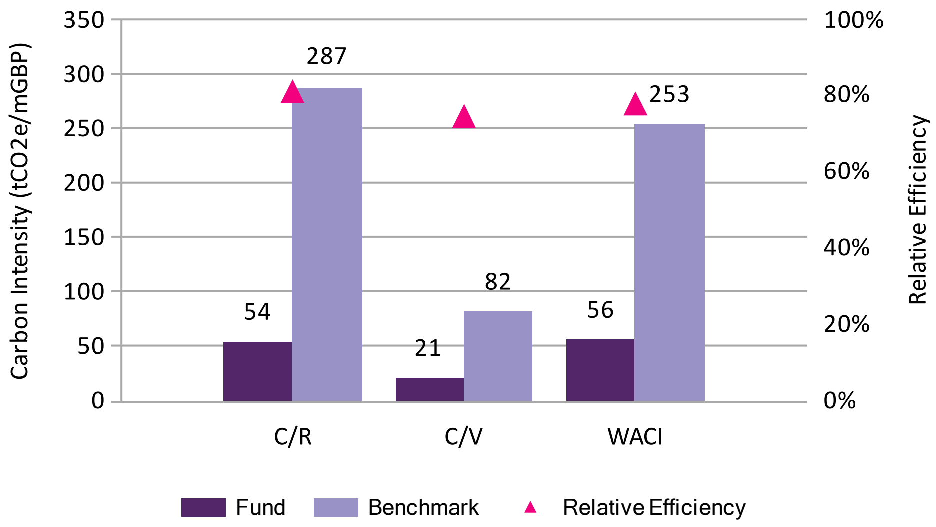
LCIV Global Equity Focus Fund: ESG Summary

Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climaterelated disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

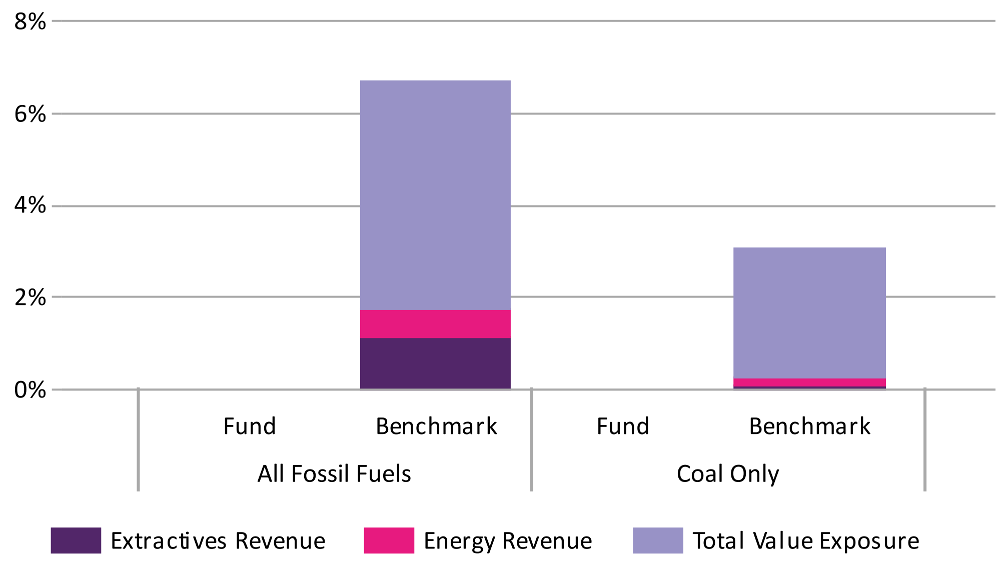
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

LCIV Global Equity Focus Fund: ESG Summary

Climate Risk Exposure

Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

Name	Carbon Intensity (tCO2e/mGBP)	WACI Contribution	Climate 100+
Heineken N.V.	323.86	-18.72%	No
Diageo Plc	257.89	-3.96%	No
Asahi Group Holdings, Ltd.	254.88	-3.62%	No
HCA Healthcare, Inc.	92.19	-2.86%	No
Becton, Dickinson and Company	88.43	-2.22%	No
Henkel AG & Co. KGaA	133.84	-1.39%	No
Whitbread PLC	102.25	-1.26%	No
Medtronic plc	69.60	-0.74%	No
Zimmer Biomet Holdings, Inc.	81.94	-0.72%	No
Continental Aktiengesellschaft	264.45	-0.09%	No

LCIV Emerging Market Equity Fund

Quarterly Summary as at 31 December 2021

Total Fund Value:

£556.7m

Inception date:	11/01/2018
Price:	107.10p
Distribution frequency:	Quarterly
Next XD date:	04/01/2022
Pay date:	28/02/2022
Dealing frequency:	Daily

Investment Objective

The Sub-fund's objective is to achieve long-term capital growth by outperforming the MSCI Emerging Market Index (Total Return) Net by 2.5% per annum net of fees annualised over rolling three year periods.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been JPMorgan Asset Management (UK) Limited since the Sub-fund's inception date.

Enfield Valuation:

£34.3m

Enfield investment date: 24/10/2018

This is equivalent to 6.17% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £24,519

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Fund Inception p.a. %†	Since CF Inception p.a. %†
Fund	(4.35)	(4.65)	8.27	n/a	2.76	8.46
Investment Objective*	(1.14)	0.82	11.41	n/a	5.66	11.93
Relative to Investment Objective	(3.21)	(5.47)	(3.14)	n/a	(2.90)	(3.47)
Benchmark**	(1.76)	(1.64)	8.69	n/a	3.08	9.20
Relative to Benchmark	(2.59)	(3.01)	(0.42)	n/a	(0.32)	(0.74)

** Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%*
*** Benchmark: MSCI Emerging Market Index (TR) Net*

† The objective target return outperformance is compounded daily therefore the index return plus the outperformance may not equal the objective target.

LCIV Emerging Market Equity Fund

Quarterly Commentary

Performance

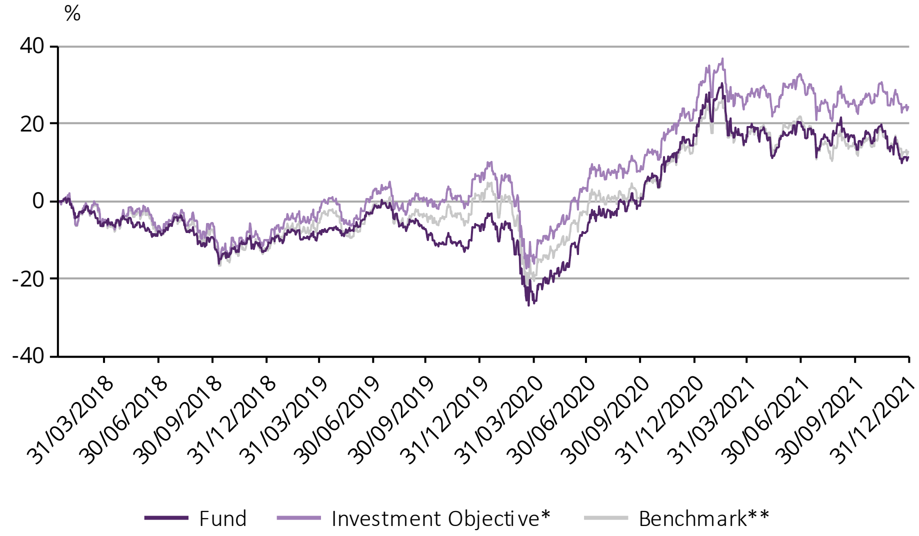
The Sub-fund returned -4.4% over the last quarter, underperforming the MSCI Emerging Market Index by 2.6%. Over the year, the benchmark delivered -1.6%, the objective of the Sub-fund is to outperform the benchmark by 2.5% per annum. The Sub-fund underperformed this target by 5.5.%, delivering -4.7% for the calendar year. This has resulted in relative returns of -3.0% since inception. Longer term underperformance is mostly related to the legacy investment manager.

The last quarter of 2021 was a reflection of the turbulent year faced by emerging markets (EM), with the emergence of the Omicron Covid-19 variant and Chinese regulatory interventions impacting overall returns. Against this backdrop, the Sub-fund underperformance was largely attributable to two key factors: stock selection in financials and in communication services, and a structural underweight to cyclical sectors that fared well due to expectations of economic recovery.

At the country level, China has been a headwind for the Sub-fund in absolute terms. However, the investment manager's focus on 'quality growth' meant that stock selection and asset allocation within China contributed positively on a relative basis. Singapore, Argentina and India were the largest detractors due to an allocation to the technology sector, specific stock selection and performance of financials respectively.

From a sector perspective, financials have been the largest contributor to the Sub-fund's underperformance, driven by regulatory headwinds in India and China's zero-tolerance Covid-19 policy. In India, HDFC Bank was the largest detractor as the company suffered from a number of IT blackouts. As a result, the Reserve Bank of India asked HDFC to stop implementing any further software infrastructure, along with imposing limits on issuance of new credit cards. While the stock also suffered from wider fears of Omicron negatively

Performance since LCIV inception



Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%*
*** Benchmark: MSCI Emerging Market Index (TR) Net*

affecting the Indian economy, the regulatory challenges from the Indian central bank have now abated.

The Hong-Kong headquartered insurer AIA also faced a challenging environment due to China's restrictive Covid-19 policy and its impact on domestic travel in a country where insurance clients/agents still need to be physically present to buy/sell insurance.

At the stock level, the largest contributor to performance was Infosys, an Indian IT company that looked quite inexpensive earlier in the year, was boosted by strong earnings. EPAM Systems, another stock within the same industry, but higher up the value chain with its complex and niche product line, benefitted from a similar earnings blowout in the second half of the year.

LCIV Emerging Market Equity Fund

Within detractors, SEA, an ASEAN e-commerce and gaming business in Singapore, underperformed amid concerns of a slowdown in gaming growth and competitive pressures intensifying.

Market Views

Close to two-thirds of the world population has now been vaccinated with at least one dose, and many EM countries are making large strides in increasing daily vaccination rates. While the Omicron variant has caused some dampening of economic activity, government appetite for lockdowns as strict as the first wave is limited. One major factor for EM performance, the U.S. Dollar, has been a headwind due to stronger U.S. growth. The investment manager expects USD to move sideways in 2022, but the pace of expected rate hikes in the U.S. could derail that view.

Overall, the investment manager believes the EM economies, along with the U.S., are approaching the late stage of the economic cycle, with GDP and inflation past their peak, higher interest rates and no further stimulus. The investment manager expects quality and low risk stocks to be a beneficiary of this backdrop. This thesis might be challenged if cyclical stocks extend their 2021 good performance due to further benefits from the reopening of economies.

China remains the dominant factor in EM as the country weight in the benchmark is more than one-third. 2021 has been a year to forget for Chinese equities, especially when considering the double digit returns from DM counterparts. Regulatory pressures, danger of a spill over from the heavily indebted real estate sector and a zero-Covid-19 policy that limits social interactions have been the main challenges for Chinese equities. Due to these headwinds, the investment manager believes Chinese equities look extremely cheap now and China's overall growth rate will remain a tailwind in the medium to long-term.

Positioning

Over the year, relative performance has been more affected by what the portfolio did not hold, i.e., cheap cyclical/value stocks, including energy and materials, due to higher oil price and revived global economy. However, the portfolio maintains its structural underweight to these cyclical sectors and the investment manager is focusing instead on quality stocks that have sustainable long term growth potential.

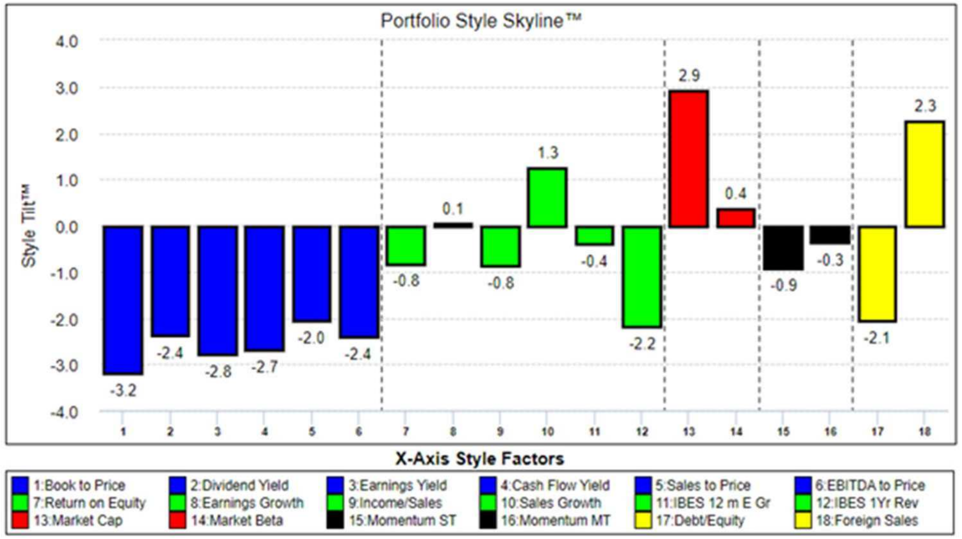
The portfolio remains nearly one-third invested in China but maintains a relative underweight when compared to the benchmark. Nonetheless, it's the largest allocation in the portfolio from a top-down perspective in a country where government remains suspicious of market forces. The investment manager sees three major challenges facing China in the short term: environment, financial distress due to credit fuelled growth and political interventions. However, the country's productivity growth model has worked well over the last few years and the investment manager expects it to continue to do so.

Across sectors, financials remain the largest overweight, with the sector delivering very high returns over the last decade within EM. On the back of a higher interest rate environment, the investment manager expects further tailwinds for this sector. At stock level, Alibaba has been the only sell for the portfolio, as increased competition in the e-commerce space has made the stock less attractive.

LCIV Emerging Market Equity Fund

Style Analysis

The Style analysis shows that the Sub-fund has maintained its exposure to relatively expensive stocks (negative value). The bias towards companies with a larger market cap than the benchmark and higher quality remains consistent.



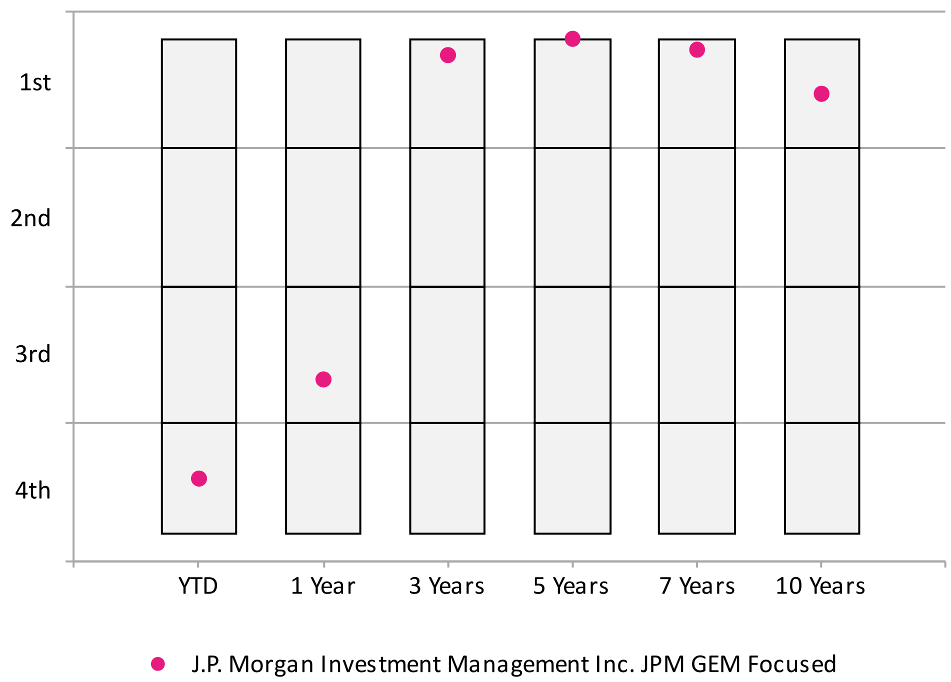
Source: eVestment as at 30 September 2021

LCIV Emerging Market Equity Fund

Peer Analysis

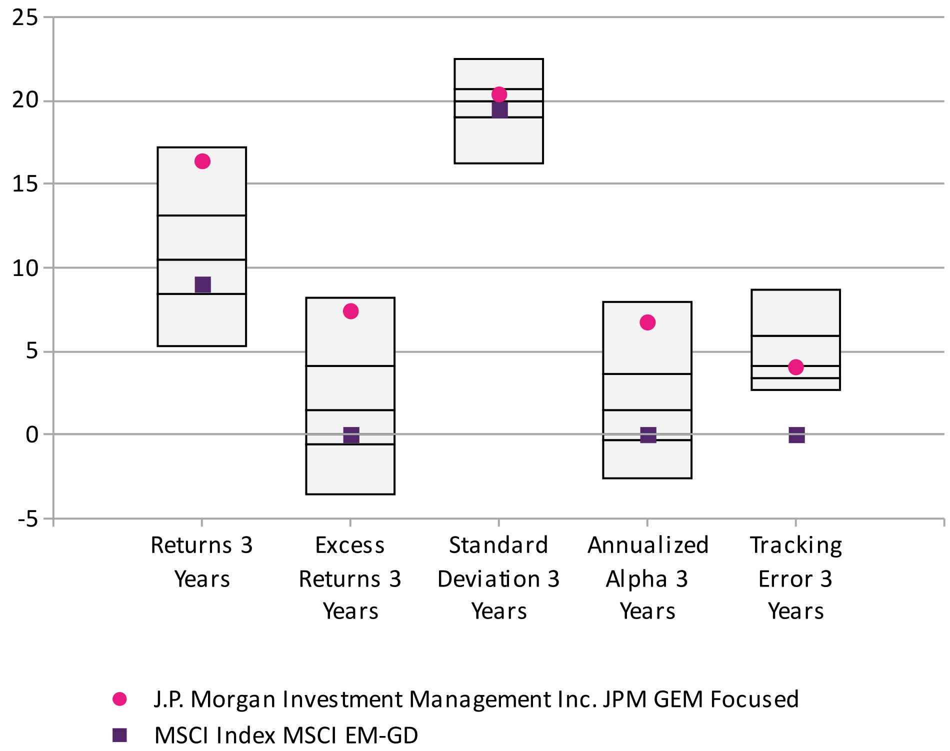
The peer group is the Global Emerging Markets All Cap Core Equity. Peer relative return has highlighted the investment manager to be a top performer with returns in the top quartile, although year to date performance has seen it move to the bottom quartile. Over the 3-year period, the Sub-fund has out-performed the benchmark, with a level of risk at the mid-range compared to its peers.

Returns



Source: eVestment as at 30 September 2021

Key Risk Statistics



Source: eVestment as at 30 September 2021

LCIV Emerging Market Equity Fund

Conclusion

EM equities continued their decline into the fourth quarter of the year, concluding a turbulent year for the benchmark. Against this backdrop, the Sub-fund lagged the benchmark. While the portfolio bias towards high quality stocks protected performance in the previous quarter, the relative underperformance over the fourth quarter (and the full year) has been a reflection of the Sub-fund's limited upside participation in rebounds that were mostly led by cyclical sectors (where the Sub-fund maintains a structural underweight). Overall, the Sub-fund is well-positioned to benefit from broader economic growth across EM, and in most downturns, its quality focus should protect the portfolio on a relative basis.

LCIV Emerging Market Equity Fund: Portfolio Characteristics

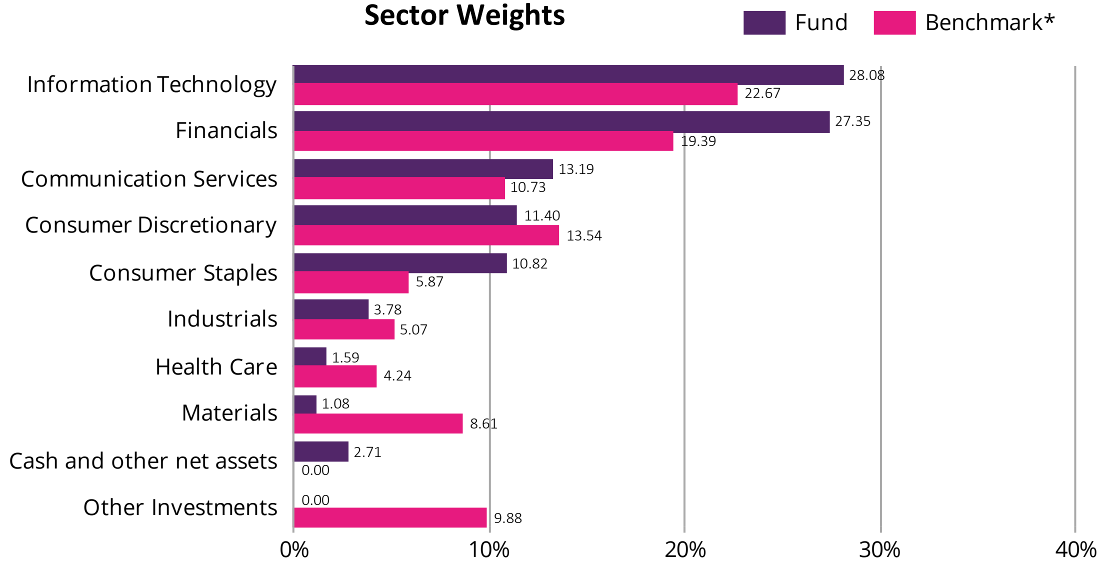
Key Statistics	
Number of Holdings	52
Number of Countries	15
Number of Sectors	8
Number of Industries	24

Source: London CIV data as at 31 December 2021

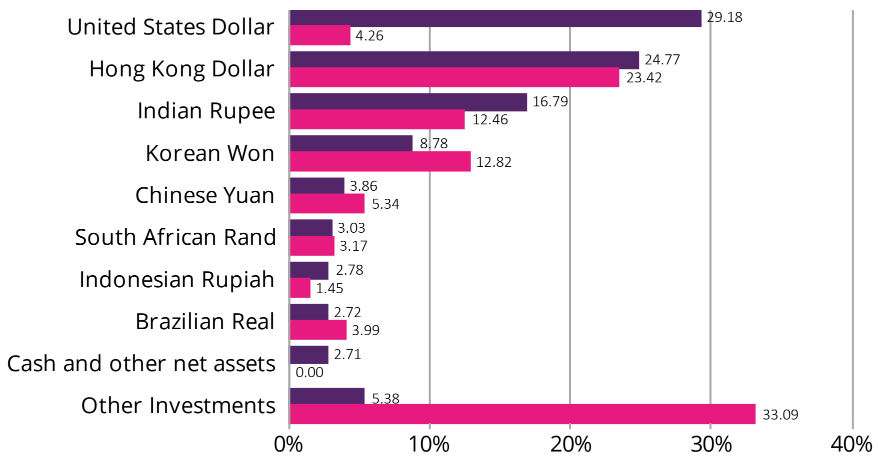
Risk Statistics	
Tracking Error (%)	4.82
Beta to Benchmark	0.94

Source: London CIV

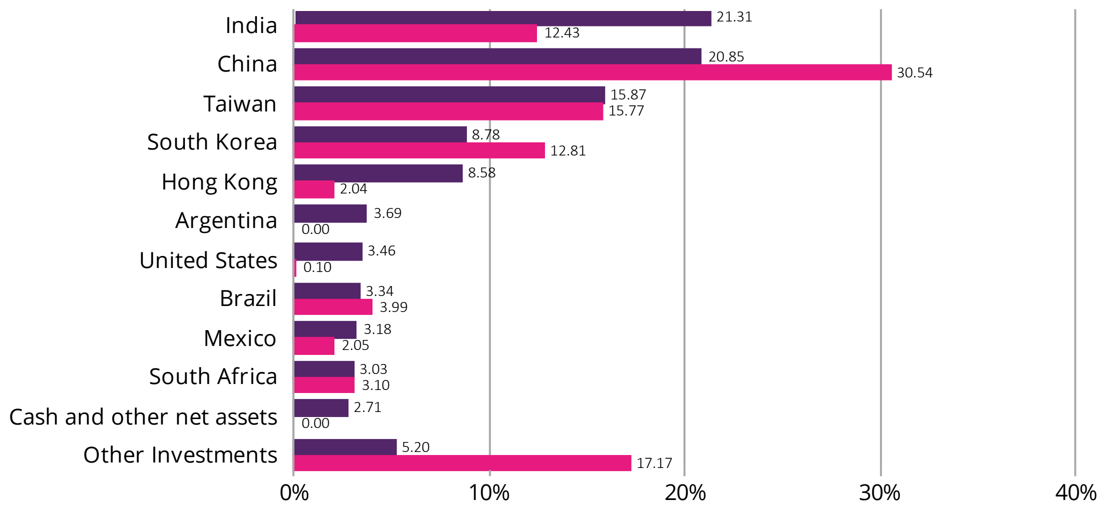
Sector Weights



Currency Weights



Country Weights



Source: London CIV data as at 31 December 2021
**MSCI Emerging Market Index (TR) Net+2.5%*

LCIV Emerging Market Equity Fund: Portfolio Characteristics

Top Ten Equity Holdings

Security Name	% of NAV
Taiwan Semiconductor Manufactor ADR	9.81
Tencent Holdings	6.76
Samsung Electronics	6.32
HDFC Bank ADR	4.52
Housing Development Finance	4.50
Infosys	4.22
AIA Group	3.83
Tata Consultancy Services	3.79
Mercadolibre	3.69
SEA	3.44

Top Ten Contributors

Security Name	% Contribution
Taiwan Semiconductor Manufactor ADR	+0.67
Infosys	+0.47
Epam Systems Inc	+0.34
Samsung Electronics	+0.29
Kweichow Moutai	+0.19
Netease Inc	+0.18
Wal-Mart De Mexico	+0.13
JD.Com	+0.11
Delta Electronic	+0.09
Bank Rakyat Indonesia Persero	+0.08

Top Ten Detractors

Security Name	% Detraction
SEA	(1.45)
Mercadolibre	(0.83)
HDFC Bank ADR	(0.58)
Wuxi Biologics	(0.57)
AIA Group	(0.55)
Alibaba Group Holding	(0.53)
Housing Development Finance	(0.30)
Sberbank Of Russia	(0.19)
JD.com	(0.18)
Kotak Mahindra Bank	(0.18)

New Positions During Quarter

Security Name
not applicable, no new positions during the quarter

Completed Sales During Quarter

Security Name
NetEase Inc ADR

Source: London CIV data as at 31 December 2021

LCIV Emerging Market Equity Fund: ESG Summary

Summary of ESG Activity for the Quarter

J.P. Morgan had several engagements with Thai energy conglomerate PPT during the year. The investment manager met the company and followed up with a letter to reiterate their concerns on climate change. The investment manager was most concerned regarding PPT's conservative targets and failure to specify a base year that the GHG reduction targets were set against. Later during the year, PPT presented to investors its latest new targets for carbon reduction and clean energy initiatives. The investment manager states that they were pleased to see that PPT had responded to shareholder feedback and included a commitment of 15% reduction of total Scope 1 and 2 emissions by 2030 from 2020 levels and net-zero emission by 2070. During this quarter the investment manager then met with the company again to delve further into some of these initiatives. Overall, the investment manager was pleased with the company's willingness to respond to shareholder engagement but they will continue to push for a faster pace of change.

The investment manager met with Samsung Electronics to discuss board effectiveness, capital allocation and succession planning. Regarding board effectiveness, JPM questioned how exactly the board measures its success. Samsung Electronics stated that the company has no official performance metrics to evaluate the whole board and would welcome suggestions on board evaluation. The investment manager then shared several global best practices after the meeting with the management team. We are pleased to see the investment manager's approach in sharing lessons learnt to educate their portfolio companies. Second topic was on capital allocation. JP Morgan was concerned over the firm's ~$100bn of cash on its balance sheet and considers it as excessive and that some portion of it should be allocated to higher dividends or share buybacks. The Chairman stated that most of the cash is held in overseas subsidiaries and any share buyback would trigger tax implications. The investment manager states that this situation is not unique to Samsung and that there are ways to find a better balance. Lastly on succession planning, according to the investment manager, this has been a pressing issue as JY Lee (the grandson of the founder of Samsung) had reduced his involvement with the firm due to legal concerns. Samsung states that the company has plans to transition to a professionally run team and JY Lee will not pass his managerial duties to his children.

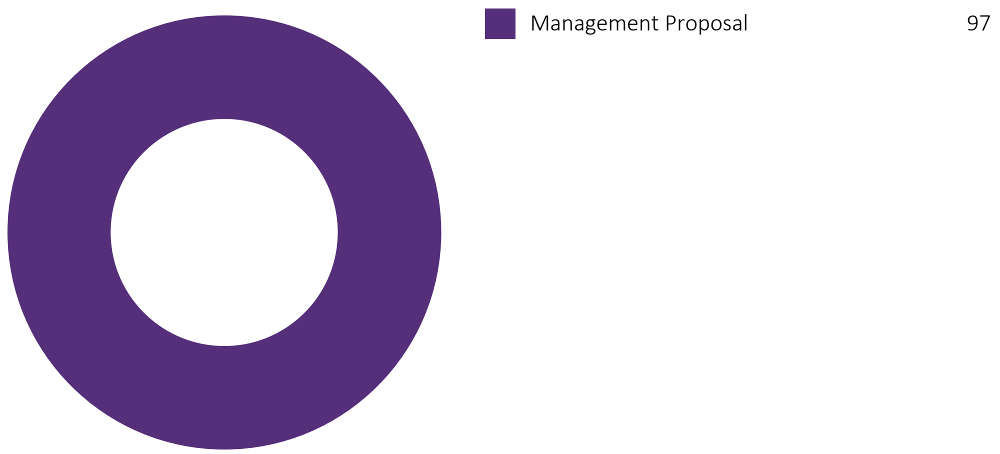
The last engagement was with Russian diamond producer Alrosa, where the investment manager discussed the tailings leak at a mine in Angola. The investment manager acknowledge that the firm was not the operator of the mine and the contents of the leak are currently under investigation. The investment manager was encouraged by Alrosa's handling of the situation and they have proposed that their partner implement mitigation methods such as dry stacking of tailings. The investment manager stated that they will continue to monitor the situation and update us.

LCIV Emerging Market Equity Fund: ESG Summary

Voting Summary

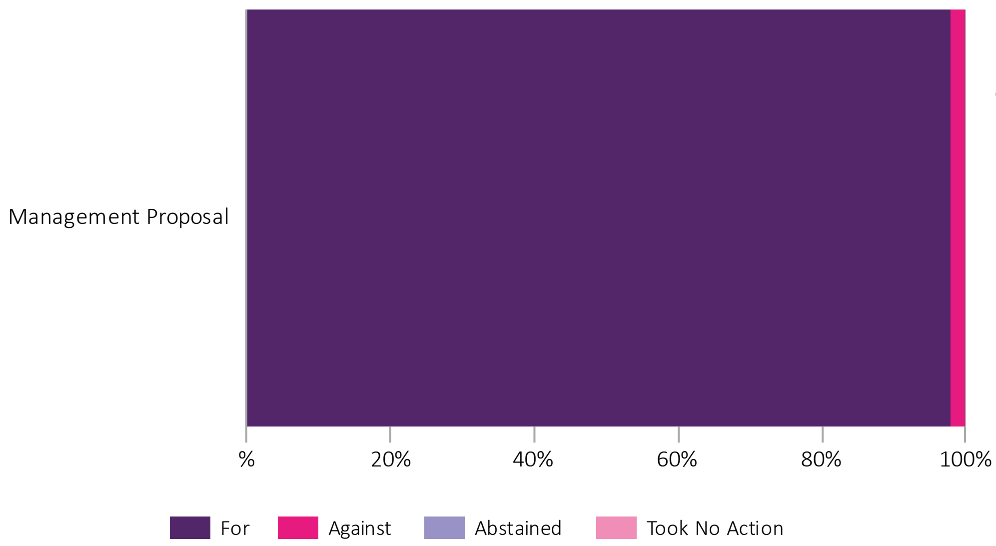
As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 October 2021 - 31 December 2021).

Proposals Breakdown



Source: London CIV data as at 31 December 2021

Voting Instruction Breakdown



Source: London CIV data as at 31 December 2021

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10274

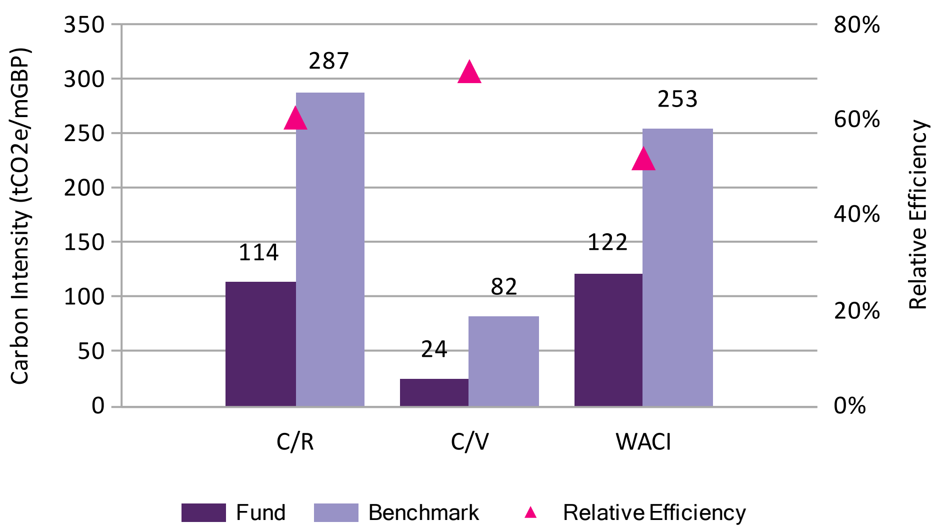
LCIV Emerging Market Equity Fund: ESG Summary

Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climaterelated disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

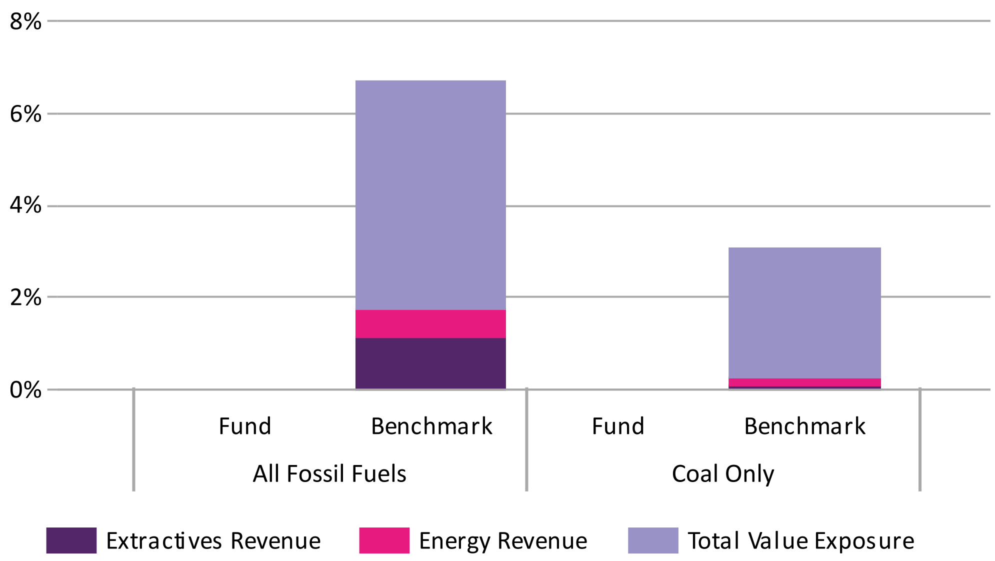
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

LCIV Emerging Market Equity Fund: ESG Summary

Climate Risk Exposure

Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

Name	Carbon Intensity (tCO2e/mGBP)	WACI Contribution	Climate 100+
Taiwan Semiconductor Manufacturing Company Limited	373.62	-23.63%	No
Kweichow Moutai Co., Ltd.	387.89	-4.10%	No
Samsung Electronics Co., Ltd.	191.30	-3.99%	No
Yum China Holdings, Inc.	604.61	-3.84%	No
ITC Limited	700.93	-2.72%	Yes
Budweiser Brewing Company APAC Limited	364.25	-2.56%	No
Foshan Haitian Flavouring and Food Company Ltd.	350.02	-1.71%	No
Ambev S.A.	350.50	-1.24%	No
Sands China Ltd.	398.03	-1.04%	No
Midea Group Co., Ltd.	218.47	-0.98%	No

LCIV MAC Fund

Quarterly Summary as at 31 December 2021

Total Fund Value:

£1,215.3m

Inception date:	31/05/2018
Price:	110.60p
Distribution frequency:	Annually
Next XD date:	04/01/2022
Pay date:	28/02/2022
Dealing frequency:	Monthly

Investment Objective

The Sub-fund's objective is to seek to achieve a return of SONIA (30 day compounded)+4-5%, with a net asset value volatility of 4-6%, on an annualised basis over a rolling 4 year period, net of fees.

This is a pooled Sub-fund of the London CIV ACS administered by Northern Trust. The Sub-fund has invested in the collective investment vehicle CQS Credit Multi Asset Fund and is managed by CQS Global Funds (Ireland) p.l.c since the inception date.

Enfield Valuation:

£57.0m

Enfield investment date: 30/11/2018

This is equivalent to 4.69% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £1,890,892

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Fund Inception p.a. %†	Since CF Inception p.a. %†
Fund	0.96	6.40	4.89	n/a	3.89	4.35
Investment Objective*	1.15	4.59	4.90	n/a	4.97	4.91
Relative to Investment Objective	(0.19)	1.81	(0.01)	n/a	(1.08)	(0.56)

** Investment Objective: 3m LIBOR +4.5%*

† Please note the benchmark is being changed from the London Interbank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA). This is expected to be completed with effective date 1 January 2022 all benchmark past performance prior to this date may continue to be calculated against LIBOR.

LCIV MAC Fund

Quarterly Commentary

Performance

The Sub-fund returned 1% in Q4 2021, underperforming its objective by 0.2%. Over the full year, the Sub-fund earned 6.4% and outperformed on a relative basis by 1.8%. However, returns since inception are still below the objective by 1.1% on an annualised basis.

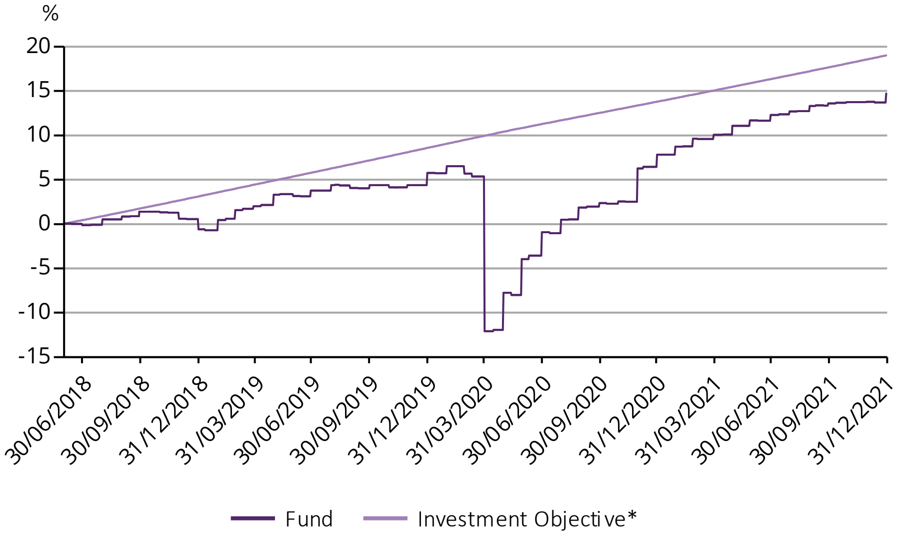
The bias towards floating rate senior secured loans relative to fixed rate high yield bonds was beneficial in the final quarter of 2021. The Sub-fund outperformed the broader loans market, both in Europe and U.S. Interest income from senior secured loans contributed most to returns in Q4. Despite market volatility, capital values in the loan book were flat for the quarter. Full year performance was aided by reduced default expectations. European defaults declined from 2.4% at the end of 2020 to 0.8% this year and U.S. defaults closed at nearly 0.3% from nearly 3.8% at start of 2021.

European loans outperformed their U.S. counterparts and ended the year with a positive reading for the 21st consecutive month. Over the full year, the European loan market remained resilient, in part due to the floating rate nature of the asset class but also due to strong demand underpinned by collateralised loan (CLO) issuance.

Within U.S. loans, the last quarter finished with record-setting issuance, with supply driven mainly by M&A and private equity deals. Over the year, U.S. loans delivered consistent performance, registering gains in all but two months.

European high yield underperformed U.S. high yield and finished the quarter down 0.3%. Returns came almost solely from income. During the quarter volatility was modest and there was a slowdown in new issuance, which was a slight tailwind for this market segment. U.S. high yield posted stronger returns due to higher spread compression, particularly in the CCC-rated basket of borrowers. Overall, the high yield market saw returns driven

Performance since LCIV inception



Source: Fund prices calculated based on published prices. All performance reported Net of fees and charges with distributions reinvested.
** Investment Objective: 3m LIBOR +4.5%*

primarily by gains in capital values at the start of the year, whereas after a volatile third quarter, returns were predominantly driven by income.

The Sub-fund's asset backed securities (ABS) allocation returned 0.8% over the quarter. In CLOs, strong issuance along with volatility around the Omicron variant affected performance early in the quarter, but this was offset by good performance in December as the outlook improved. Despite regaining ground after a dip on the emergence of the Omicron variant, debt issued by financial services companies ultimately performed relatively poorly during the fourth quarter. Portfolio holdings outperformed the ICE BoA Contingent Convertible Capital Index (COCO).

LCIV MAC Fund

Positioning

Senior secured loans remain the largest allocation within the portfolio. The investment manager took advantage of the relative strength and low volatility of European loans to shifting some of the allocation to European financials.

Within ABS, European CLO exposure was trimmed as the investment manager took profits on certain holdings, principally at the BBB rated level, and reallocated this capital to European regulatory capital, with an expectation that it will provide high income with lower market beta.

Capitalising on mark-to-market volatility, exposure to European high yield bonds was initially increased and then reduced in December to lock in profits. The investment manager continues to see opportunities in both secondary and primary markets within European high yield.

Exposure to financials was increased over the quarter. The Sub-fund holds a selection of short duration bonds offering high spreads to capitalise on growth and longer-dated securities issued by high-quality issuers to guard against the risk of a reversal in growth expectations.

Convertible bonds remain at near 4% allocation of the portfolio, whereas cash was increased to 5.4% through profit taking on loans and ABS.

Overall, the investment manager continues to favour European markets due to attractive relative valuations and better fundamentals.

Market views

The momentum of fixed income markets slowed somewhat in the fourth quarter as investors had to digest rising inflation and potentially less quantitative easing from central banks. In addition, the emergence of the highly infectious Omicron Covid-19 variant led to substantial mark-to-market losses at the end of November.

However, markets recovered quickly in December, with data indicating a lower risk of severe illness. This proved particularly beneficial for the energy sector, and borrowers reliant on freedom of movement, such as travel, hospitality and retail companies. Interestingly, sentiment was not materially affected by the U.S. Fed's indication in December that it could accelerate the pace of tapering and increase interest rates more quickly than was discounted by the market.

Looking ahead, the investment manager expects a bumpier ride through bouts of volatility, with short duration strategies continuing to outperform. The investment manager is looking for low beta credit opportunities, with a focus on quality and liquidity.

Fund monitoring

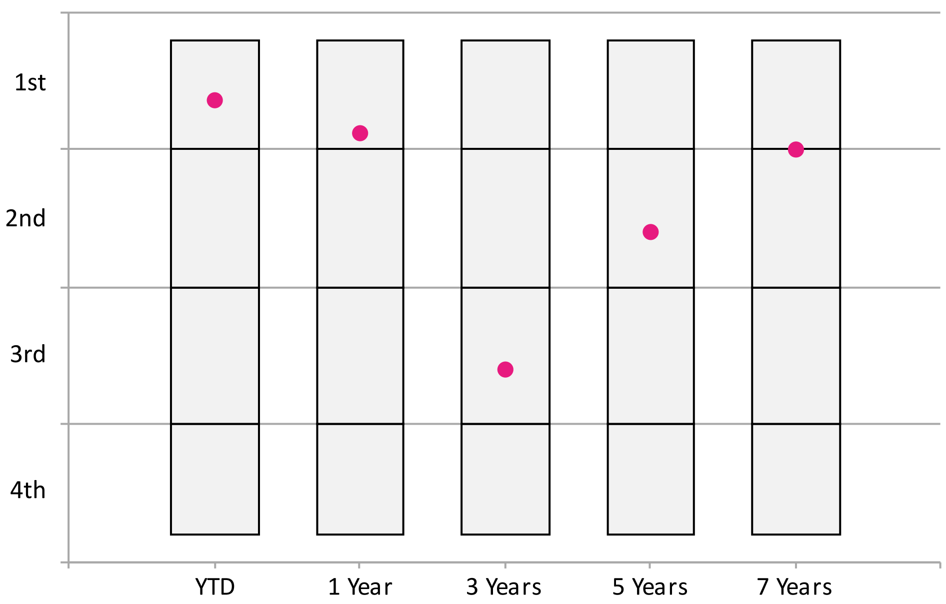
The investment manager was put on 'watch' status in July 2019 after concerns were raised across several categories in the course of our monitoring. In February 2020, this status was lowered to 'enhanced monitoring' due to improving backdrop. Since then, the investment manager has improved further across most monitoring factors, including resourcing, business risk, performance and ESG. The investment manager's monitoring status was moved to 'normal monitoring' in December 2021.

LCIV MAC Fund

Peer Analysis

Year to date (September 2021) and 1-year returns have been strong, putting the Sub-fund in the top quartile compared to its peers. Over three years, returns are in the third quartile, but the CQS Credit Multi Asset Fund has performed well over longer periods. The level of risk the investment manager is taking is in the top quartile over 3 years and it also has exhibited larger drawdowns than its peers. We emphasise, however, that the decline in capital values was based on changes in mark to market prices, and not realised losses on the loans, bonds and other credit instruments owned by the Sub-fund.

Returns



Source: eVestment as at 30 September 2021

Key Risk Statistics

Source: eVestment as at 30 September 2021

LCIV MAC Fund

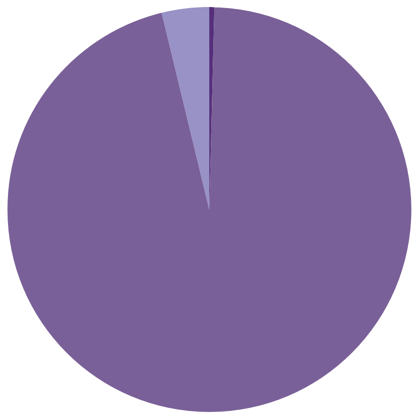
Conclusion

The Sub-fund underperformed its objective by a small margin over the last quarter. However, performance was strong in 2021, continuing the positive trend since credit markets recovered from the surge in volatility and sharp falls in capital values experienced in March 2020. The investment manager has performed well from an underwriting and credit selection perspective. The portfolio remains biased towards European credit due to better fundamentals and attractive valuations. With major central banks expected to tighten policy in the coming months, the focus of the Sub-fund on floating rate and short duration fixed rate debt should be beneficial.

LCIV MAC Fund: Portfolio Characteristics

Risk Highlights	
Weighted Average rating	B+
% Long BEE with Public Rating	87.19%
% of Investment with Public Rating	87.77%
Yield to Expected Maturity GBP	5.45%
Spread Duration	3.63
Interest Rate Duration	1.19

Liquidity Management



Stress Test

Asset Class	Equities -10%	Equities +10%	Credit -25%	Credit +25%	IR -100bps	ABS -10%	ABS +10%
ABS			0.02%	(0.02)%	0.01%	(1.65)%	1.65%
Convertibles	(0.20)%	0.22%	0.02%	(0.02)%	0.05%		
Corporate Credit			0.01%	(0.01)%	(0.01)%		
Financials			0.46%	(0.42)%	0.41%		
High Yield			0.82%	(0.77)%	0.73%		
Loans	(0.08)%	0.08%	2.28%	(2.12)%			
Uncomitted Capital							

Source: CQS for definitions of Risk Highlights please see the Glossary

LCIV MAC Fund: Portfolio Characteristics

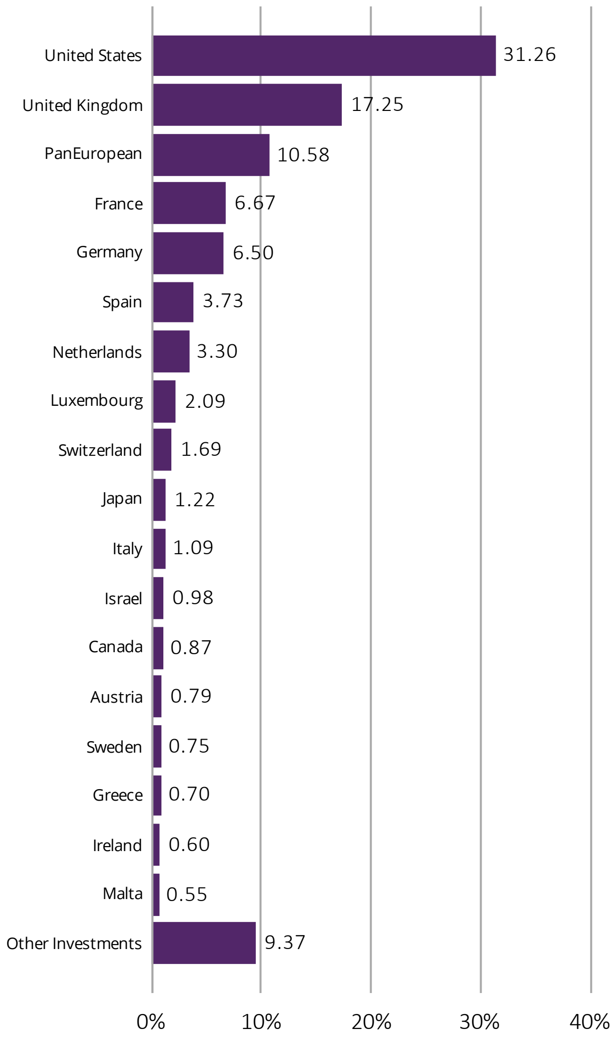
Asset Classification		
Classification	**Nominal Exposure %**	**Contribution to Return %**
IG Corporate Bonds	43.47	0.00
Loans	21.19	0.50
ABS	17.81	0.13
HY Corporate Bonds	9.80	0.16
Convertibles	4.00	0.20
Financial Bonds	0.32	0.00

Top Contributors to Performance		
Security Name	**Nominal Exposure %**	**Contribution to Return %**
Allen Media Llc / Al 10.5% 15Feb28 144A	0.52	0.02
Intralot Capital Lux 5.25% 15Sep24 REGS	0.40	0.02
MLN US HoldCo -Term Loan (Sec:3081_P	0.23	0.07
Sika CB 0.15% 5 June 25	0.19	0.04
Teradyne Inc CB 1.25% 15Dec23	0.11	0.04

Bottom Contributors to Performance		
Security Name	**Nominal Exposure %**	**Contribution to Return %**
Eg Global Finance GBP 6.25% 30Mar26	0.00	(0.01)
Square Inc 0.125% 01Mar25	0.04	(0.01)
Umicore 0% 23Jun25	0.06	(0.01)
Ambac Assurance (ABK) 5.1% 07JUN20	0.22	(0.01)
Safari Verwaltungs 5.375% 30Nov22	0.25	(0.01)

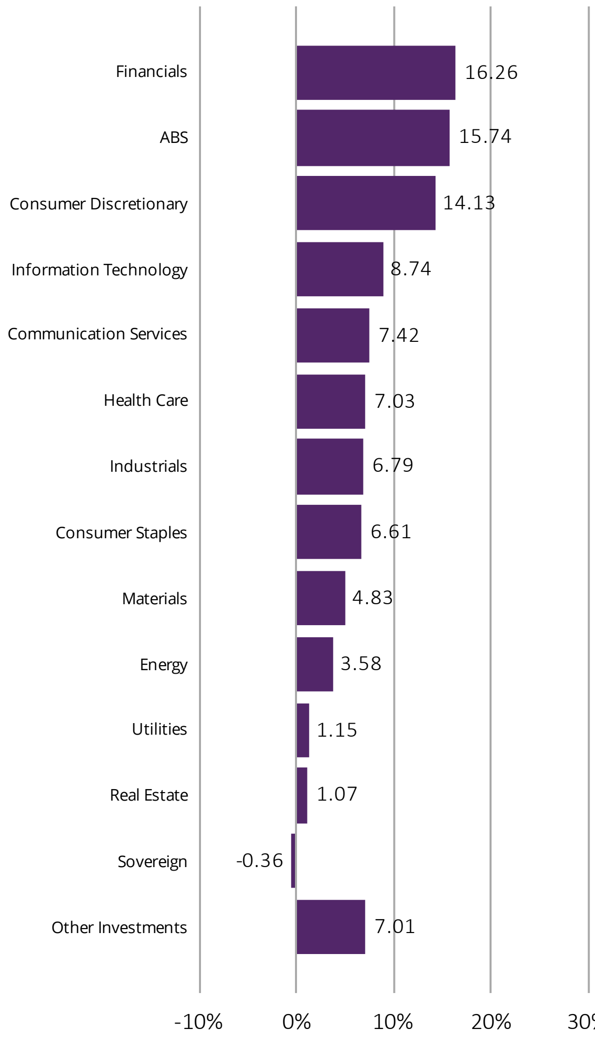
Country Weights

NAV %



Sector Weights

NAV %



Source: CQS

LCIV MAC Fund: ESG Summary

Summary of ESG Activity for the Quarter

We are pleased to learn that on 11 October 2021, the CQS CMA Fund was classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). Under SFDR, an Article 8 Fund promotes environmental, social and governance characteristics. Furthermore, on 1 November 2021, CQS became a signatory to the Net Zero Asset Managers' Initiative. The investment manager is in the process of setting interim targets to achieve net zero by 2050 (or sooner).

Regarding engagement CQS engaged with Adler Real Estate and provided the company with an ESG Outlook score 'negative'. The investment manager discussed the recent short seller allegation and with governance being the key concern, the company showed proactive steps by tasking KPMG to audit these allegations. The firm has committed to publish the full findings and to address any failings. CQS said they have gained confidence in the company through its actions and willingness to create transparency.

The investment manager engaged with Urban One to discuss their annual Proxy Statement and how they have made some ESG efforts on disclosures. The investment manager believes this is a positive response as they have previously suggested to Urban One to increase ESG disclosures.

CQS engaged with First Energy through Climate Action 100+. The company has set carbon neutral targets by 2050 and the investment manager continues to engage and to understand their plans to expand the scope of their decarbonisation targets.

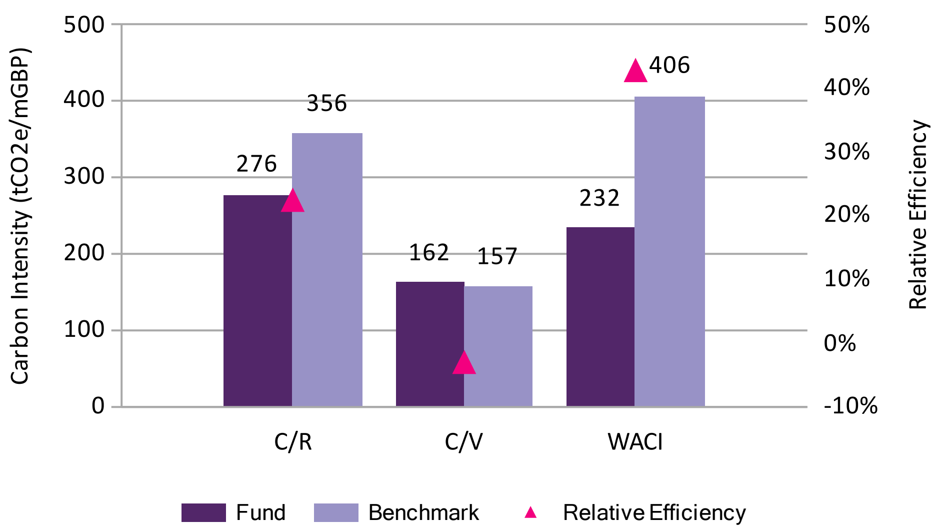
LCIV MAC Fund: ESG Summary

Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climaterelated disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

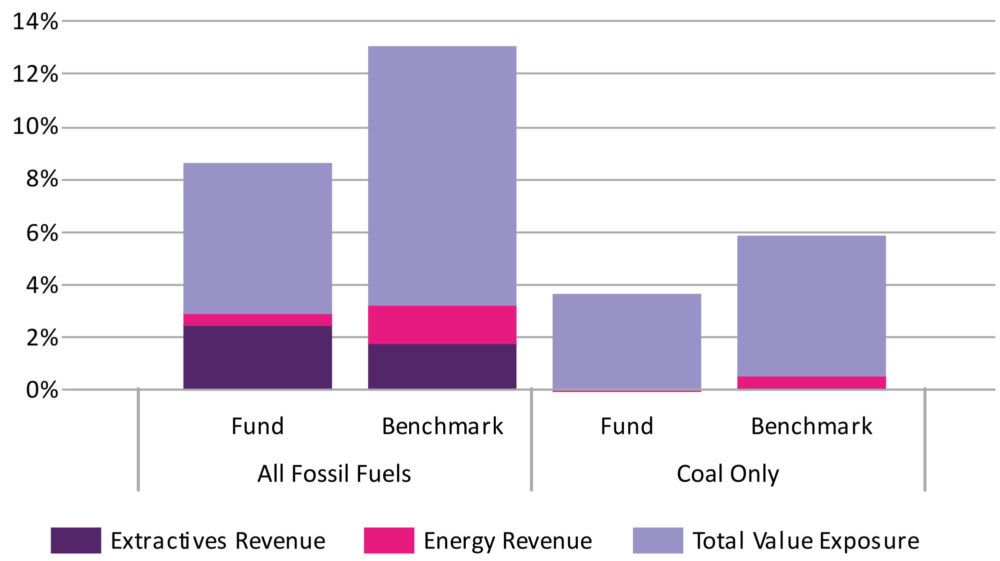
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.



Source: London CIV based on Trucost data as at 31 December 2021

LCIV MAC Fund: ESG Summary

Climate Risk Exposure

Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

Name	Carbon Intensity (tCO2e/mGBP)	WACI Contribution	Climate 100+
Danaos Corporation	1,630.61	-6.23%	No
Delek Group Ltd.	983.52	-5.73%	No
Drax Group plc	4,181.38	-5.48%	No
Cheniere Energy Partners, L.P.	1,481.69	-4.34%	No
Electricite de France	614.00	-4.29%	Yes
Deutsche Lufthansa AG	1,501.27	-3.09%	No
Veolia Environnement S.A.	1,984.42	-2.82%	No
Carnival Corporation & Plc	1,567.09	-2.66%	No
Cleveland-Cliffs Inc.	3,167.50	-1.76%	No
International Consolidated Airlines Group, S.A.	1,724.34	-1.69%	No

Top Contributors - Fossil Fuel Revenues

The table below shows the companies with the most significant weighted average fossil fuel revenues. The degree towhich the company's own revenues are derived from fossil fuel activities is also indicated. For more information, please consult the Appendix.

Name	Fossil Fuel Revenue	Portfolio Weighted Fossil Fuel Revenue	Climate 100+
Delek Group Ltd.	52.21%	0.910%	No
Pioneer Natural Resources Company	100.00%	0.617%	No
TechnipFMC plc	49.96%	0.503%	No
Occidental Petroleum Corporation	79.89%	0.169%	Yes
Electricite de France	6.51%	0.166%	Yes
Tullow Oil plc	100.00%	0.132%	No
EQT Corporation	99.78%	0.129%	No
Veolia Environnement S.A.	13.71%	0.051%	No
MEG Energy Corp.	100.00%	0.047%	No
Antero Resources Corporation	92.47%	0.047%	No

Passive Investment Summary

The table below outlines the valuation of investments held per passive manager at the beginning and end of the quarter. For details on the performance of these funds please contact the passive managers directly.

	30 September 2021	31 December 2021
Blackrock	**£**	**£**
ACS WORLD LOW CARBON EQ TKR FD X2	245,987,999	262,807,427
AQ LIFE UP TO 5YR UK GILT IDX S1	54,723,774	56,000,221
AQUILA LIFE ALL STK UK ILG IDX S1	38,947,748	39,253,631
Total	**339,659,521**	**358,061,278**

Source: Passive Investment Manager Blackrock

Glossary of Terms

- **Annualised Alpha** The incremental return of an investment manager when the market is stationary. In other words, it is the extra return due to the non-market factors. The risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the investment manager. A positive alpha indicates that an investment manager has produced returns above the expected level at that risk level and vice versa for a negative alpha.
- **Bear Duration** An investment portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
- **Beta** The beta is the sensitivity of the investment portfolio to the stated benchmark.
- **Bull Duration** An investment portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
- **Capacity** Please refer to the prospectus, Sub-funds may be limited by subscriptions into the Sub-fund or by the total Sub-fund valuation size. For queries on remaining capacity as at a relevant date, please contact the Client Service Team at clientservice@londonciv.org.uk.
- **Carbon Intensity:** Carbon emissions should be 'normalized' by a financial indicator (either annual revenues or value invested) to provide a measure of carbon intensity. The three most common approaches to normalization are:
  - Carbon to Revenue (C/R): Dividing the apportioned CO2e by the apportioned annual revenues
  - Carbon to Value Invested (C/V): Dividing the apportioned CO2e by the value invested.
  - Weighted Average Carbon Intensity (WACI): Summing the product of each holding's weight in the portfolio with the company level C/R intensity (no apportioning).

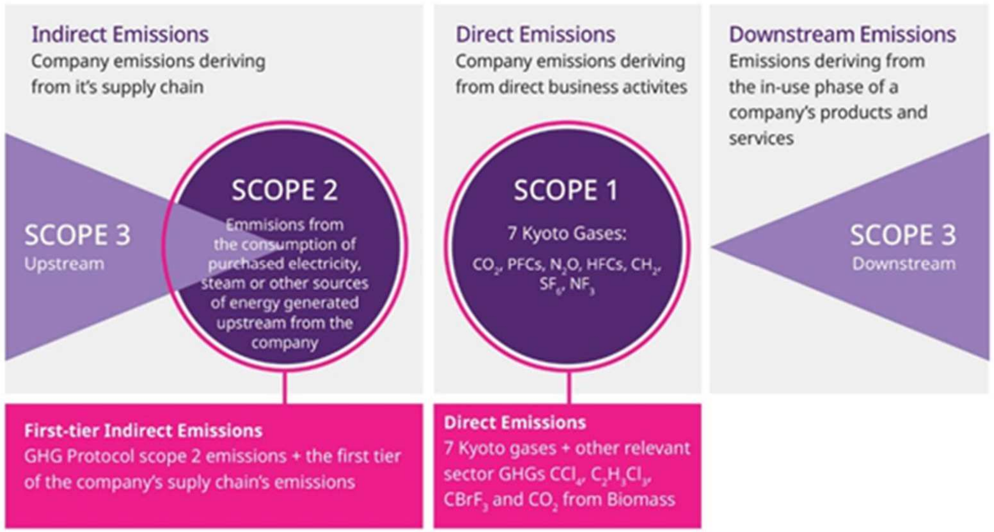
  C/R gives an indication of carbon efficiency with respect to output (as revenues are closely linked to productivity). C/V gives an indication of efficiency with respect to shareholder value creation. The WACI approach circumvents the need for apportioning ownership of carbon or revenues to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change, the weighted average method seeks only to show an investor's exposure to carbon intensive companies, i.e. is not an additive in terms of carbon budgets.

- **ClimateAction100+** is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. These include 100 'systemically important emitters', alongside more than 60 others with significant opportunity to drive the clean energy transition. For more information see http://www.climateaction100.org.
- **Comparator Benchmarks** are indices which represent a style-appropriate reference index to compare the underlying funds. These have been selected following back-testing and holdings-based analysis to ensure that they are relevant to the Sub-fund.
- **Completed Sales** For delegated portfolios any holdings held at the last quarter end which have been sold out of and are no longer held as at the reporting date shown as completed sales. If there are more than ten it is limited to the largest ten as at the end of last quarter. This is not necessarily the largest ten sales for the quarter. Note if a position was bought and sold within the quarter this will not appear.
- **Country Characteristics** The number of holdings in different countries is counted based on the classification to countries of risk of all individual

Glossary of Terms

portfolio holdings within the Northern Trust fund accounting system. Note: the percentage of the portfolio calculations excludes the impact of any cash held within the Sub-fund. For the equity funds holdings incorporated in tax havens have been reflected as the country in which that company is headquartered.

- **Duration** An investment portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall/ (rise) in interest rates, a portfolio with duration of 1 year will rise /(fall) in price by 1 bp.
- **Emissions Scopes:**



  - Direct (Scope 1) = CO2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
  - Direct (Other) = Additional direct emissions, including those from CCl4, C2H3Cl3, CBrF3, and CO2 from Biomass.
  - Purchased Electricity (Scope 2) = CO2e emissions generated by purchased electricity, heat or steam.
  - Non-Electricity First Tier Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the first tier of the supply chain.
  - Other Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the second to final tier of the supply chain.
  - Downstream (Scope 3) = CO2e emissions generated by the distribution, processing and use of the goods and services provided by a company
- **ESG** This stands for Environmental, Social and Governance and refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business.
- **Fossil Fuel Exposure:** London CIV assesses Fossil Fuel exposure by calculating the combined value of holdings with business activities in either fossil fuel extraction or fossil fuel energy generation industries. Company level exposure represents the combined weight in the portfolio or benchmark of companies deriving any revenues from fossil fuel related activities, while the Extractives Revenue and Energy revenue segments indicate the weighted average exposure to the revenues themselves.
- **Interest Rate Duration** It is the price sensitivity of the investment portfolio to changes in interest rates.
- **Net Market Move** Change in valuation of the holding due to movement in the market rather than cash flows into or out of the Sub-fund.
- **New Positions** For delegated investment portfolios any new holdings entered into during the quarter that were not held at the last quarter end have been reflected as new positions. If there are more than ten it is

Glossary of Terms

limited to the largest ten as at the end of the quarter. This is not necessarily the same as the largest ten purchases for the quarter if pre-existing holdings have been topped up. Note if a position was bought and has since been sold this will not appear.

- **MRQ** Most Recent Quarter
- **Pay Date** The date on which the distribution amount will be paid in cash. If a reinvestment option is taken this will be reinvested on pay date –2 Business Days
- **Peer Analysis** The peer analysis graphs are taken from eVestment and are dated the most recent available quarter end, which is 31st March 2021. When asset managers add their funds on eVestment, eVestment assigns them to a universe based off the information the asset manager provides. The peer analysis graphs use the eVestment primary universe, which comprises funds with the most homogenous attributes in terms of investment objectives, investment characteristics, and risk profiles. This allows for relevant "apples-to-apples" comparisons among investment strategies. London CIV does not choose the asset managers, or the funds used in this peer group analysis. The fund analysed by eVestment is not the LCIV Sub-fund but the mirror fund ran under the same strategy by the investment manager.
- **Performance Attribution** For delegated portfolios the top ten contributors and detractors to performance are shown. This is to show how the structure of the investment portfolio contributed to the total performance.
- **Performance Calculation Basis** Sub-fund performance is calculated net of all fees and expenses. Where a Sub-fund has been open for less than a month the performance will show as "n/a" unless otherwise specified. Since 1 January 2020 the investment performance calculations use a time weighted rather than money weighted basis. The time-weighted rate of return ("TWR") is a measure of the compound rate of growth in a portfolio. The TWR measure eliminates the distorting effects on growth rates created by inflows and outflows of money.
- **Reporting Date** All data and content within this report is as per the date noted on the front cover, unless otherwise noted. Where the reporting end date falls on a weekend or Bank holiday, data from the previous business day will be used.
- **Securities Financing Transaction "SFT"** A transaction where securities are used to borrow or lend cash. They include repurchase agreements (repos), securities lending activities, and sell/buy-back transactions.
- **Sectors and Industry Characteristics** The number of holdings in different sectors and industries is counted based on the classification to Global Industry Classification Standards ("GICS") categories of all individual portfolio holdings within the Northern Trust fund accounting system.
- **Set up of the Sub–funds** The London LGPS CIV Ltd ("London CIV") is the Alternative Investment Fund Manager for the London LGPS CIV Authorised Contractual Scheme and manages the Sub-funds on either a delegated or pooled basis.
    - Delegated: The Sub-fund is structured as a delegated mandate with an appointed investment manager selecting individual securities overseen by the London CIV. The Sub-funds directly own the assets which are held by the custodian. This is the case for the global equity and global bond Sub-funds.
    - Pooled: The Sub-fund holds units in collective investment schemes managed by other investment managers rather than directly holding the individual securities. This is the case for the multi-asset Sub-funds.

Glossary of Terms

- **Since Inception Performance** For Sub-funds / Client Funds that have been live for a period exceeding 12 months, figures are annualised taking into account the period the fund has been open.
- **Spread Duration** This represents the price sensitivity of the investment portfolio to changes in spreads between different credit quality bonds. Spread duration constitutes an investment portfolio's sensitivity to changes in Option-Adjusted Spread ("OAS"), which affects the value of bonds that trade at a yield spread to treasuries. Corporate, mortgage, and emerging markets spread duration represents the contribution of each sector to the overall portfolio spread duration. For every 1 year of spread duration, portfolio value should rise (fall) by 1 basis point with every 1 basis point of OAS tightening (widening). Negative spread duration indicates the portfolio will benefit from widening spreads relative to treasuries.
- **Standard Deviation** A common risk metric. It measures the average deviations of a return series from its mean. A high standard deviation implies that the data is highly dispersed and there have been large swings or volatility in the manager's return series. A low standard deviation tells us the fund return stream is stable and less volatile.
- **Target Benchmark** is not the Sub-fund objective but has been selected on the basis of the risk taken within the underlying fund. This has been defined using historical analysis and in conjunction with the underlying market participants to triangulate the most appropriate target level.
- **Top Ten Holdings** Largest ten holdings within the investment portfolio as at the reporting date. Note this excludes the impact of any cash held within the Sub-fund.
- **Tracking error** A measure of the risk in an investment portfolio that is due to active management decisions made by the investment manager; it indicates how closely a portfolio follows the benchmark. This is shown in percentage terms.
- **UK Stewardship Code** A code which aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. Asset managers who sign up are given a tier rating of one or two. Details of all signatories, with links to the statements on their websites are available on the Financial Reporting Council website https://www.frc.org.uk/investors/uk-stewardship-code
- List of **Underlying Investment Managers** for Delegated ACS Sub-funds:
  - Baillie Gifford & Co for LCIV Global Alpha Growth Fund and LCIV Global Alpha Growth Paris Aligned Fund
  - JPMorgan Asset Management (UK) Limited for LCIV Emerging Market Equity Fund
  - Longview Partners (Guernsey) Limited for LCIV Global Equity Focus Fund
  - Morgan Stanley for LCIV Global Equity Core Fund
  - PIMCO Europe Limited for LCIV Global Bond Fund
  - RBC Global Asset Management (UK) Limited for LCIV Sustainable Equity Fund and the LCIV Sustainable Equity Exclusion Fund
  - Newton Investment Management Ltd for LCIV Global Equity Fund
  - State Street Global Advisors Limited for LCIV Passive Equity Progressive Paris Aligned Fund
- List of Pooled ACS Sub-funds **current Underlying Investment Managers**:
  - Baillie Gifford & Co for LCIV Diversified Growth Fund
  - Newton Investment Management Ltd for LCIV Real Return Fund
  - Pyrford International Limited for LCIV Global Total Return Fund
  - Ruffer LLP for LCIV Absolute Return Fund
  - CQS (UK) LLP for LCIV MAC Fund

Glossary of Terms

- **Volatility Risk** A measure of the total risk in an investment portfolio. This is shown in percentage terms.
- **Weighted Average Rating** This is the weighted average credit rating of all the bonds in the fund which gives an idea of the credit quality and riskiness of the portfolio.
- **XD Date** The date on which the distribution amount will be determined. Units purchased in the Sub-fund on its ex-dividend date or after, will not receive the next payment. Any units held in the Sub-fund before the ex-dividend date, receive the distribution.
- **Yield to Expected Maturity** It is the total return expected on the bond if it is held until it matures.
- **Yield to Maturity** The rate of annual income return on an investment expressed as a percentage. Current yield is obtained by dividing the coupon rate of interest by the market price. Estimated yield to maturity is obtained by applying discounts and premiums from par to the income return. Bond yields move inversely to market prices. As market prices rise, yields on existing securities fall, and vice versa.
- **Yield %** as displayed in the Key Statistics table of the London CIV Equity Sub-funds is the dividend yield as calculated by Northern Trust. It represents an estimate of the dividend-only return on your investment.
- **% Long Bond Equivalent Exposure with Public Rating** This represents the percentage market value of all debt instruments that the fund has bought and have a rating issued by a credit agency.
- **% of Investment with Public Rating** This represents the percentage market value of all debt instruments that the fund is long or short and have a rating issued by a credit agency.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: Market Update and Outlook

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: [ ]

This report introduces Aon report attached as Appendix 1 to this report, it is the latest macro market outlook.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the latest macro market outlook and its overall effects on the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Workforce Implications

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

Property Implications

10. None

Other Implications

11. None

Options Considered

12. There are no alternative options.

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Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588

Date of report 14th March 2022

Appendices
Appendix 1 – AON Market Update and Outlook **(Confidential – Exempt Report)**

Background Papers
None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE (PPIC)

Meeting Date: 31 March 2022

Subject:	Key Developments and Portfolio Update December 2021
Cabinet Member:	Cllr Maguire
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

This report introduces Aon report attached as Appendix 1 to this report on the key developments and portfolio update to Members.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the key developments and the performance of asset managers and how it affects the overall performance of the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Workforce Implications

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

Property Implications

10. None

Other Implications

11. None

Options Considered

12. There are no alternative options.

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Finance Manager – Pensions & Treasury
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Tel no. 020 8132 1588

Date of report 14th March 2022

Appendices
Appendix 1 – AON Quarterly Report **(Confidential – Exempt Report)**

Background Papers
None

Quarterly Investment Report

London Borough of Enfield Pension Fund

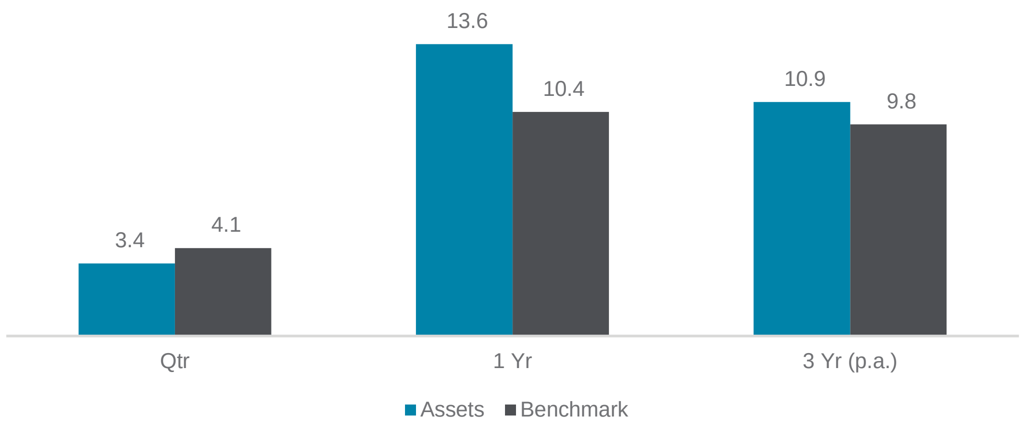
Prepared for: The London Borough of Enfield Pension Policy & Investment Committee

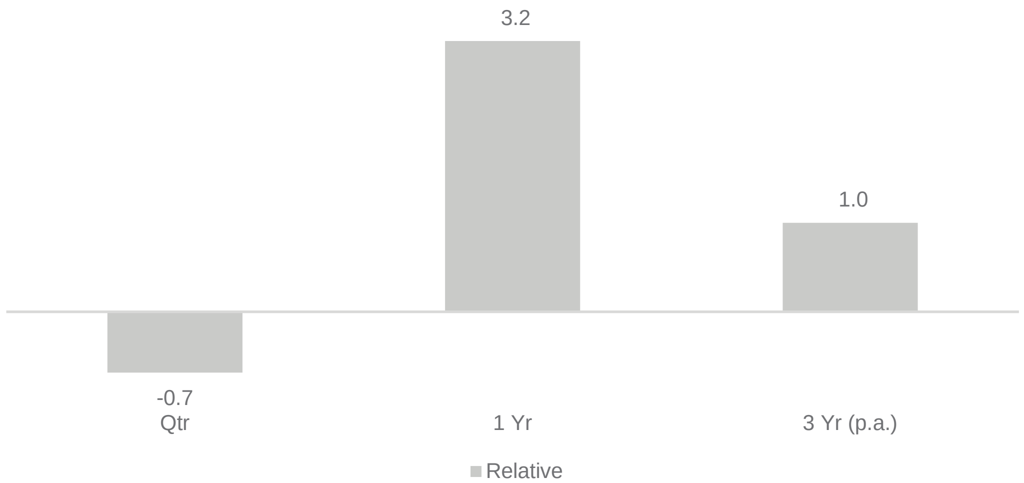
Prepared by: Daniel Carpenter

Date: 31 March 2022

At a glance…

Performance summary (%)





Source: Northern Trust

Assets

£1551.3m

Assets increased by £50.9m over the quarter.

Key driver - equities

£687.6m

Equities increased by £27.6m over the quarter.

Funding level

115%

Funding level as at 31 December 2021 increased by 3% over the quarter.

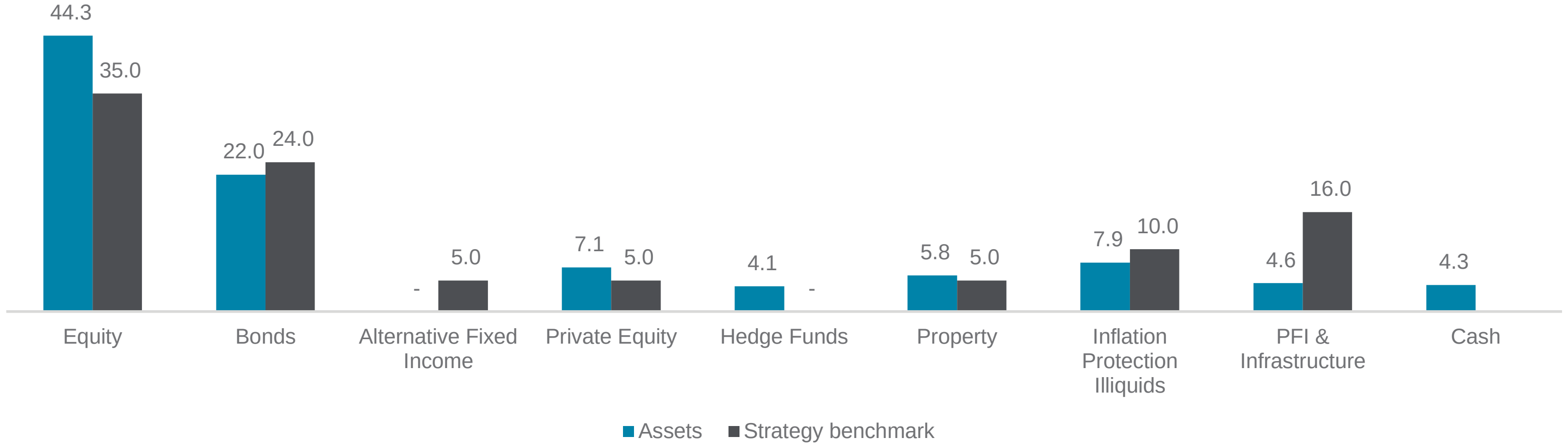
Source: Aon.

Strategic allocation

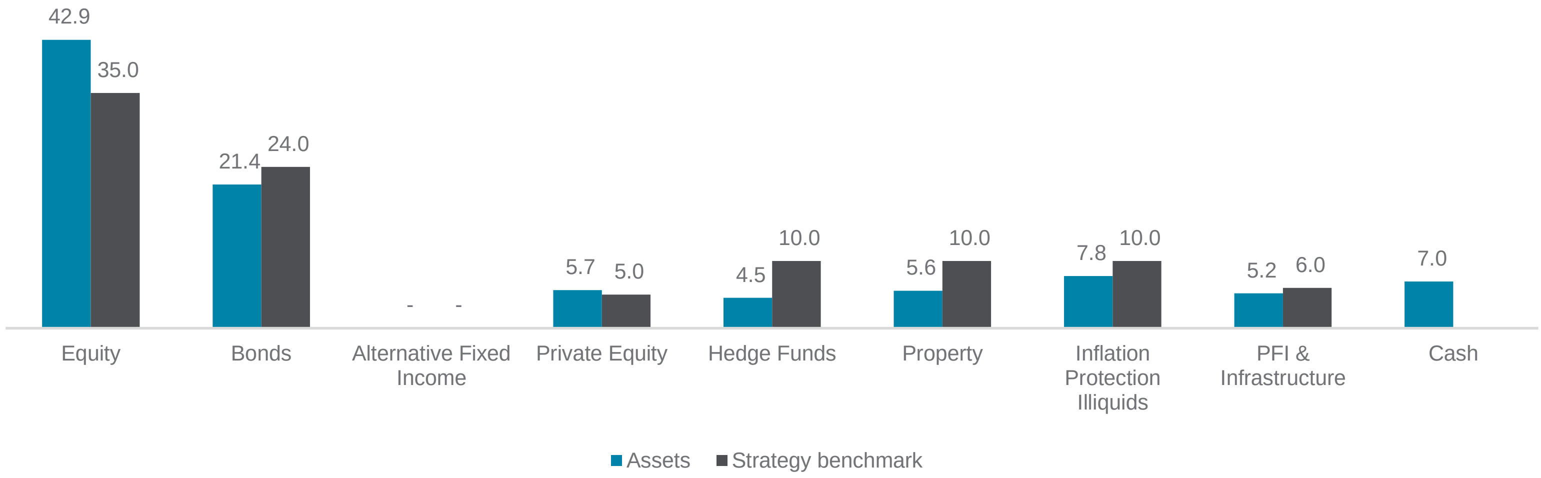
Strategic allocation

The strategic allocations shown are those agreed earlier in 2021.

31 December 2021 strategic allocation & benchmark (%)



31 December 2020 strategic allocation & benchmark (%)



Source: Northern Trust
Note: Totals may not sum due to rounding.

Key developments

BlackRock UK Property Fund

John Benham has now taken over the role of Lead Portfolio Manager from Paul Tebbit with Paul taking on a newly created role of Chief Investment Officer (CIO) of BlackRock's European Real Estate business. Justin Brown remains as Head of the EMEA Real Estate business. Fred Reynolds has left the firm and his responsibilities have been taken over by Richard Bryant, supported by Charlie Eastwood. They do not plan on making any further senior hires.

From our perspective, we have known John Benham as a Portfolio Manager for several years and he comes across as a capable individual with a solid background and competence in UK real estate investment and asset management.

As previously noted, we recommend that no action is required at this time.

LCIV Equity Focus Fund

We understand the LCIV have engaged in a soft market test to determine potential replacements for Longview within the LCIV Equity Focus Fund due to concerns in a number of areas including recent underperformance.

We will continue to keep the Committee updated on progress and any material developments.

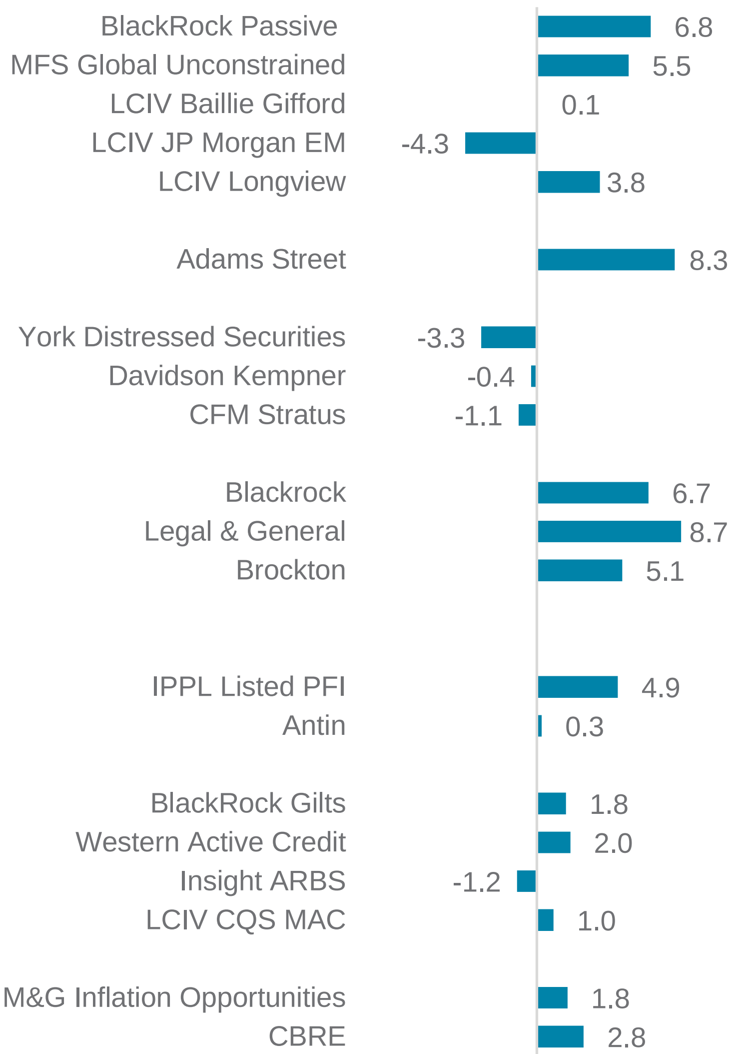
	Rating	ESG	Change
Equities			
BlackRock World Low Carbon	Buy	Integrated	-
MFS Global Unconstrained	Qualified	Advanced	-
London CIV Baillie Gifford	Buy	Integrated	-
London CIV Longview Partners	Buy	Integrated	-
London CIV JP Morgan	Not Rated	-	-
Private Equity			
Adams Street	Qualified	-	-
Hedge Funds			
York Distressed Securities	Sell	-	-
Davidson Kempner International	Buy	Limited	-
CFM Stratus	Buy (closed)	Integrated	-
UK Property			
Blackrock	Buy	-	-
Legal & General	Qualified	-	-
Brockton	Buy (closed)	-	-
PFI & Infrastructure			
IPPL Listed PFI	Not rated	-	-
Antin	Buy (closed)	-	-
Bonds			
BlackRock Passive Gilts and ILGs	Buy	Integrated	-
Western Active Bonds	Not Recommended	-	-
Insight Absolute Return Bonds	Buy	Integrated	-
London CIV Multi-Asset Credit	Not Rated	-	-
Diversified Liquid Credit	Not Rated	-	-
Alternative Fixed Income			
Inflation Protection Illiquids			
M&G Inflation Opportunities	Buy (closed)	-	-
CBRE	Buy	-	-

1. Aon does not rate the London CIV. Ratings are shown for underlying managers where appropriate.
2. Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.
3. Ratings shown for BlackRock equity are for BlackRock's passive equity capabilities and not specific to the Low Carbon Index in which the Fund is now invested, which is yet to be approved by our research team.
4. The Aon rating for the Western Active Bonds holding has fallen away, following 12 months of 'Qualified' rating

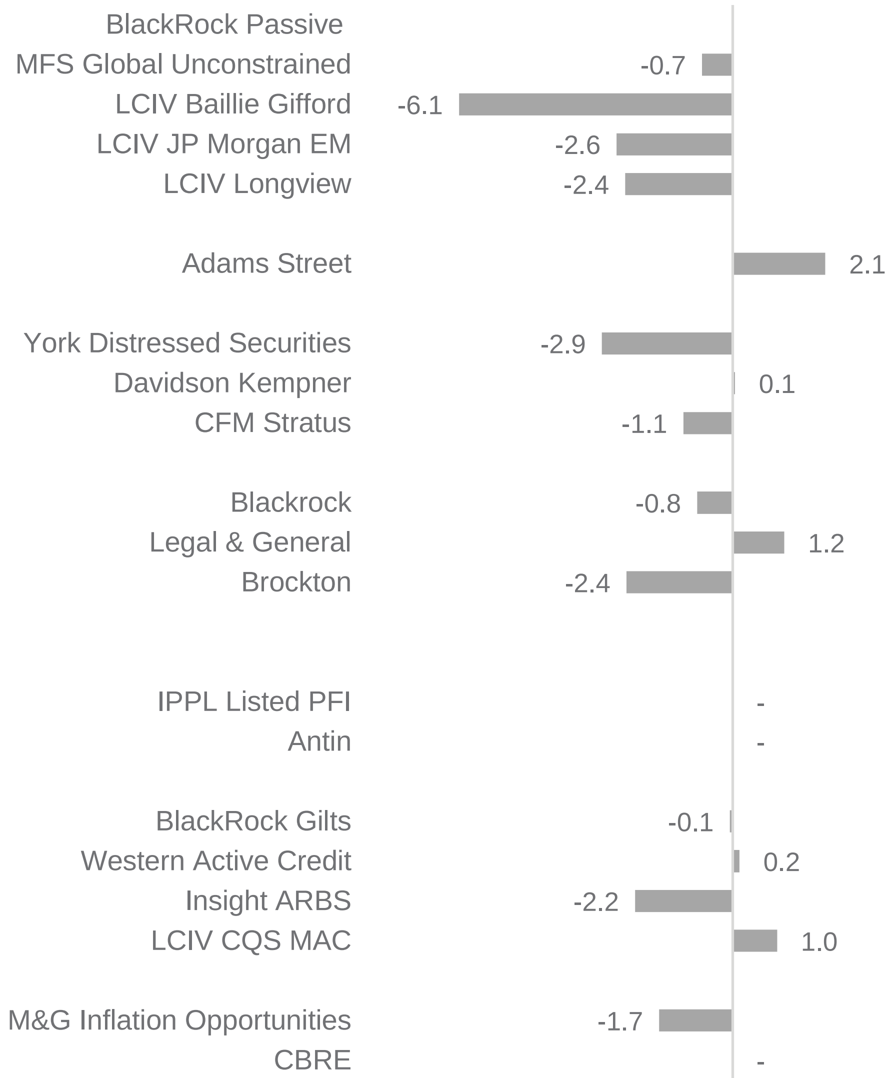
AON

Managers – Quarterly performance

Q4 2021 absolute performance (% pa)



Q4 2021 relative performance (% pa)

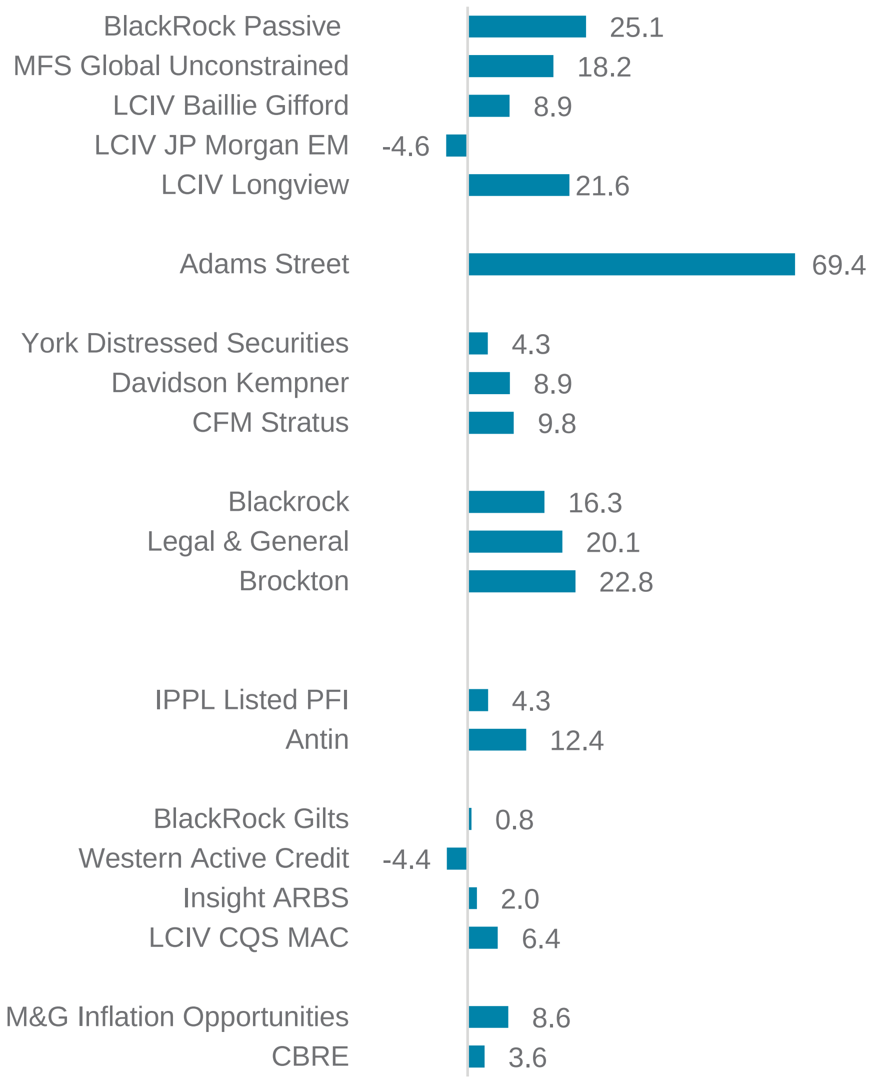


Source: Northern Trust. Performance is net of fees

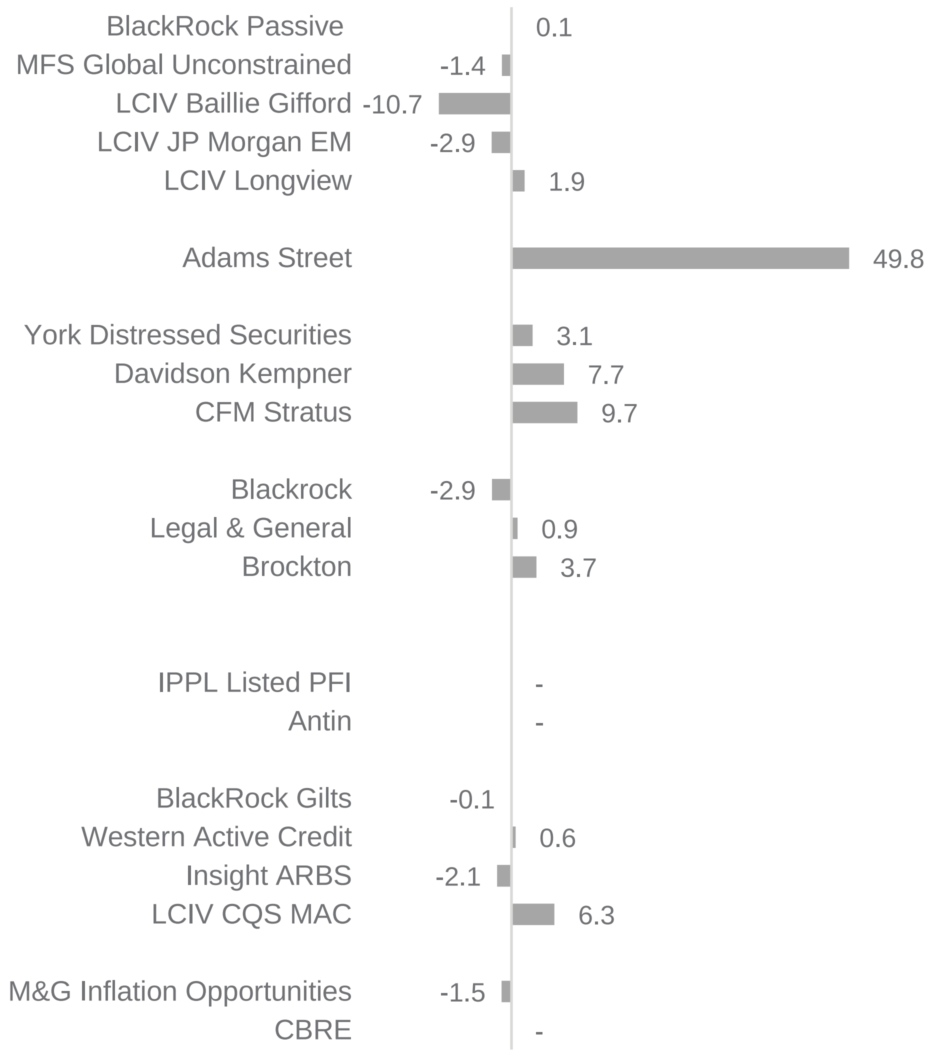
Note: On the 7 December 2021 the Scheme initiated an investment into Aon's Diversified Liquid Credit Fund. Performance for this fund will be shown next quarter.

Managers – Annual performance

1 year absolute performance (% pa)



1 year relative performance (% pa)



Source: Northern Trust.
Note: Performance is net of fees. 1 year figures are a composite of the current BlackRock ACS World Low Carbon Equity Tracker Fund (incepted in March 2021) and previous BlackRock UK and Global equity funds.

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Appendix

Additional comments on performance data

Please note that BlackRock equity 1 year and since inception figures are a composite of the current BlackRock ACS World Low Carbon Equity Tracker Fund (incepted in March 2021) and previous BlackRock UK and Global equity funds.

IPPL is measured against the UK Retail Price Inflation (RPI) index.

Adams Street and Brockton are close ended funds and traditional time weighted returns are not reflective of true performance. Adam Street numbers are IRR figures. Returns are lagged by a quarter due to the nature of the asset class.

The Adams Street, Davidson Kempner, and York returns will partly reflect currency movements.

Fund benchmark is composed of 35% global equities 5% private equity (proxied by a global equity index), 10% property, 29% bond composite (based on underlying manager benchmarks) 6% infrastructure and 15% hedge funds.

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Agenda Item 11

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: **Draft Pension Fund Annual Report and Accounts 2020/21**

Cabinet Member: **Cllr Maguire**

Executive Director: **Fay Hammond**

Key Decision: **[ ]**

Purpose of Report

1. There is a Statutory Requirement to prepare Pension Fund Annual Report and Accounts and this report updates members on the arrangements for the preparation of the Pension Fund Annual Report and Accounts 2020/21 in accordance with regulations and the arrangements for the separate audit engagement, opinion and certificate for the Fund.

2. The Pension Fund Accounts 2020/21 is in Section 2 of the attached Appendix A to this report. The Pension Fund Accounts are subject to the normal audit of accounts process, which forms part of the overall external audit programme for the Council.

Fund assets increased significantly by £256m over the year	The net asset statement represents the net worth (£1,406m) of the Fund. This increase was due to the outperformance of the global equity market.
PIRC ranked the Fund 74th in their league table with return on investment of 21% for 2020/21	The PIRC average universe for local authority Pension Fund return in 2020/21 was 22.8%. The Enfield Pension Fund had a return on investment of 21% and ranked 74th in the performance league. Looking at the longer-term performance, the 3 year return for the Fund was 0.4% per annum above the PIRC average universe and for over five years, the Fund posted a return of 8.6% p.a. under performing the PIRC average universe of 9.5% by 0.9%.
The valuation update results as at 31st March 2021 demonstrated a Funding level of 107%, given rise to a fund surplus of £85m.	At the last formal valuation (31st March 2019) the Fund assets were £1,185.5m and the liabilities were £1,146.2m, exhibiting a surplus of £39.3m which gave rise to a funding level of 103%. An estimated valuation update was carried out as at 31 March 2021, the outcome gave rise to a fund surplus of £85m with a stronger funding level of 107%.

Proposal(s)

3. Members are recommended to:

a) note the contents of this report; and

b) Note and consider the Annual Report for 2020/21 with all the statutory documents. (attached as Appendix A to this report);

c) Note the Enfield Pension Fund ranking and returns as prepared and produced by PIRC (Pensions & Investment Research Consultants Ltd) UK Local Authority League table for 2020/21, set in section 31 to 34 and Appendix B of this report.

d) Delegate the publication and distribution of the annual report to interested parties to the Executive Director of Resources, once the audit process is complete.

Reason for Proposal(s)

4. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The Committee's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013, Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.

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

Relevance to the Council's Corporate Plan

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Background

9. The Council as an administering authority under the Local Government Pension Scheme Regulations and is therefore required to produce a separate set of accounts for the scheme's financial activities and assets and liabilities.

10. The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA) in their Service Code of Recommended Practice (SERCOP). The annual report has been prepared in

accordance with the Local Government Pension Scheme Regulations 2013 and includes all the items required.

11. The London Borough of Enfield is the Administering Authority for the London Borough of Enfield's Pension Fund and the Pension Policy and Investments Committee act as trustees of the Pension Fund which includes overseeing the accounting and financial management of the Pension Fund.

The Annual Report and Statement of Accounts

12. The Accounts comprise two main statements with supporting notes. The main statements are:
    i) Dealings with Members Employers and Others which is essentially the fund's revenue account; and
    ii) The Net Assets Statement which can be considered as the fund's balance sheet.

13. The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:
    i) The financial transactions relating to the administration of the fund; and
    ii) The transactions relating to its role as an investor.

14. Overall, the Fund's assets had increased by £256m in the financial year. The reduction was due to the under performance of the financial markets in which the Fund held its investments and a net withdrawals of fund expenditure over income.

15. The net asset statement represents the net worth (£1,406m) of the Fund as at the 31st March 2021. The statement reflects how the transactions outlined in the other statement have impacted on the value of the Fund's assets.

16. The Fund income section of the report principally relates to the receipt of contributions, from employers and active members, and the payment of pensions benefits. The section indicates that the Fund is cash positive in that that the receipt of contributions exceeds payments, which stood at £5.5m net additions for 2020/21 compared to net addition of £6.9m in 2019/20.

17. Investment income increased slightly by some £1.2m over the year as expected this is in line with the Fund assets appreciation. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) was more by £1.5m over the year. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly. The total contributions decreased over the year by £530km.

18. In 2020/21 the overall expenditure increased by some £933k. The major contributors were the overall benefits paid which increased by some £1.6m over the year. The management expenses went up by £1.9m.

19. Overall, fund membership has increased slightly from 23,123 to 23,690, an increase in membership number of 567. The active members increased by 357 members over the year whilst deferred members decreased by 89 and the Retired membership increased by 199 members.

20. The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments.

21. As the pension fund accounts remain part of the financial statements of the Council as a whole, the Audit Committee retain ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit. However, the Audit Plan for the Pension Fund and any reports arising from the audit will be reported to this Committee.

22. The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance. The external auditor is required to issue an ISA 260 report, an opinion on the Council's accounts and this will include an opinion on the Pension Fund accounts. The ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.

23. The audit of the Pension Fund accounts is yet to be completed and an ISA 260 report will be issued by the auditor once completed, at the time of writing this report ISA 260 has not been issued.

24. The Pension Fund audit is being undertaken by BDO and the audit fee is being maintained at £21,000, this would be charged to the Pension Fund.

25. The annual report also includes three key statements (Funding Strategy Statement, Investment Strategy Statement and Governance Compliance Statement) relating to the management and governance of the scheme and each statement serves a different purpose.

26. The Funding Strategy Statement (FSS) is currently being review, although a detailed review was carried out after the 2019 triennial valuation.

27. The purpose of the Funding Strategy statement is threefold:

    i) To establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward;

    ii) To support the regulatory framework to maintain as nearly constant employer contributions rates as possible; and

    iii) To take a prudent longer-term view of funding those liabilities.

28. The Investment Strategy Statement (ISS). The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

29. This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

30. The Governance Compliance Statement sets out the Council's policy as the administering authority in relation to its governance responsibilities for the Fund.

PIRC League Table Performance

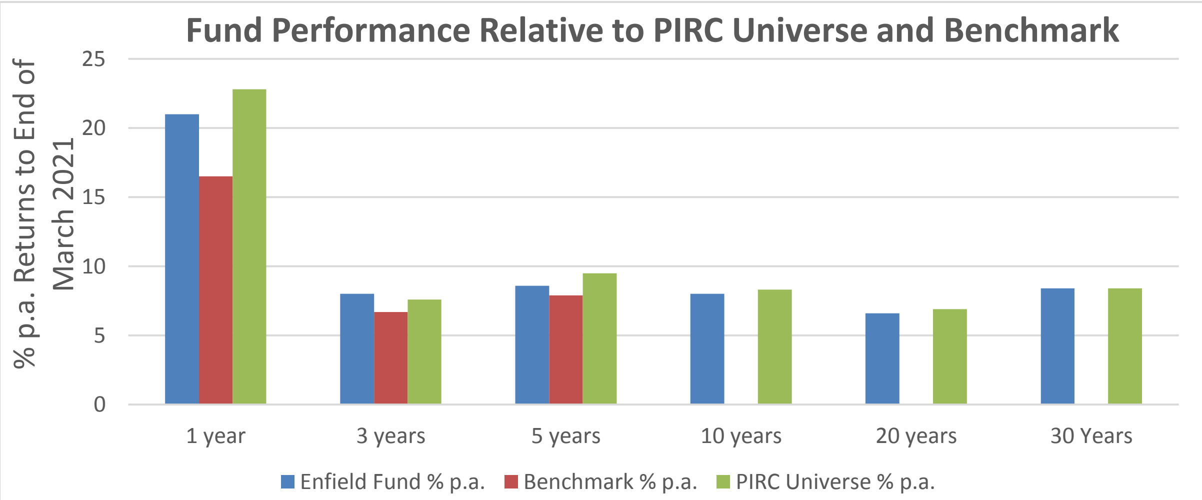
31. PIRC measures the performance of the Fund against their Local Authority Universe data. The PIRC Local Authority Universe is an aggregation of Funds (currently 64 Funds) within the LGPS sector that is used for peer group comparisons. The performance results set out in this section are from the league tables.

32. The PIRC universe average for local authority Pension Fund return for 2020/21 was 22.8% compared to the Fund benchmark of 16.5%, the Fund outperformed its benchmark but underperformed the PIRC universe and ranked at 74th position for this period.

33. The PIRC universe 3-year average performance return for 2020/21 was 7.6% and the Fund benchmark return was 6.7%, the Enfield Fund outperformed its benchmark by 1.3% and the PIRC universe by 0.4% and was ranked in 46th position for this period.

34. Over the longer period of 5, 10, 20 and 30 year are shown in below table:

	One year	3 years	5 years	10 years	20 years	30 Years
Enfield Fund % p.a.	21.0	8.0	8.6	8.0	6.6	8.4
Benchmark % p.a.	16.5	6.7	7.9	-	-	-
PIRC Universe % p.a.	22.8	7.6	9.5	8.3	6.9	8.4
Ranking	74	46	76	63	58	43

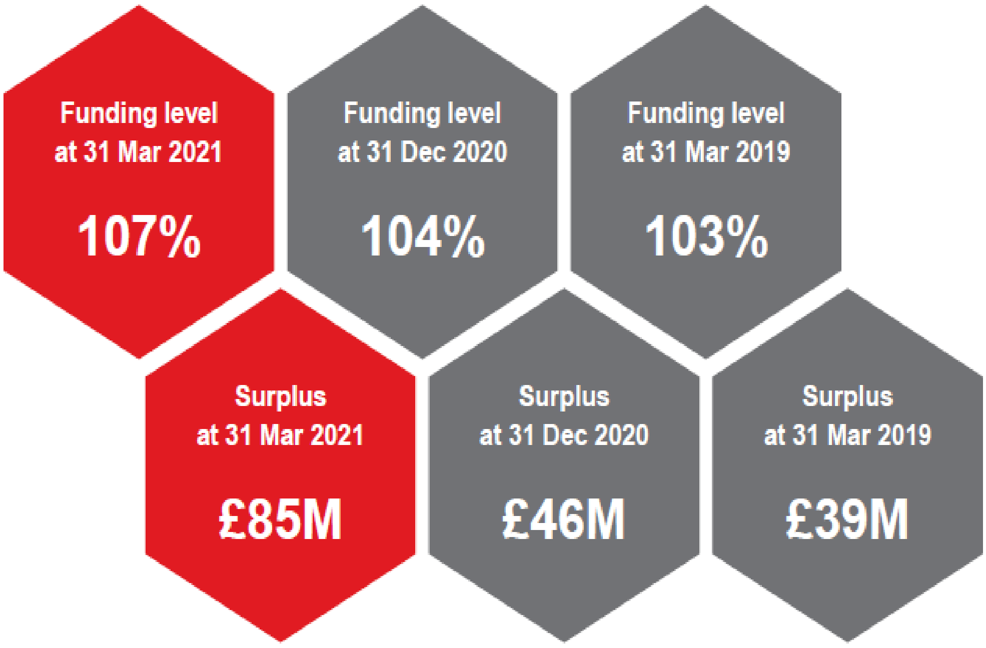


Funding Update

35. An estimated funding update was carried out using the data and some assumptions of the last 2019 formal valuation, the outcome was a stronger funding level of 107% compared to 103% funding level of, the last Fund formal valuation of 31 March 2019.

36. At the last 2019 formal valuation, the funding ratio of 103%, with Fund assets of £1,185m and liabilities of £1,146m, generating a surplus of some £39m as at 31st March 2019 but the update position as at 31st March 2021 gave rise to a fund surplus of some £85m as at 31st March 2021, as shown in the below graph.

Funding Position – Ongoing funding target (from valuation date)

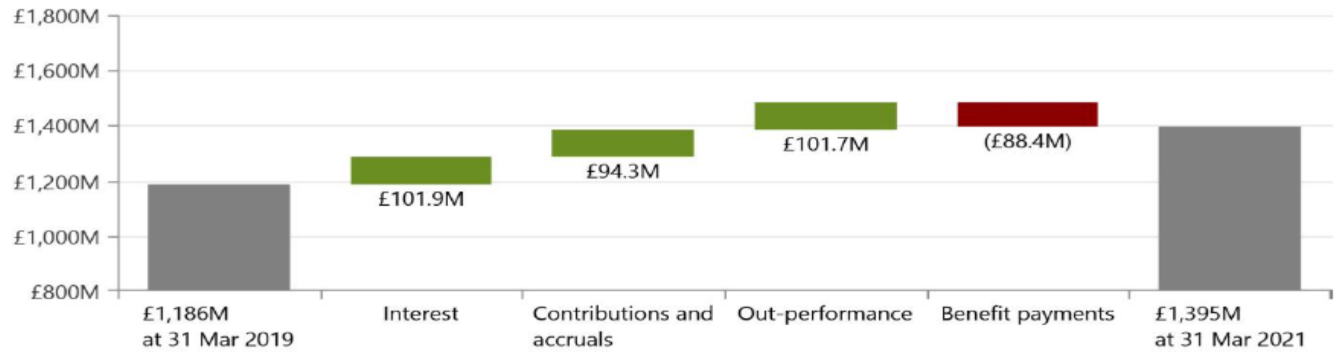


Change to surplus/(deficit) since the valuation at 31 March 2019

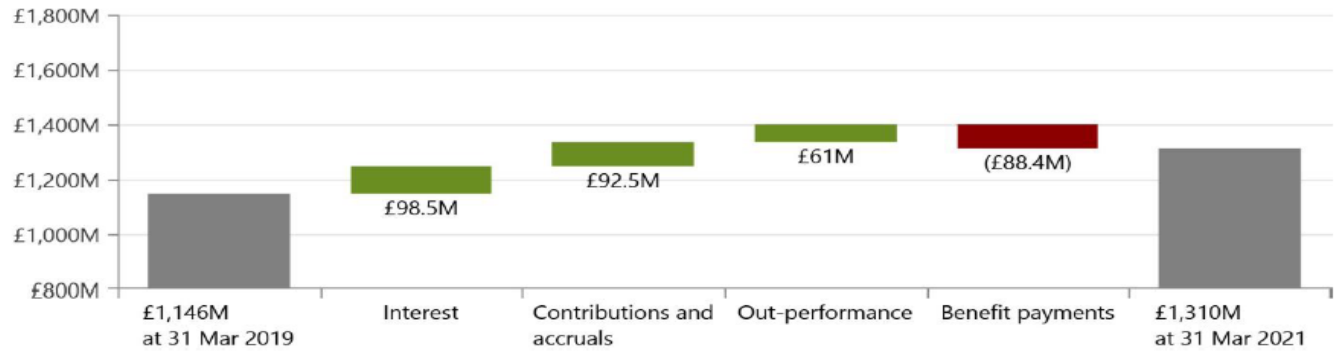
Analysis – Ongoing funding target (from valuation date)

Reason for change since 31 March 2019

Asset attribution



Liability attribution



Safeguarding Implications

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

Public Health Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

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

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

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

Financial Implications

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

44. The Pension Fund Annual Report and Accounts sets out the financial position of the Pension Fund as at 31st March 2021 and acts as the basis for understanding the financial wellbeing of the Pension Fund. It enables Members to manage and monitor the Scheme effectively, helping to ensure that they are able to fully understand the financial implications of the decisions they make.

Legal Implications

45. Administering authorities are now bound by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which have replaced the 2009 Regulations. These regulations set out an administering authority's statutory duties in ensuring the proper administration and management of its pension fund.

46. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

47. One of the functions of the Pension Policy and Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate having regard to these matters, for the Committee to receive information about budgetary matters. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

48. Members of this Committee are required by the Council's Constitution to consider pension matters and meet the various statutory obligations and the duties of the Council. This Work Plan provides for certain statutory requirements to be met and for members to be well trained and kept up to date and thus fit for purpose.

49. When making decisions regarding investment of pension funds, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

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

51. The report should deal with the following matters:

i) management and financial performance during the year of the pension;

ii) an explanation of the investment policy for the fund and a review of performance;

iii) a report on arrangements made during the year for administration of the fund;

iv) a statement by an actuary who carried out the most recent valuation of the fund and the level of funding disclosed by that valuation;

v) a Governance Compliance Statement;

vi) a Fund Account and Net Asset Statement;

vii) an Annual Report dealing with levels of performance set out in the pension administration strategy and any other appropriate matters arising from the administration strategy;

viii) the Funding Strategy Statement;

ix) the Investment Statement Strategy;

x) statements of policy concerning communications with members and employing authorities; and

xi) any other material which the authority considers appropriate.

52. When performing its functions as administrator of the Enfield pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Workforce Implications

53. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet

this obligation easily and could also make resources available for other corporate priorities.

Other Implications

54. None

Options Considered

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

Conclusions

56. Fund assets increased by £256m over the year. The net asset statement represents the net worth (£1,406m) of the Fund. This improvement was because of the market performance.

57. The PIRC average universe for Local Authority Pension Fund return in 2020/21 was 22.8%. The Enfield Pension Fund had a return on investment of 21% and ranked 74th in the performance league. Looking at the longer-term performance, for three year return PIRC ranked the Fund 46th in their league table with return on investment of 7.6% per annum and for five year return, PIRC ranked the Fund 76th in their league table with return on investment of 9.5% per annum.

58. The Fund outperformed its benchmark by returning 4.5% above its benchmark of 16.5% for the year 2020/21. The three-year return for the Fund was 1.3% per annum above its benchmark return and for over five years, the Fund posted a return of 8.6% p.a. outperforming the benchmark return of 7.9% by 0.7% per annum.

59. The estimated valuation updates as at 31st March 2021 demonstrated that since the last formal valuation (31st March 2019) the assets and liabilities have both increased, and the total surplus in the Fund has increased. The Fund funding level has been further strengthened from the last formal valuation by 4% from 103% to 107%, this improvement also gave rise to an increased surplus of some £85m from £39m.

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Tel no. 020 8132 1588

Date of report 14th March 2022

Appendices
Appendix A – Pension Fund Annual Account For 2020/21
Appendix B – PIRC UK Local Authority League table for 2020/21

Background Papers - None

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London Borough of Enfield Pension Fund
2020/21 Annual Report and Accounts

Pension Policy and Investment Committee

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

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Report from Chair of Pension Policy & Investment Committee – Cllr Tim Leaver

Welcome to Enfield Pension Fund Annual Report for 2020/21

As Chair of the Enfield Pension Fund (EPF) Committee, I have the pleasure in introducing the Pension Fund's Annual Report and Accounts for 2020/21. Despite challenging market conditions and restrictions on face-to-face support, the Fund ended the year with annual return of 21% (7.96% p.a. over 3-years, more than recovering falls seen in March 2020).
The accounts focus on the financial activity in 2020/21, however we cannot ignore the continuing impact of the COVID 19 pandemic on our members, families and our community. On behalf of the EPF Committee I offer our heartfelt support and thoughts to all who have been affected by the pandemic.

The membership of the EPF at 31 March 2021 was 23,690 people (active:7,770, deferred: 7,560, undecided/frozen: 2,498 and pensioners: 5,862) and with 53 employer organisations, with £1.406bn funds under management at 31 March 2021 to meet the accrued benefits.

The Fund actuarial valuation at 31st March 2019 had seen the funding level improve to 103% allowing a reduction in the Council's contribution rates from 22.8% to 20% for 2020/21. Since 2019 economic conditions have changed considerably (largely because of the effects of the COVID crisis and Brexit) and as reported in last year report the funding level decreased to 97% at 31st March 2020. I am pleased to report now that by end of 2020/21, due to significant positive investment performance the funding level had recovered to an improved 107%, representing a surplus of £85 million at 31st March 2021. The long term 17 year recovery period assumptions for the valuation put the Fund in a strong position to weather the current uncertainties.

The Pension Policy and Investment Committee (PPIC) is responsible for managing the Fund, with the assistance of the Pension Board, Enfield Council officers, external advisors and fund managers.

This committee has the responsibility for the strategic management of the pension fund, which by the end of 31st March 2021 financial year had assets worth £1.406 billion with 23,690 scheme members. We are responsible for deciding the broad assets allocation of the Pension Fund along with its strategic direction and for ensuring the long term solvency of the fund, i.e. the ability to pay the pensions of all past, present and future scheme members. During the year, we have considered a wide range of issues and taken a number of key decisions affecting the Pension Fund.

For example, as a committee, in 2019 we committed to reducing the Fund's exposure to fossil fuel reserves by 50%. As a consequence, the Fund has made a number of substantial changes to its investment strategic allocations; committing assets to low carbon equity, sustainable funds and renewable investments adopting an approach of acquiring exposure to investments/funds better aligned with the goals of the Paris Agreement. The Committee has also issued a Responsible Investment Policy which fully articulate its investment beliefs.

Currently we have investment of over £220m (15% of the Fund's assets) in Blackrock's MSCI ACS World Low Carbon Target Reduced Fossil Fuel Equity Tracker Fund, to help reduce our exposure to fossil fuels and carbon emissions while maintaining exposure to a wide range of global markets. The allocation was funded by redeeming the exposure to the FTSE Allshare Index, which represented the Funds most significant exposure to fossil fuel companies.

The Committee believes in applying long-term thinking in pursuit of long-term sustainable returns from well governed assets; while using evidence based long-term investment appraisal to inform decision making in the implementation of its responsible investment principles, consistent with its fiduciary responsibilities. It will continue to evaluate and manage the Fund's carbon exposure in order to mitigate risks associated with Climate Change, while seeking to reconcile its need for income to pay pensions with the fact that many of the more carbon intensive companies and sectors provide a significant proportion of the market's dividend income.

EPF continues to favour engagement with companies and sectors over blanket divestment as it believes that this is the most effective strategy for promoting change and protecting its long run investment interests. However, the extent of its exposure to them will reflect an ongoing assessment of progress in engaging with the energy transition, and the associated risks and rewards of holding these assets in the Fund. The Fund does not own stocks directly but seeks to influence company and sector policies via its chosen investment managers.

Enfield has continued to be an active member in the London CIV (Collective Investment Vehicle) investment pool, together with other 32 London LGPS Funds. By the end of 2020/21 a total of £610.5m (44% of the Fund) was invested on the LCIV platform, in the following assets:

Investments	£ million
*Passive Global Equities	220,602
*Passive Gilts/Index Link	91,750
Active Emerging Market Equity Funds	35,927
Active Global Equity Funds	207,576
Active Multi Asset Credits	54,707
Total Pooled Investments	610,562

*The passive investment funds are held on a pool governance basis under one investment.

The PPIC and Pension Board have worked hard in order to transform the EPF. I would like to take this opportunity to express my thanks for all the support and input provided by Committee and Board members and the diligence and professionalism of our Officers and Advisers. I look forward to continuing to work with members and officers in the new financial year as the Fund seeks to meet the challenges of an ever-changing national and global environment.
In presenting the Annual Report, I hope you find it helpful in understanding the Fund.

Councillor Tim Leaver
Chair of the Enfield Pension Fund
November 2021

INVESTMENT REPORT

Objectives

The Pension Policy & Investment Committee's overarching objective is to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided.

In setting investment strategy, the Committee first considered the lowest risk asset allocation that it could adopt in relation to the Fund's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Fund's liabilities.

The Strategy

The current target asset allocation strategy chosen to meet the objective above is set out in the table below. The suitability of the target asset allocation is monitored as the liabilities and market conditions develop, and the actual asset allocation will not exactly reflect the target weights at any particular point in time. The Committee monitors the actual asset allocation versus the target weighting.

Asset Class	Actual Position 31 March 2021 %	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity)	50.0	40.0	8-11%	30-50%
Bonds	20.2	24.0	4-5%	19-39%
Inflation protection	7.6	10.0		
Hedge Funds	4.6	10.0	9-11%	10-20%
Property (UK)	5.6	10.0	9%	5-15%
Infrastructure/PFI	5.0	6.0	9%	3-9%
Cash	7.0	-	-	-
Total	**100.0**	**100.0**		

Source: Annual Accounts 20/21 & ISS

The asset allocation strategy has been determined with regard to the actuarial characteristics of the Fund, in particular the strength of the funding position and the liability profile. The Fund's policy is to make the assumptions that:

- Other asset classes will outperform bonds over the long term;
- Active fund management can be expected to add value; and
- Returns from other asset classes will be more volatile than bond returns when considered relative to the Fund's liabilities.

The Fund recognises the potential volatility in individual asset class returns, particularly relative to the Fund's liabilities, it has therefore decided to diversify across a wide range of asset classes.

MARKET RETURNS IN 2019/20 & LONGER TERM RETURNS % Source: PIRC – 2020/21 Annual Review

	2020/21 %	3yrs % p.a.	5yrs % p.a.	10yrs % p.a.	20yrs % p.a.	30yrs % p.a.
EQUITIES:						
UK	-18.2	-4.3	0.5	4.9	3.8	7.3
Overseas	-8.8	0.5	5.9	7.7	5.5	7.8
Global	-11.9	0.2	5.8	7.6		
Total Equities	**-12.5**	**-0.7**	**4.3**	**6.9**	**5.1**	**8.0**
BONDS:						
UK Government	8.1	5.0	5.0	2.5		
UK Corporate	0.1	2.0	3.5	1.7		
UK Indexed Linked	2.0	2.5	5.4	7.8		
Overseas bonds	1.7	1.9	4.8	4.6		
Absolute Return	-4.1	-0.2	0.9			
MAC	-11.8					
Total Bonds	**1.7**	**2.2**	**3.7**	**5.6**	**5.9**	**7.7**
Alternatives	**7.4**	**7.8**	**9.5**	**8.4**	**7.4**	
Private Equity	**12.1**	**12.0**	**14.0**	**11.8**		
Hedge Funds	**5.7**	**3.2**	**3.9**	**4.4**		
Infrastructure	**5.5**	**7.8**	**10.0**			
Property	**1.7**	**5.8**	**6.8**	**7.8**	**7.0**	**7.3**
Diversified Growth	**-5.2**	**-1.1**	**0.2**			
Cash		**-0.1**	**0.4**	**1.1**	**2.5**	**4.0**
Total Fund Average	**-4.8**	**1.9**	**5.2**	**6.9**	**5.5**	**7.9**
RANGE OF RESULTS						
Top quartile	-2.7	2.5	5.7	7.3	5.6	8.0
Median	-4.1	1.7	4.8	6.8	5.1	7.7
Bottom quartile	-6.4	1.1	4.1	6.4	4.8	7.5

Fund Manager Structure

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

Fund manager	Investment objectives
Adam Street Partners (Fund of Funds Private Equity Portfolio)	*To outperform the MSCI World Index.*
Antin *European Infrastructure Fund*	*15% gross IRR with a gross yield target of 5% p.a.*
BlackRock Advisers UK Ltd (Passively Managed Global Equity, UK Equity and UK Bond Portfolios)	*To perform in line with the prescribed Equity and Bond indices.*
Brockton Opportunistic property	*15% net IRR and 1.5xnet multiple*
CBRE Inflation protecting illiquid	*UK LPI +2.5% p.a. over rolling 10yr period*
CFM-Stratus Multi asset strategy	*To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)*
Davidson Kempner (Events driven)	*To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)*
International Public Partnerships Limited *(Private Finance Initiative)*	*To achieve a return of at least 4.5% per annum.*
Lansdowne Partners (Long/Short UK Equities Hedge Fund)	*To generate an absolute return. The benchmark is the FTSE All Share index*
Legal & General Investment Management Ltd (Active UK Property Fund)	*To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.*
London Collective Investment Vehicle (LCIV)	*Manages global equity mandates and Multi Asset Credit (MAC) – 3 month LIBOR +4-5% over 4 years*
MFS (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
M&G Inflation Opportunities Fund	*To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.*
Western Asset Management (Actively Managed Bond Portfolio)	*To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.*
York Capital Management (Distressed Debt Fund)	*To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)*

FUND VALUE

The Pension Fund has continued to benefit from its strategy of having a diversified investment strategy which is less dependent on the world equity markets than the average local authority pension fund. The Enfield Fund increased by 22% in 2020/21.

The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

The uncertainty around the impact of Coronavirus on the future of the real estate and infrastructure markets has created difficulties in pricing illiquid assets. In turn, most property fund managers have suspended dealing, to protect investors and avoid having to liquidate assets at potentially highly marked down prices.

Fund Value over 10 Years as at 31st March 2021

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
610	647	731	775	888	916	1,078	1,099	1,185	1,149	1,406

Source: Annual Accounts

Performance of Fund against other Local Government Pension Schemes (LGPS)

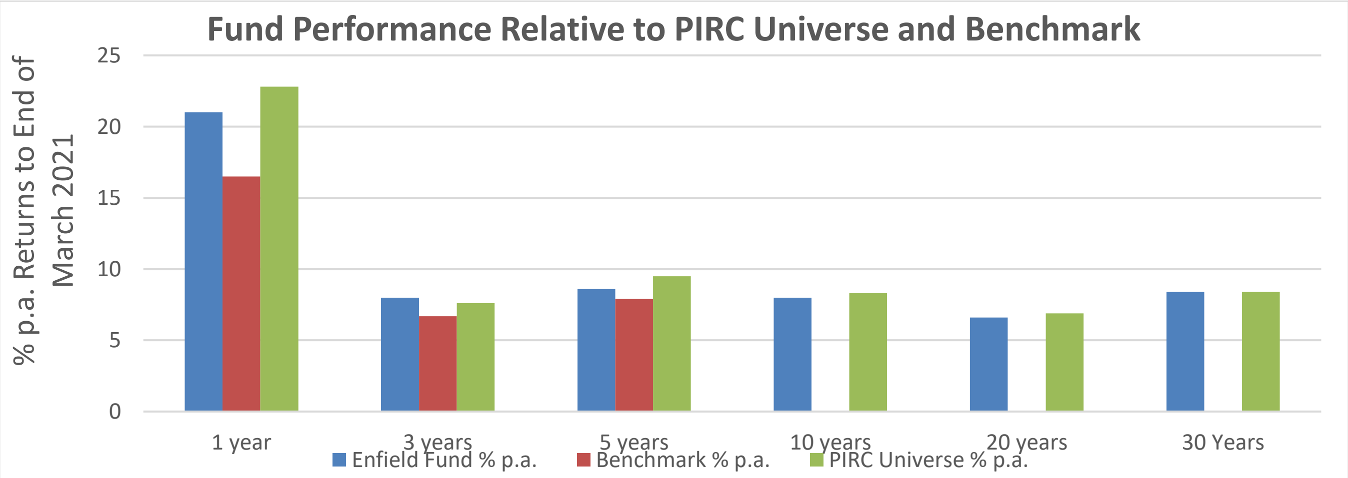
Fund performance

The continued out-performance of equities has continued to hurt the Enfield performance in relation to other LGPS funds. Nevertheless, longer term performance continues to be in the top quartile for longer term time periods.

	1 year	3 years	5 years	10 years	20 years	30 Years
Enfield Fund % p.a.	21.0	8.0	8.6	8.0	6.6	8.4
Benchmark % p.a.	16.5	6.7	7.9	-	-	-
PIRC Universe % p.a.	22.8	7.6	9.5	8.3	6.9	8.4
Ranking	74	46	76	63	58	43

Source: PIRC 2020/21

While the Fund has outperformed its benchmark over the medium term it has trailed its peers. This reflects the more cautious asset allocation that the Fund has in place.
Returns have consistently outpaced the important measure of inflation – and by a substantial margin.



The PIRC L.A. average asset allocation as at 31 March 2021 compared to the Enfield Fund			
	Local Authority Average	**Enfield**	**Difference**
	%	%	%
Equities (including private equity)	**56**	**50**	**-6**
Bonds	**17**	**20**	**+3**
Property	**8**	**6**	**-2**
Alternatives	**13**	**17**	**+4**
Diversified Growth	**4**	**-**	**-4**
Cash	**2**	**7**	**+5**
	100	**100**	

Source PIRC/Annual Accounts

Movement of Funds into London Collective Investment (LCIV) Pool					
	Mandate	**31 Mar 2018**	**31 Mar 2019**	**31 Mar 2020**	**31 Mar 2021**
		£000's	**£000's**	**£000's**	**£000's**
Blackrock - UK	Passive Equity	11,295	12,022	9,782	-
Blackrock - Global	Passive Equity	138,611	155,836	148,736	220,602
Blackrock - Emerging	Passive Equity	12,202	-	-	-
Blackrock - Bonds	Passive ILB	86,301	89,072	90,762	91,750
LCIV - Baillie Gifford	Global Equity	51,528	75,336	74,376	116,232
LCIV – JP Morgan	Emerging Equity	-	28,156	23,420	35,927
LCIV - Longview	Global Equity	-	76,950	67,187	91,344
LCIV- CQS	Multi Asset Credit	-	50,696	43,676	54,707
		299,937	**488,068**	**457,939**	**610,562**
Percentage In LCIV		**27.3%**	**41.3%**	**40.3%**	**43.7%**

Source: Annual Accounts (based on Market values for the respective year)

Note * held as life funds so held outside the Pool but LCIV have negotiated fees for London boroughs

Pension Fund net Asset Statement		
Market value 31 March 2020 £000s		**Market value 31 March 2021 £000s**
	Bonds	
2,702	UK Public sector quoted	2,758
42,101	UK Corporate quoted	49,038
806	Overseas Public sector quoted	1,324
45,013	Overseas Corporate quoted	46,090
90,622		99,209
	Equities	
45,015	UK –quoted	48,424
-	Overseas –quoted	-
45,015		48,424
	Pooled funds –additional analysis	
90,762	Indexed linked securities	91,734
426,067	Equities	602,281
38,925	Developed markets equity long short fund	0
36,286	Events driven fund hedge fund	34,431
73,161	Inflation opportunities fund	78,638
29,321	Absolute bond fund	31,855
27,839	Multi-strategy equity hedge fund	30,153
43,676	Multi asset credit fund	54,707
766,037		925,799
	Pooled property investments	
68,861	UK property investments	68,986
68,861		68,986
	Private equity	
6,791	Opportunistic property	7,936
21,764	European infrastructure	22,776
73,403	Fund of Funds global private equity	102,436
22,042	UK secured long income fund	27,696
124,000		160,844
	Derivatives- Assets	
168	Futures	5
-	Forward foreign exchange	44
168		49
1,094,703	**Total Investment Assets**	**1,303,312**
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
-	Amounts receivable from sales	240
1,149,909		**1,406,366**
	Investment liabilities	
-	Derivatives- futures	-
(252)	Derivatives- forward foreign exchanges	(141)
(149)	Investment expenses	(735)
(401)		**(876)**
1,149,508	**Net investment assets**	**1,406,489**

CORPORATE GOVERNANCE

Introduction

Whilst the London Borough of Enfield Pension Fund is governed by Statute, there is an amount of discretion in the regulations for pension funds within the Local Government Pension Scheme to manage their own affairs. The London Borough of Enfield Pension Fund has established its own corporate governance model that reflects the best practice from both private sector and local government schemes.

The Pension Fund Regulations require a new additional governance arrangement (Pensions Board) to be in place from 1 April 2015.

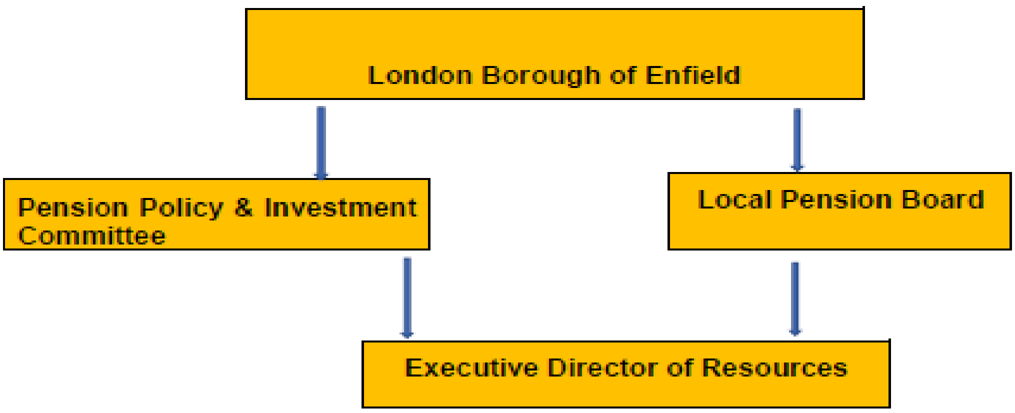
The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee and the new regulatory requirement is for a Pensions Board to assist the Authority in monitoring compliance with regulations by overseeing the Pensions Committee work in how the Fund is administered.

Full Council approved the establishment of the Pensions Board at its meeting in September 2015 with delegation authority for the composition of it and terms of reference to the Pension Policy and Investments Committee. The composition of the board comprises four Employer Representatives and four Employee Representatives.

The Government's principles for the management of final salary schemes requires funds to draw up a forward-looking business plan, including a training plan for both the trustees and officers involved in their management and administration.

The Council has a Pension Policy & Investment Committee which sets the investment strategy objective and oversees the management of the Pension Fund. It also considers all investment decisions regarding the Fund. The Committee recognised that to meet the increasing demands and complexities of the Fund, it would be appropriate to appoint an independent pension advisor to help members 'test' the advice of its investment consultant and to provide support for new areas of investment.

All operational decisions to implement these policies are delegated to the Council's Executive Director of Resources. Please see below chart illustrating the new governance arrangement.



LEGAL FRAMEWORK

The London Borough of Enfield is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status their employees may also be able to participate in the LGPS

The London Borough of Enfield Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Enfield ('The Council'). The Fund was established to provide benefits for employees that include retirement pensions, widows pensions, death grants and other lump sum payments.

The Fund is governed by the Public Services Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016

The Role of the Pension Policy & Investment Committee

The Local Authority (Functions & Responsibilities) (England) Regulations 2000, state that the functions relating to the Local Government Pension Scheme are the responsibility of the full council. The Council has delegated these functions to the Pension Policy & Investment Committee whose terms of reference are agreed annually by Council.

The Pension Policy & Investment Committee consists of six members appointed by the Full Council who are responsible for the administration of the London Borough of Enfield Pension Fund in accordance with Statutory Regulations. The Committee meets a minimum of four times a year.

Governance of the Pension Fund Investments

The Committee considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Committee appointed an independent pension fund advisor, Carolan Dobson, to also sit on the Committee to give expert advice, support members, and to clarify the many complex technical issues that arise from such a diversified fund.

The Committee meets quarterly to review investment strategy and to receive reports on investment activity undertaken in the previous period. One of its important tasks is to monitor the performance of the Fund's managers in conjunction with our professional advisors Aon Hewitt, independent advisor and officers.

All other operational decisions to implement these policies are delegated to the Council's Director of Finance, Procurement & Commercial.

The Pension Policy & Investment Committee for 2020/21:

Cllr T. Leaver (Chair)
Cllr C. Stewart (Vice Chair)
Cllr Ergun Eren
Cllr D. Levy
Cllr T. Neville OBE JP
Cllr D. Taylor
Carolan Dobson (Professional Independent Advisor)
Daniel Carpenter (Investment Consultant – Aon)

The following are the terms of reference for the Pension Policy & Investment Committee:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation.
- To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
- To formulate and publish an Investment Strategy Statement.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
- To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
- To determine all matters relating to admission body issues.
- To focus on strategic and investment related matters at two meetings.
- To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan
- To maintain an overview of pensions training for Members.

Committee Members Attendance Pension Policy & Investment Committee 2020/21

Pension Policy & Investment Committee	23rd July 2020	17th Sept 2020	26th Nov 2020	28th Jan 2021	25th Mar 2021
Cllr T. Leaver	P	P	P	P	P
Cllr C. Stewart	P	P	P	P	P
Cllr E. Eren	P	P	P	A	A
Cllr D. Levy (Sept. 2020)	P	P	N/A	N/A	N/A
Cllr T. Neville OBE JP	P	P	P	P	P
Cllr E. Smith (Nov.2020)	N/A	N/A	P	A	P
Cllr D. Taylor	P	P	P	P	P
Carolan Dobson	A	A	A	P	P
Daniel Carpenter	P	P	P	P	P

Note: P: Present, A: Absence; N/A: Not Applicable (Attendance not required as the individual is not a member)

Pension Board

A key aim of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The eight board members for 2020/21 are:

Employer Side:
- Cllr A. Oykener (Vice Chair)
- Cllr S. Boztas
- Cllr A. Milne
- Alison Cannur

Employee Side
- Pauline Kettless (Chair)
- Paul Bishop
- Victor Ktorakis
- Tracey Adnan

Knowledge and Skills Policy Statement

CIPFA Code of Practice on Public Sector Pensions – Finance Knowledge and Skills

The adoption of the CIPFA "Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector" (2010) provides the basis for a training and development programme for the Pension Policy & Investments Committee based on the latest national guidance.
London Borough of Enfield Pension Fund adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

London Borough of Enfield recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

London Borough of Enfield will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

London Borough of Enfield will report on an annual basis how these policies have been put into practice throughout the financial year.

London Borough of Enfield has delegated responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Corporate Director of Resources, who will act in accordance with the organisation's policy statement, and where they are a CIPFA member with CIPFA Standards of Professional Practice.

London Borough of Enfield recognises the importance of ensuring that it has the necessary resources to discharge its pension administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

London Borough of Enfield therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision making and governance bodies, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR PENSIONS COMMITTEE MEMBERS

Core technical areas and areas of knowledge

Legislative and governance framework
- General pensions framework
- Scheme-specific legislation for LGPS
- Pensions regulators and advisors
- Constitutional framework for pension fund committees within administering authorities
- Pension scheme governance

Accounting and auditing standards
- Accounts and Audit regulations
- Role of internal and external audit

Procurement of financial services and relationship management
- Procurement requirements of UK and EU legislation
- Supplier risk management

Investment performance and risk management
- Monitoring of investment performance
- Performance of advisors
- Performance of the Pensions Committee
- Performance of support services

Financial markets and investment products
- Investment strategy
- Financial markets
- Regulatory requirements regarding investment products

Actuarial methods, standards and practices
- Valuations, funding strategy and inter-valuation monitoring
- Ill-health and early retirement
- Admitted bodies
- Outsourcing and bulk transfers

Pension Training on Skills & Knowledge

The Committee has an agreed Training policy by which committee members are bound. During 2020/21 all new members attended a training workshop on an introduction to the Local Government Scheme.

Committee members also attended a number of pension fund relate conferences during the year.

Training was also provided during committee meetings to ensure that Committee members maintained their ongoing pension development.

Membership Report

Overview of the Scheme

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.

The London Borough of Enfield is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place as at 31 March 2022.

The conditions of the Local Government Pension Scheme (LGPS) Regulations set out in clear terms the benefits that are payable to Scheme members and as such the benefits are guaranteed for those members and therefore members are not reliant on investment performance for their pension benefits. The contributions payable by Scheme members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Scheme in order to meet the cost of funding employee benefits and as such, are required to meet any shortfall in funding the pension liabilities of Scheme members.

The Pension Scheme as applying during the financial year 2020/21 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.

- Pre-2014 benefits guaranteed with a final salary link for any benefits earnt prior to 1 April 2014.

Membership Report (Continue)

- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance cover 3x member final pay applicable from the day of joining scheme. Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living. It should be noted that the foregoing is not an exhaustive list and that certain conditions have to be met for an individual to be entitled to the benefits outlined.

  The foregoing benefit structure came into effect on 1 April 2014 and saw the start of significant changes to the public sector pension schemes, with most other schemes introducing their changes a year later on 1 April 2015. The previous LGPS introduced in 2008 was a defined benefit final salary scheme and was in operation until 31 March 2014, although it should be recognised that a large number of scheme members will have benefits accrued under both schemes and indeed some under the pre-2008 scheme. The key benefits under the 2008 scheme are outlined below:

  - A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of 1/60th per annum.
  - Tax free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax free lump sum on post 1 April 2008 service.
  - Life assurance cover 3x member final pay applicable from the day of joining scheme.
  - Pensions for spouses/civil and co-habiting partners and children.
  - An entitlement to have pension paid early on medical grounds.
  - Pensions increase annually in line with the CPI.

London Borough of Enfield Pension Fund Annual Report For 2020/21

WHO BELONGS TO THE ENFIELD PENSION FUND?

The London Borough of Enfield Fund Pension Fund consists of the employees of Enfield Council and the following bodies.

	Number of contributors	Pensioners	Deferred Members	Frozen /Undecided
London Borough of Enfield	**5,683**	**5,440**	**6,388**	1,856
Scheduled Bodies				
Capel Manor College	193	60	221	127
Oasis Enfield Academy	148	16	89	83
Oasis Hadley Academy	92	9	157	80
Aylward Academy	32	9	28	20
AIM Academy North (formally Nightingale Academy)	21	15	42	22
Kingsmead Academy	48	16	23	10
Enfield Grammar Academy	55	9	26	9
Edmonton County Academy	94	10	23	17
Southgate School Academy	51	8	5	7
Lea Valley Academy (formally Cedars Learning Trust)	32	6	72	35
Enfield Learning Trust	311	13	0	1
Adnan Jaffrey Trust (formally One Degree Academy)	6	0	39	39
Attigo Academy Trust	134	5	9	32
ARK John Keats Academy	65	0	6	7
Meridian Angel Primary School	7	1	42	13
Ivy Learning Trust	212	9	44	59
Jewish Community Academy	25	0	27	12
Children First Academy	291	9	32	16
Wren Academy	8	0	1	4
Cuckoo Hall Academy Trust	164	13	2	1
Enfield Height Academy	0	0	0	0
Southgate College	0	99	119	16
Enfield College	0	36	41	8
Subtotal – Scheduled Bodies	**1,989**	**343**	**1048**	618
Admitted Bodies				
Enfield Voluntary Groups	4	5	3	0
Enfield Carers Centre	1	0	12	2
Fitzpatrick	0	10	57	10
NORSE commercial services	0	20	1	0
Churchill	0	0	0	1
Metropolitan Support Trust	0	1	21	1
Leisure Trust	0	7	9	0

Fusion Lifestyle	5	17	0	0
Kier Group Services	0	0	0	3
Edwards & Blake	0	0	0	0
Sodexo	5	2	1	0
Hughes Gardner	0	0	0	0
Equion Facilities Management	0	2	11	0
Outward Housing	1	5	1	0
Olive Dining	9	2	1	0
Elior UK	0	2	0	3
REED Wellbeing	4	0	0	2
Birkin -Bishop Stopford	0	0	1	0
Birkin – Winchmore	0	0	0	0
Birkin – Nightingale	1	0	1	0
Birkin – Aylward	0	0	0	1
BDI Securities UK Ltd	0	0	0	0
European Cleaning Services	3	0	0	0
North London Homecare & Support Ltd	1	0	0	0
Purgo Supply Services	0	1	1	0
Sanctuary Housing	0	5	4	1
Lewis & Graves Partnership	0	0	0	0
The Pantry (UK) Ltd	13	0	0	0
Hertfordshire Catering Ltd	51	0	0	0
Lunchtime Co	0	0	0	0
Subtotal – Admitted Bodies	**98**	**79**	**124**	24
Total Membership	**7,770**	**5,862**	**7,560**	2,498

Membership Trends

	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Current Employees	7,312	7,447	7,385	7,246	7,413	7,770
Pensioners	4,964	5,265	5,188	5,453	5,663	5,862
Deferred Benefits*	6,598	7,978	8,774	7,187	10,047	10,058
	18,874	**20,690**	**21,347**	**19,886**	**23,123**	**23,690**

Actives Age			
Age	**Female**	**Male**	**Total**
Under 20	17	13	30
20-24	188	79	267
25-29	364	156	520
30-34	392	150	542
35-39	576	151	727
40-44	704	235	939
45-49	805	207	1012
50-54	1,030	285	1315
55-59	1,026	257	1283
60-64	628	202	830
65-69	185	81	266
70-74	20	18	38
75- 85	1	0	1
Grand Total	**5936**	**1834**	**7770**

Pensioner Age			
Age	**Female**	**Male**	**Total**
Up to 39	22	22	44
40-44	1	4	5
45-49	6	5	11
50-54	12	14	26
55-59	160	61	221
60-64	599	223	822
65-69	951	408	1,359
70-74	825	438	1,263
75-79	601	289	890
80-84	399	184	583
85-89	263	131	394
90-94	129	68	197
95-99	27	14	41
100-110	6	0	6
Grand Total	**4,001**	**1,861**	**5,862**

Pension Fund Budget 2021-2024

2020/21		2021/22	2022/23	2023/24
Actual		**Estimate**	**Estimate**	**Estimate**
£000		**£000**	**£000**	**£000**
11,078	Employee contributions	9,200	8,800	7,950
38,730	Employer contributions	40,165	38,050	36,750
1,236	Early retirements	1,000	1,000	1,000
3,971	Transfers in	4,000	4,000	4,000
55,015	**Total Income**	**54,365**	**51,850**	**49,700**
35,828	Pensions	36,905	34,415	34,020
6,949	Retirement/death grants	7,995	8,200	7,750
5,173	Transfers out	4,000	4,000	4,000
1,145	Admin costs	950	860	880
279	Oversight & Governance	400	400	400
1,390	Asset Managers Invoiced Fees	1,250	1,375	1,450
50,764	**Total Expenditure**	**51,500**	**49,250**	**48,500**
4,251	**Net Surplus/(Deficit)**	**2,865**	**2,600**	**1,200**
24.8%	**Employers contribution %**	**20.0%**	**20.0%**	**20.0%**

Corporate Governance

The Fund's Corporate Governance is set out in the Fund's Investment Strategy Statement. This publication is available through Bola Tobun email Bola.Tobun@enfield.gov.uk

Employers Summary

Statue specifies that contributions must be paid into the fund by the 19th day of the following month to that which they relate. The Pension Regulations allows for interest to be levied on contributions that are not paid on time, there were 6 late payments during 2020/21, but were considered as minor breaches & payments were received within the month, so this power was not exercised.

Payments made by employers into the Pension Fund during 2020/21 (including analysis of late payments)												
£000's	April	May	June	July	August	September	October	November	December	January	February	March
Enfield	2,088	2,107	2,229	2,226	2,227	2,587	2,317	2,346	2,367	2,395	2,463	2,425
Latymer school	20	19	19	19	21	22	22	22	21	21	21	20
Capel Manor	58	57	56	55	57	56	58	56	58	59	62	59
Oasis Enfield	77	72	75	70	83	80	83	86	85	87	71	83
Oasis Hadley	24	24	24	24	24	25	27	26	28	26	27	31
Aylward Academy	13	13	13	13	14	18	14	8	13	12	13	13
AIM Academy North	7	7	7	6	6	7	7	7	7	7	7	7
Kingsmead academy	18	17	19	16	19	19	16	20	19	20	19	19
Enfield Grammar Academy	17	17	17	17	18	20	18	19	18	18	19	18
Edmonton County Academy	31	31	32	31	32	30	37	32	33	33	33	33
Southgate School Academy	16	16	15	15	15	17	16	16	16	16	15	15
Lea valley Academy	11	11	11	11	10	12	15	12	14	13	14	14
Enfield Learning Trust	75	76	77	75	75	88	80	77	76	88	85	69
Adnan Jaffery Trust	1	1	1	2	1	1	2	2	2	2	1	2
Attigo Academy Trust	38	38	38	39	38	41	35	35	35	35	36	38
Ark John Keats Academy	16	16	16	18	17	15	16	18	15	16	17	18
Meridian Angel Primary School	2	2	2	2	2	2	3	1	2	1	2	2
Ivy Learning Trust	58	58	56	56	56	64	58	57	55	55	61	60
Jewish Community Academy	7	8	7	8	8	10	9	9	9	8	9	9
Children First Academy	72	72	72	72	71	82	73	74	75	74	76	76
Wren Academy	0	0	0	0	0	0	0	0	0	0	21	0
Cuckoo Hall Academy Trust	45	42	44	43	44	57	46	48	49	48	49	52
European Cleaning Services	1	1	1	1	1	0	1	1	1	1	1	-1

Lunchtime Co.	0	0	0	0	0	0	0	0	0	0	84	0
The Pantry (UK) Ltd	0	0	0	0	0	0	0	0	0	0	0	18
Hertfordshire Catering Ltd	0	0	0	0	0	0	0	0	0	0	0	133
Olive Dinning Edmonton Bury & Edmonton Cambridge	1	1	0	1	1	1	0	2	1	0	1	1
Reed Wellbeing (momenta)	1	1	2	1	1	1	2	1	2	1	3	1
Sodexo	2	1	2	1	1	2	1	1	2	1	1	2
Fusion Lifestyle	0	0	0	0	0	0	0	0	0	0	0	0
Edwards and Blake	1	0	0	0	0	0	0	1	0	0	0	0
OutWard Housing	0	0	0	0	0	0	0	0	0	0	0	0
Independence & Wellbeing Enfield (re-joined LBE Jun ‘21)	103	106	0	0	0	0	0	0	0	0	0	0
Voluntary Bodies	2	3	3	3	3	3	2	2	2	2	2	2
Enfield Carers Centre (crossroad)	0	0	0	0	0	0	0	1	1	0	1	1
Olive Dining (Aylward)	1	1	0	1	1	0	1	0	0	0	0	0
Birkin Cleaning (Nightingale)	0	0	0	0	0	0	0	1	0	0	0	0
Olive Dining (Nightingale)	0	1	0	1	0	1	0	1	0	1	0	1
Norfolk Cleaning Service	5	0	0	0	0	0	0	0	0	0	0	0
North London Homecare & Support Ltd	0	1	0	0	1	0	0	0	1	0	0	0

Note: Red blocks refer to late payments. Employers experienced disruptions due to Covid19 lockdown at the beginning of the year

PENSION ADMINISTRATION KEY PERFORMANCE AND STATISTICS

The Fund provides value for money for its members and employers. It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

The administration of the Fund comprises of 10 full-time equivalent (fte) staff, cost a bit under £72 per member as shown below.

Costs of Fund Administration		
	£000's	**£ per member**
Pension administration	1,455	61.42
Payroll costs	202	8.53
Actuary	47	1.98
Total Costs	**1,704**	**71.93**

Complaints Received

The pension administration team occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

There were no IDRP case during 2020/21. No Ombudsman rulings against Enfield Council effective 2020/21.

Key Performance Indicators

A number of performance indicators are presented below to ensure that service to members of the pension fund is effective.

Process	No. of cases commenced in year	No. of cases completed within timescale	Good Practise timescales	% completed in year
Deaths – initial letter acknowledging death of members	140	93	2 months	66.43%
Retirements – letter notifying estimate retirement benefits	587	563	2 months	95.91%
Retirements – letter notifying actual retirement benefits	343	270	2 months	78.82%
Deferment – calculate and notify deferred benefits	1,045	881	2 months	84.31%
Transfers in/out – letter detailing transfer quote	382	295	2 months	77.23%
Refund – Process & pay a refund	86	83	2 months	96.51%
Divorce quote – letter detailing cash equivalent value and other benefits	27	18	2 months	66.67%
Divorce settlement – letter detailing implementation of pension sharing orders	1	1	3 months	100.0%
Joiners – notification of date of enrolment	1,045	881	2 months	84.31%

RISK MANAGEMENT REVIEW

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

Responsibility for the Fund's risk management strategy rests with the Pension Policy and Investments Committee.
In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The Risk Register is managed by the Pension & Treasury Manager.

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 17). This provides readers of the accounts with an overview of the impact of market movements, including increases and decreases under the scenarios where standard deviations apply.

The Funding Strategy Statement (at Appendix 1) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

The key risks identified within the Pension Fund risk register are:

Objective area at risk	**Risk**	**Risk Rating**	**Mitigating actions**
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	High	Review at each triennial valuation and challenge actuary as required.
Administration	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	Medium	**TREAT** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of

			employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.
Governance	That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	High	**TOLERATE** 1) Partners for the pool have similar expertise and like mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Member presence on Shareholder Committee and officer groups.
Funding	Employee pay increases are significantly more than anticipated for employers within the Fund.	Medium	**TOLERATE** 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long-term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).
Investment	Significant volatility and negative	Medium	**TREAT** 1) Continued dialogue

	sentiment in global investment markets following disruptive politically inspired events in US.		with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.
Funding	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%	Medium	**TREAT** 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets; and
- Pensions administration system.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Policy and Investment Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

PENSION FUND ADVISERS AND OTHER SERVICE PROVIDERS

During 2020/21 the following provided services to the Pension Fund:

Custodial Services
Northern Trust - 50 Bank Street, Canary Wharf, London E14 5NT

Actuarial Services
Aon Hewitt Limited - 25, Marsh Street, Bristol, BS1 4AQ

Investment Consultancy and Advice Services
Aon Hewitt Limited - 122 Leadenhall Street London, EN3 4AW

Independent Fund Advisor
Carolan Dobson

Fund Administrator
London Borough of Enfield - Julie.barker@enfield.gov.uk

Pension Fund Performance Measurement
PIRC - Suite 8.02, Exchange Tower 2, Harbour Exchange Square, Isle of Dogs, London E14 9GE
Northern Trust - 50 Bank Street, Canary Wharf, London E14 5NT

External Auditors
BDO LLP, 16 The Havens, Ipswich IP3 9SJ.

Legal Services
Legal services were provided in-house by the Enfield Council

AVC Provider
Prudential
Email: natalie.read@prudential.co.uk or call on 0845 2680440.

Corporate Governance
Local Authority Pension Forum (LAPF) - Proxy Voting
Pensions Lifetime Savings Association (PLSA)

The Fund's Bankers
HSBC PLC
1st Floor, 60 Queen Victoria Street, London, EC4N 4TR

Fund Accountant
Bola Tobun, London Borough of Enfield
Bola.Tobun@enfield.gov.uk

Scheme Administrator (Section 151 Officer Local Government Act)
Fay Hammond, London Borough of Enfield
Fay.Hammond@enfield.gov.uk

If you have any comments on the Annual Report, please call 020 8132 1588,
Email: Bola.Tobun@enfield.gov.uk or write to the following address:

London Borough of Enfield Pension Fund, Civic centre,
Finance Department, Silver Street, Enfield EN1 3XF

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT

2019/20 £000s		Notes	2020/21 £000s
	Dealings with members, employers and others directly involved in the Fund		
51,044	Contributions	7	49,031
3,971	Transfers in from other pension funds	8	5,454
55,015			**54,485**
(42,778)	Benefits payable	9	(44,374)
(5,302)	Payments to and on account of leavers	10	(4,639)
(48,080)			**(49,013)**
6,935	**Net additions/(withdrawals) from dealings with members**		**5,472**
(10,089)	Management expenses	11	(12,063)
(3,154)	**Net additional/(withdrawals) including fund management**		**(6,591)**
	Returns on investments		
11,960	Investment income	12	13,214
0	Taxes on income	13a	
(44,875)	Profit & losses on disposal of investments and changes in the market value of investments	14a	249,979
(32,915)	**Net returns on investments**		**263,193**
(36,069)	**Net change in assets available for benefits during the year**		256,602
1,185,500	**Opening net assets of the scheme**		1,149,431
1,149,431	**Closing net assets of the scheme**		**1,406,033**

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2021

2019/20 £000s		Notes	2020/21 £000s
1,094,703	Investment assets	14	1,303,311
(251)	Investment liabilities		(141)
1,094,451			**1,303,170**
52,855	Cash deposits	14	100,369
2,351	Other investment balances -assets	14	2,685
(149)	Other investment balances - liabilities	14	(735)
1,149,508	**Total net investments**	14	**1,405,489**
53	Long term debtor	20a	96
897	Current assets	20	937
(1,027)	Current liabilities	21	(489)
1,149,431	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,406,033**

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 19.

Signed:

Fay Hammond

Executive Director Resources

31st July 2021

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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 2020/2 and the underlying statutory powers underpinning the scheme.

a) General

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

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

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

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

b) Membership

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

Organisations participating in the fund include the following:

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

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

There are 39 employer organisations within the fund (including the Council itself), and 23,690 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2020	31 March 2021
Number of employers with active members	7,413	7,770
Number of pensioners	5,663	5,862
Deferred pensioners	6,899	7,560
Frozen/undecided	3,148	2,498
Total number of members in pension scheme	**23,123**	**23,690**

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 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The results of recent formal valuation as at 31 March 2019 has employer contribution rates range from 0% to 34.6% 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 updated annually in line with the Consumer Price Index.

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

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 19.

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 15). 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) 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.

j) 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.

k) Actuarial present value of promised retirement benefits

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

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

l) 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 22).

m) 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

In applying the accounting policies set out in Note 3 above, the Fund has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension fund liability

The Pension Fund carries out a funding valuation on a triennial basis, the assumptions underpinning the valuation are agreed with the actuary and are summarised in Note 18.

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation; the assumptions used are summarised in Note 19.

Valuation of Financial instruments carried at fair value – Level 2 and Level 3

Financial instruments at Level 2 are those where quoted market investments 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 and where these techniques use inputs that are based significantly on observable market data.

Financial instruments 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 data. Such instruments would include unquoted debt investments (such as private debt), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The Coronavirus pandemic has resulted in uncertainty over the valuation of the Fund's property assets; an estimate has been provided by the manager as the standard valuation approach, which uses observable inputs from the UK commercial property market, cannot be applied at this time. These assets have previously been classified as Level 2 but have been reclassified to Level 3 given the current uncertainty.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the 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 2021 (for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex 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 decrease in the pension liability of approximately £223m. b. 1% increase in assumed earnings inflation would decrease the value of liabilities by approximately £223m. c. if life expectancy increases by two years, it would decrease the liability by approximately £92m. ***It should be noted that any changes in the above would not have an effect on either the Fund Account or the Net Asset Statement.***
Hedge fund of funds (Note 15)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge is necessary. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £230m. There is a risk that the investment may be under or overstated in the accounts. Given a tolerance of +/-7.5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £17.3m.
Private equity – venture capital investments (Note 15)	The figure for “Investments at fair value” is based on the latest information received from asset managers prior to the Fund’s accounting records closing for the quarter. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.	The venture capital private equity investments in the financial statements are £102.4m. There is a risk that this may be over or understated. Further detail is shown in Note 15 regarding the sensitivity of this valuation.
Pooled property investments (Note 15)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £6.9m, on carrying values of £69m.

NOTE 6: EVENTS AFTER THE REPORTING DATE

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

NOTE 7: CONTRIBUTIONS

By category

2019/20 £000s		2020/21 £000s
11,078	**Employees' contributions**	12,055
	Employers' contributions: -	
29,648	Normal	33,353
9,503	Deficit recovery contributions	2,482
815	Augmentation contributions	1,141
39,966	**Total employers' contributions**	**36,976**
51,044		**49,031**

By authority

2019/20 £000s		2020/21 £000s
39,237	Administering authority	38,497
9,724	Scheduled bodies	9,820
2,083	Admitted bodies	714
51,044		**49,031**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2019/20 £000s		2020/21 £000s
3,971	Individual transfers	5,454
3,971		**5,454**

NOTE 9: BENEFITS PAID/PAYABLE

By category

2019/20 £000s		2020/21 £000s
(35,828)	Pensions	(37,222)
(6,684)	Commutation and lump sum retirement benefits	(6,488)
(266)	Lump sum death benefits	(664)
(42,778)		**(44,374)**

By authority

2019/20 £000s		2020/21 £000s
(40,988)	Administration authority	(41,668)
(1,405)	Scheduled bodies	(2,199)
(385)	Admitted bodies	(507)
(42,778)		**(44,374)**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019/20 £000s		2020/21 £000s
(129)	Refunds to members leaving service	(85)
(5,173)	Individual transfers	(4,554)
(5,302)		**(4,639)**

NOTE 11: MANAGEMENT EXPENSES

2019/20 £000s		2020/21 £000s
(1124)	Administrative costs	(1,659)
(108)	Oversight and governance costs	(90)
(8,857)	Investment management expenses	(10,315)
(10,089)		**(12,063)**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2019/20 £000s		2020/21 £000s
(6,512)	Management fees	(6,857)
(304)	Performance related fees	(1,032)
(1,848)	Transaction costs	(2,226)
(63)	Custody fees	(83)
(130)	Other	(116)
(8,857)		**(10,315)**

NOTE 12: INVESTMENT INCOME

2019/20 £000s		2020/21 £000s
2,053	Income from equities	2,225
3,439	Income from bonds	3,439
1,786	Pooled property investments	2,389
4,121	Pooled investments – unit trusts and other managed funds	5,133
561	Interest on cash deposits	28
11,960		**13,214**

NOTE 13: TAXES ON INCOME

2019/20 £000s		2020/21 £000s
	Withholding tax	
(0)	Income from equities	(0)
(0)	Pooled investments – unit trusts and other managed funds	(0)
(0)		**(0)**

NOTE 13A: EXTERNAL AUDIT FEES

2019/20 £000s		2020/21 £000s
19	Paid in respect of external audit (excluding VAT)	19
19		**19**

Market value 31 March 2020 £000s		Market value 31 March 2021 £000s
	Investments	
90,622	Fixed interest securities	99,209
45,015	Equities	48,424
766,037	Pooled investments	925,799
68,861	Pooled property investments	68,986
124,000	Private equity	160,844
	Derivative contracts:	
168	- Futures	5
0	- Forward currency contracts	44
1,094,703	**Total investment assets**	**1,303,311**
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
0	Amounts receivable for sales	240
1,149,909	**Total investment assets**	**1,406,365**
	Investment liabilities	
	Derivative contracts:	
(69)	- Futures	(141)
(183)	- Forward currency contracts	(0)
(149)	Investment expenditure due	(735)
(401)	**Total investment liabilities**	**(876)**
1,149,508	**Net investment assets**	**1,405,489**

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

	Market value 1 April 2020	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2021
Period 2020/21	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Bonds	90,622	14,680	(12,684)	(400)	6,992	99,209
Equities	45,015	69,180	(68,989)	(2,112)	5,330	48,424
Pooled investments	766,037	12,411	(49,076)	(1,695)	198,122	925,799
Pooled property	68,861	0	(1,047)	(367)	1,486	68,933
Private equity	124,000	11,052	(14,078)	(2,283)	42,206	160,896
	1,094,535	107,323	(145,874)	(6,857)	254,136	1,303,261
Derivatives contracts:						
Futures Options	99	513	(384)	-	(364)	(136)
Forward foreign exchange	(183)	350	(446)	-	323	44
	(84)	863	(830)	0	(41)	(92)
	1,094,451	**108,186**	**(146,704)**	**(6,857)**	**254,095**	**1,303,169**
Other investment balances						
Cash deposits	52,855				(4,115)	100,369
Investment income due	2,351					2,445
Pending investment sales	(149)					(735)
Pending investment purchases	-					240
Net investment assets	**1,149,508**				**249,979**	**1,405,489**

**Change in MV of short term bills and notes*

	Market value 1 April 2019	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2020
Period 2019/20	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Bonds	88,278	30,830	(27,041)	(0)	(1,445)	90,622
Equities	43,141	989	0	0	885	45,015
Pooled investments	824,211	10,111	(8,764)	(4,714)	(54,807)	766,037
Pooled property	69,598		0	(178)	(559)	68,861
Private equity	98,549	29,270	(10,973)	(1,681)	8,835	124,000
	1,123,777	71,200	(46,778)	(6,573)	(47,091)	1,094,535
Derivatives contracts:						
Futures Options	66	901	(1,290)	-	422	99
Forward foreign exchange	33	486	(455)	-	(247)	(183)
	99	1,387	(1,745)	-	175	(84)
	1,123,876	**72,587**	**(48,523)**	**(6,573)**	**(46,916)**	**1,094,451**
Other investment balances						
Cash deposits	58,091				1,859*	52,855
Investment income due	2,386					2,351
Pending investment sales	1,147					(149)
Other investment expenses	(183)					-
Net investment assets	**1,185,317**				**(45,057)**	**1,149,508**

**Change in MV of short term bills and notes*

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 2020 £000s		Market value 31 March 2021 £000s
	Bonds	
	UK	
2,702	Public sector quoted	2,758
42,101	Corporate quoted	49,038
	Overseas	
806	Public sector quoted	1,324
45,013	Corporate quoted	46,090
90,622		**99,209**
	Equities	
45,015	UK –quoted	48,424
-	Overseas –quoted	-
45,015		**48,424**
	Pooled funds –additional analysis	
90,762	Indexed linked securities	91,734
426,067	Equities	604,281
38,925	Developed markets equity long short fund	0
36,286	Events driven fund hedge fund	34,431
73,161	Inflation opportunities fund	78,638
29,321	Absolute bond fund	31,855
27,839	Multi-strategy equity hedge fund	30,153
43,676	Multi asset credit fund	54,707
766,037		**925,799**
	Pooled property investments	
68,861	UK property investments	68,986
68,861		**68,986**
	Private equity	
6,791	Opportunistic property	7,936
21,764	European infrastructure	22,776
73,403	Fund of Funds global private equity	102,436
22,042	UK secured long income fund	27,696
124,000		**160,844**
	Derivatives- Assets	
168	Futures	5
-	Forward foreign exchange	44
168		**49**
1,094,703	**Total Investment Assets**	**1,303,312**
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
-	Amounts receivable from sales	240
1,149,909		**1,406,366**
	Investment liabilities	
(69)	Derivatives- futures	(141)
(183)	Derivatives- forward foreign exchanges	(0)
(149)	Investment expenses	(735)
(401)		**(876)**
1,149,508	**Net investment assets**	**1,405,489**

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2020 £000s	%		Market value 31 March 2021 £000s	%
		Fixed income securities		
90,621	7.9%	Western Asset Management	98,381	7.0%
		Equities		
45,015	3.9%	International Public Partnerships	48,424	3.4%
		Pooled investments		
90,762	7.9%	Blackrock indexed linked bonds	91,734	6.5%
9,782	0.9%	Blackrock UK passive fund	-	-
148,736	12.9%	Blackrock Global passive	-	-
-	-	Blackrock Low carbon Global passive	220,389	15.7%
102,567	8.9%	MFS global equities	140,390	10.0%
74,376	6.5%	LCIV Baillie Gifford global equities	116,232	8.3%
23,420	2.0%	LCIV JP Morgan emerging equities	35,926	2.6%
67,187	5.8%	LCIV Longview	91,344	6.5%
43,676	3.8%	LCIV CQS Multi asset	54,707	3.9%
38,925	3.4%	Lansdowne hedge fund	0	0.0%
11,051	1.0%	York Capital hedge fund	5,980	0.4%
73,161	6.4%	M&G inflation opportunities	78,638	5.6%
29,321	2.6%	Insight hedge fund	31,855	2.3%
27,839	2.4%	Davidson Kempner hedge fund	30,153	2.1%
25,235	2.2%	CFM hedge fund	28,451	2.0%
		Pooled property		
342	-	RREEF commercial property	53	-
35,263	3.1%	Blackrock commercial property	34,825	2.5%
33,256	2.9%	Legal & General commercial prop.	34,108	2.4%
		Private equity		
73,403	6.4%	Adam St Partners fund of funds	102,436	7.3%
21,764	1.9%	Antin European infrastructure	22,776	1.6%
6,791	0.6%	Brockton opportunistic property	7,936	0.6%
22,042	1.8%	CBRE UK secured long income fund	27,696	2.0%
		Cash & accruals		
35,868	3.1%	Goldman Sachs cash	31,296	2.2%
16,952	1.5%	Northern Trust cash	69,039	4.9%
35	-	Blackrock MMF	35	0.0%
2,118	0.2%	Investment accruals	2,685	0.2%
1,1149,508	**100.0%**		**1,405,489**	**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 2020 £000s	% of total Fund	Market value 31 March 2021 £000s	% of total Fund
Blackrock – Global Equities	148,736	12.9%		
Blackrock – Low Carbon Equities			220,389	15.7%
MFS global equities	102,567	8.9%	140,390	10.0%
Western Asset – corporate bonds	90,621	7.9%	98,381	7.0%
Blackrock – indexed linked bonds	90,762	7.9%	91,734	6.5%
LCIV – Longview global equities	67,187	5.8%	91,344	6.5%
LCIV – Baillie Gifford global equities	74,376	6.5%	116,232	8.3%
M&G Inflation opportunities	73,161	6.4%	78,638	5.6%
Adam Street Partners – private equity	73,403	6.4%	102,436	7.3%

NOTE 15: FAIR VALUE – BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable & 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
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	Published bid market price at end of the accounting period.	NAV per share	Not required
Pooled investments – hedge funds	Level 2	Most recent valuation	NAV published, Cashflow transactions, i.e. distributions or capital calls	Not Required
Property held in a limited partnership	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, Cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the pool fund financial statements and the fund's own reporting date, including cash flows transacted in between the audited accounts received and the pension fund's year end.

Private equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager. Prepared in line with *International Private Equity and Venture Capital Valuation Guidelines* (2018)	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided by the asset managers and the pension fund's own reporting date, including cash flows transacted in between the audited accounts received and the pension fund's year end.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2020 £000s	Value on increase £000s	Value on decrease £000s
Pooled Property	10.0%	68,986	75,885	62,087
UK secured long income fund	7.5%	27,696	29,773	25,619
UK opportunistic property	10.0%	7,936	8,730	7,142
European Infrastructure	5.0%	22,776	23,915	21,637
Private equity fund of funds	15.0%	102,436	117,801	87,071
Total		**229,830**	**244,068**	**203,556**

NOTE 15A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below

Level 1

Financial instruments 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, exchange traded quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments 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. Such instruments would include unquoted equity investments (private equity), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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 2021	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	147,634	925,848	229,830	**1,303,312**
Financial liabilities at fair value	(141)	(735)	-	**(876)**
Net investment assets	**147,493**	**925,113**	**229,830**	**1,302,436**

Values at 31 March 2020	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	135,637	766,205	192,861	**1,094,703**
Financial liabilities at fair value	(69)	(332)	-	**(401)**
Net investment assets	**135,568**	**765,873**	**192,861**	**1,094,302**

NOTE 15B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2020/21.

NOTE 15C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1April 2020 £000s	Transfers in/out of level £000s	Purchases during the year £000s	Sales during the year £000s	Unrealised gains/losses £000s	Realised gains/losses £000s	Market value 31March 2021 £000s
Pooled Property	*68,861	0	0	0	125		68,986
	68,861	0	**0**	**0**	**125**	0	**68,986**
Venture capital	73,403	0	5,506	(8,619)	(946)	5,179	102,436
Infrastructure	21,764	0	2,459	0	2,260	0	22,776
Property Funds	22,042	0	18,505	0	(1,074)	0	27,696
UK Secured Income Funds	6,791	0	2,800	(2,354)	(344)	2,079	7,936
	124,000	**0**	**29,270**	**(10,973)**	**(104)**	**7,258**	**160,844**
	192,861	**0**	**29,270**	**(10,973)**	**(841)**	**7,258**	**229,830**

*There has been significant volatility in the financial markets as a result of the COVID-19 pandemic, the effect of this required these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020

NOTE 16: FINANCIAL INSTRUMENTS

NOTE 16A: 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 2020				31 March 2021		
Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000s	£000s	£000s		£000s	£000s	£000s
			Financial assets			
90,622			Bonds	99,210		
45,015			Equities	48,424		
766,037			Pooled investments	925,799		
68,861			Pooled property	68,986		
124,000			Private equity	160,844		
168			Derivative contracts	49		
	52,855		Cash deposits		100,369	
	2,351		Other investment balances		2,685	
			Trade debtors			
1,094,703	**55,206**	**-**	**Total financial assets**	**1,303,312**	**103,054**	**-**
			Financial liabilities			
		(252)	Derivative contracts			(141)
		(149)	Other investment balances			(735)
			Trade creditors			
	-	**(401)**	**Total financial liabilities**		**-**	**(876)**
1,094,703	**55,206**	**(401)**	**Grand total**	**1,303,312**	**103,054**	**(876)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2020 £000s		31 March 2021 £000s
	Financial assets	
(46,916)	Designated at fair value through profit & loss	254,095
1,859	Financial assets at amortised costs	(4,116)
(45,057)	**Total**	**249,979**

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

NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund’s investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer’s contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

Management of risk

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk.

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 2020/21 reporting period (based on assumption made in March 2021 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. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns.

Asset type	Potential market movements (+/-) 2019/20	Potential market movements (+/-) 2020/21
Fixed income government bond	0.2%	0.9%
Inflation-linked government bonds	0.2%	0.1%
Investment grade corporate bonds	1.5%	1.5%
Equities	7.2%	6.3%
Private equity	9.2%	8.3%
Real estate	5.4%	5.4%
Hedge funds	3.2%	3.4%

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 2021 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	4,082	4,119	4,045
Inflation-linked government bonds	91,734	91,826	91,642
Investment grade corporate bonds	94,300	95,715	92,886
Equities	652,705	693,825	611,585
Private equity	160,844	174,194	147,494
Real estate	68,986	72,711	65,261
Hedge funds	229,784	237,597	221,971
Cash & accruals	103,054	103,054	103,054
	1,405,489	**1,473,040**	**1,337,938**

Asset type	Value at 31 March 2020 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	3,508	3,515	3,501
Inflation-linked government bonds	90,762	90,944	90,580
Investment grade corporate bonds	87,114	88,421	85,807
Equities	471,044	504,959	437,129
Private equity	124,000	135,408	112,592
Real estate	68,861	72,579	65,143
Hedge funds	249,013	256,981	241,045
Cash & accruals	55,206	55,206	55,206
	1,149,508	**1,208,013**	**1,091,003**

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 2021 and 31 March 2020 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 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	-	-	-	-
Cash & cash equivalents	100,369	1,004	-	-
Cash balances	53	-	-	-
Bonds	190,944	1,909	192,853	189,035
Total	**291,366**	**2,913**	**192,853**	**189,035**

Assets exposed to interest rate risk	Value as at 31 March 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	-	-	-	-
Cash & cash equivalents	52,855	529	-	-
Cash balances	53	-	-	-
Bonds	181,383	1,814	183,197	179,569
Total	**234,291**	**2,343**	**183,197**	**179,569**

Income exposed to interest rate risks	Amount receivable as at 31 March 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	28	0	28	29
Bonds	3,439	34	3,473	3,508
Total	**3,467**	**35**	**3,502**	**3,536**

Income exposed to interest rate risks	Amount receivable as at 31 March 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	614	6	620	626
Bonds	3,440	34	3,474	3,406
Total	**4,053**	**41**	**4,094**	**4,134**

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

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

Assets exposed to currency risk	Assets value as at 31 March 2021	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Canadian Dollar	3	-	3	3
Euro	26,961	2,696	29,657	24,265
Hong Kong Dollar	50	5	55	45
Japanese Yen	21,325	2,132	23,457	19,193
Swiss Franc	38	4	42	34
US Dollar	231,315	23,132	254,447	208,183
	279,692	**27,969**	**307,661**	**251,723**

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

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 2021 was £100.4m (31 March 2020 - £52.9m). This was held with the following institutions:

	Rating	Balances as at 31 March 2020 £000	Balances as at 31 March 2021 £000
Termed deposits			
Close Brothers	A-	-	-
Money market funds			
Goldman Sachs money market fund	AAAm	35,868	31,296
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	53	53
Northern Trust Custodian	AA-	15,108	65,373
Cash held by fund managers		1,844	3,666
		52,908	**100,423**

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

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

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

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

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

NOTE 18: FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

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

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

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

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

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

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

NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction

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

Actuarial Position

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

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

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

Plus

- an allowance of 1.5% of pay for McCloud and cost management – see paragraph 9 below,

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

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

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

d) The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

e) The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled and subsumption body funding target *	4.20% p.a.
Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	3.30% p.a.
Discount rate for periods after leaving service	
Scheduled and subsumption body funding target *	4.20% p.a.
Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	1.60% p.a.
Rate of pay increases	3.60% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

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

The assets were valued at market value.

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

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

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

g) The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

h) The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

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

- **Increases to Guaranteed Minimum Pensions (GMPs):**
  The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

  The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:**
  Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and (if applicable) arising from the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

- **Goodwin**
  An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

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

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

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

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

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

NOTE 20: CURRENT ASSETS

31 March 2020 £000s		31 March 2021 £000s
	Debtors	
208	Contributions due - employees	195
636	Contributions due - employers	577
0	Sundry debtors	144
844		**916**
	Cash balances	
53	Current account	21
897		**937**

NOTE 20A: LONG TERM DEBTORS

31 March 2020 £000s		31 March 2021 £000s
	Debtors	
53	Pensioner Tax liability	**96**
53		**96**

NOTE 21: CURRENT LIABILITIES

31 March 2020 £000s		31 March 2021 £000s
(460)	Sundry creditors	-1
(567)	Benefits payable	(488)
(1,027)		**(489)**

NOTE 22: 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 20 £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2021 £000s
Plan Value	**3,282**	721	(326)	198	**3,875**
	3,282	**721**	**(326)**	**198**	**3,875**

NOTE 23: AGENCY SERVICES

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

NOTE 24: RELATED PARTY TRANSACTIONS

London Borough of Enfield

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

During the reporting period, the Council incurred costs of £1.695m (2019/20: £1.124m) 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 £38.5m to the fund in (2019/20 £39.2m). At year end the Pension Fund owed the Council £126k (£460k in 2019/20).

Scheduled and admitted bodies owed the Fund £898k (£844k in 2019/20) from employer & employee contributions. All payments were received by 19th April 2021.

Governance

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund.

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 24A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Pension manager, Finance Manager (Pensions & Treasury), the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2020/21 the figures below show the total remuneration and the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2020 £000s		31 March 2021 £000s
237	Short-term benefits	267
72	Post-employment benefits	74
309		**341**

NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total outstanding capital commitments (investments) at 31 March 2021 are £40m (31 March 2020 were £70m).

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.

Section 3: Statutory Statements – Funding Strategy Statement (FSS)

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Enfield Pension Fund (“the Fund”), which is administered by the London Borough of Enfield, (“the Administering Authority”).

It has been reviewed by the Administering Authority in collaboration with the Fund’s Actuary, Aon Hewitt. This revised version replaces the previous FSS and is effective from 1 April 2020.

1.1 Regulatory Framework

Scheme members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

This Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations'). The Statement describes London Borough of Enfield‘s strategy, in its capacity as Administering Authority, for the funding of the London Borough of Enfield Pension Fund.

As required by Regulation 58(4)(a), the Statement has been prepared having regard to guidance published by CIPFA in March 2004 and updated guidance published by CIPFA in September 2016.

In accordance with Regulation 58(3), all employers participating within the London Borough of Enfield Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

In addition, the Administering Authority has had regard to the Fund’s Investment Strategy Statement published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations).

1.2 Review of FSS

The FSS is reviewed in detail at least every three years ahead of the triennial valuation being completed. Annex 1 is updated more frequently to reflect any changes to employers.

The Administering Authority will monitor the funding position of the Fund on a regular basis between valuations and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries, please contact Bola Tobun in the first instance at bola.tobun@enfield.gov.uk or on 0208 132 1588

2. Purpose

2.1 Purpose of FSS

The Ministry for Housing, Communities & Local Government (MHCLG) stated that the purpose of the FSS is to set out the processes by which the Administering Authority:

- *"establishes a* ***clear and transparent fund-specific funding strategy,*** *that will identify how employers' pension liabilities are best met going forward;*
- *supports desirability of maintaining* ***as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013****;*
- *ensures that the regulatory requirements to set contributions so as to ensure the* ***solvency and long-term cost efficiency*** *of the Fund are met;*
- *takes a* ***prudent longer-term view*** *of funding those liabilities."*

These objectives are desirable individually but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence of the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfers in and investment income; and
- pays scheme benefits, transfers out, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations.

Three objectives of a funded scheme are:

- to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative;

- not to unnecessarily restrain the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk; and

- to help employers recognise and manage pension liabilities as they accrue, with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.

Therefore it is the aim of the Fund to enable employer contribution levels to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long term cost efficiency, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex 2.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to comply with regulation 62 of the LGPS Regulations, and specifically:

- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;

- to ensure the long-term solvency and long term cost efficiency of the Fund as a whole and the solvency of each of the sub-funds notionally allocated to individual employers, which should be assessed in light of the risk profile of the Fund and Employers;

- to minimise the degree of short-term change in the level of employers' contributions where the Administering Authority considers it reasonable to do so;

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;

- to address the different characteristics of the disparate employers or groups of employees, to the extent that this is practical and cost effective; and

- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*" or the primary contribution rate; plus

b) an adjustment for the funding position of accrued benefits relative to the Fund's funding target, the "*past service adjustment"*. If there is a surplus there may be a contribution reduction. If there is a deficit, there may be a contribution addition, with the surplus or deficit spread over an appropriate period. This is known as the secondary contribution.

The Fund's Actuary is required by the regulations to report the *Primary Contribution Rate*[1], for all employers collectively at each triennial valuation. There is no universally agreed interpretation of the composition of the Primary Rate across Local Government Pension Scheme Funds. For the purpose of publishing a Primary Contribution Rate, the aggregate future service rate is used.

The Fund's Actuary is also required to adjust the Primary Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay, and this is referred to as the Secondary employer contribution requirement.

In effect, the *Primary Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer, or pool, together with individual past service adjustments according to employer (or pool) -specific spreading and phasing periods.

Any costs of early retirements, other than on the grounds of ill-health, must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss their intentions with the Administering Authority before making any additional capital payments.

3.2 Funding Principle

The Fund is financed on the principle that it seeks to provide funds sufficient to enable payment of 100% of the benefits promised.

3.3 Funding Targets

Risk Based Approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives, rather than relying on a 'deterministic' approach which gives little idea of the associated risk. In practice, three key decisions are required for the risk based approach:

[1] See Regulation 62(5)
[2] See Regulation 62(7)

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),

- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and

- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the appropriate levels of contribution payable now and, by extension, the appropriate valuation approach to adopt now. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and Funding Success

The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term, using appropriate actuarial assumptions. The Solvency Target is the amount of assets which the Fund wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate methods and assumptions.

The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

For Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, the Solvency Target is set at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period based on a long-term investment strategy that allows for continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases in pensions and pension accounts (CPI).

For Admission Bodies and other bodies whose liabilities are expected to be orphaned following exit, the required Solvency Target will typically be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

Probability of Funding Success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers, and asset-liability modelling carried out by the Fund Actuary. For this purpose, the Trajectory Period is defined to be the period of 25 years following the valuation date.

Consistent with the aim of enabling employers' total contribution levels to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

The Administering Authority will not permit contributions to be set following a valuation that create an unacceptably low chance of achieving the Solvency Target at the end of the Trajectory Period.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date. It is a product of the data, chosen assumptions, and valuation method. The assumptions for the Funding Target are chosen to be consistent with the Administering Authority's desired Probability of Funding Success.

The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The Funding Target will be the same as the Solvency Target only when the methods and assumptions used to set the Funding Target are the same as the appropriate funding methods and assumptions used to set the Solvency Target (see above).

The discount rate, and hence the overall required level of employer contributions, has been set at the 2019 valuation such that the Fund Actuary estimates there is an 80% chance that the Fund would reach or exceed its Solvency Target after 25 years.

Consistent with the aim of enabling employers' contribution levels to be kept as nearly constant as possible:

- Primary contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.

- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

Application to different types of body

Some comments on the principles used to derive the Solvency and Funding Target for different bodies in the Fund are set out below.

Scheduled Bodies and certain other bodies of sound covenant

The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and for certain other bodies which are long term in nature e.g. Admission Bodies with a subsumption commitment from such Scheduled Bodies.

For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

Admission Bodies and certain other bodies whose participation is limited

For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit the Administering Authority will have specific regard to the potential for participation to cease (or for the employer to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities).

3.4 Full funding

The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers / groups of employers. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficit.

3.5 Ongoing Funding Basis

Demographic assumptions

The demographic assumptions are intended to be best estimates of future experience in the Fund having regard to past experience in the Fund as advised by the Fund Actuary.

It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. The Administering Authority, in discussions with the Actuary, keeps the longevity experience of the Fund members under review. Contributions are likely to increase in future if longevity exceeds the funding assumptions.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profile of employers.

Financial assumptions

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts. There is, however, no guarantee that the assets will out-perform gilts or even match the return on gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

The problem is that these types of investment are expected to provide higher yields because they are less predictable – the higher yield being the price of that unpredictability. It is therefore imprudent to take advance credit for too much of these extra returns in advance of them actually materialising.

Higher employers' contribution rates would be expected to result if no advance credit was taken. The Administering Authority and the Fund Actuary have therefore agreed that it is sufficiently prudent and consistent with the Regulations to take advance credit for some of the anticipated extra returns, but not all.

3.6 Primary or Future Service Contribution Rates

The Primary (future service) element of the employer contribution requirement is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that only certain employers have the power not to automatically admit all eligible new staff to the Fund, e.g. certain Admission Bodies depending on the terms of their Admission Agreements and employment contracts.

3.7 Adjustments for Individual Employers

Notional sub-funds

In order to establish contribution levels for individual employers, or groups of employers, it is convenient to notionally subdivide the Fund as a whole between the employers, or group of employers where grouping operates, as if each employer had its own notional sub-fund within the Fund.

This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or group of assets by any individual employer or group of employers.

Roll-forward of notional sub-funds

The notional sub-fund allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.

- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the Cash Equivalent Transfer Value (CETV) of the members transferring from one employer to the other unless some other approach has been agreed between the two employers.

- Allowance for death in service benefits, ill-health retirement costs and any other benefits shared across all employers (see earlier).

- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used.

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, the Fund Actuary will instead use an analysis of gains and losses to roll forward the notional sub-fund. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficit exhibited at the previous valuation. Having established an expected surplus or deficit at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.

- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results, perhaps because of unknown internal transfers.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay, the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate over the longer term. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will monitor payrolls and where evidence is revealed of payrolls not increasing at the anticipated rate as used in the calculations, the Administering Authority will consider requiring defined streams of capital contributions rather than percentages of payroll.

Where defined capital streams are required, the Administering Authority will review at future valuations whether any new emerging deficiency will give rise to a new, separate, defined stream of contributions, or will be consolidated with any existing stream of contributions into one new defined stream of contributions.

Attribution of investment income

Where the Administering Authority has agreed with an employer that it will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed notional asset portfolio.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

3.8 Stability of Employer Contributions

3.8.1 Recovery and Trajectory Periods

The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

Where a valuation reveals that the employer or employer group's sub-fund is in surplus or deficiency against the Funding Target, employers' contribution rates will be adjusted to target restoration of full funding over a period of years (the Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable.

In the event of a surplus the Administering Authority may at its discretion opt to retain that surplus in the employer's sub-fund (i.e. base that employer's contribution on the primary contribution rate alone without any deduction to reflect surplus) or may determine the deduction for surplus so as to target a funding level of higher than 100% at the end of the Recovery Period. At the 2019 valuation the policy adopted by the Administering Authority for most employers in surplus is to target a funding level of 105% at the end of the Recovery Period.

The Trajectory Period and the Recovery Period are not necessarily equal.
The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods for employers with a deficiency and has agreed with the Fund Actuary a limit of 16 years, for employers with a deficiency which are assessed by the Administering Authority as being long term secure employers. For surplus recovery (where applicable) in relation to employers in surplus, the Administering Authority has agreed with the Fund Actuary that a Recovery Period of 19 years will normally be used, or for employers with a fixed term of participation the remaining term of participation may be used as the Recovery Period.

For employers with a deficiency, the Administering Authority's policy is normally to set Recovery Periods for each employer which are as short as possible within this framework, whilst attempting to maintain stability of contribution levels where possible. An exception applies for academies – see subsection 3.9.7. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

3.8.2 Grouped contributions

In some circumstances it may be desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority's policy is to consider the position carefully at the initial grouping and at each valuation and to notify each employer that is grouped, which other employers it is grouped with, and details of the grouping method used. If the employer objects to this grouping, it will be offered its own contribution rate on an ungrouped basis. For employers with more than 50 contributing members, the Administering Authority would look for evidence of homogeneity between employers before considering grouping. For employers whose participation is for a fixed period grouping is unlikely to be permitted.

Best Value Admission Bodies continue to be ineligible for grouping.

Where employers are grouped for funding purposes, this will only occur with the consent of the employers involved.

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum and spouses pension benefits on death in service as well as ill-health retirement costs – in other words, the cost of such benefits is shared across the employers in the Fund. Such benefits can cause immediate funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low-cost approach to spreading the risk.

3.8.3 Stepping

Again, consistent with the desirability of keeping employer contribution levels as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three annual steps will be permitted. Further steps may be permitted in extreme cases in consultation with the Fund Actuary, but the total is very unlikely to exceed six steps.

3.8.4 Long-term cost efficiency

In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the Administering Authority has assessed the actual contributions payable by considering:

- The implied average deficit recovery period, allowing for the stepping of employer contribution changes where applicable;

- The investment return required to achieve full funding over the recovery period; and

- How the investment return compares to the Administering Authority's view of the expected future return being targeted by the Fund's investment strategy

3.8.5 Inter-valuation funding calculations

In order to monitor developments, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal triennial valuations.

3.9 Special Circumstances related to certain employers

3.9.1 Interim reviews

Regulation 64(4) of the LGPS Regulations provides the Administering Authority with a power to carry out valuations in respect of employers which are expected to cease at some point in the future, and for the Fund Actuary to certify revised contribution rates, between triennial valuation dates.

The Administering Authority's overriding objective at all times in relation to Admission Bodies is that, where possible, there is clarity over the Funding Target for that body, and that contribution rates payable are appropriate for that Funding Target. However, this is not always possible as any date of exit of participation may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.

- For Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.

- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.

- For an employer whose participation is due to cease within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) applies.

3.9.2 Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.

- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.

- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

3.9.3 Bonds and other securitization

Paragraph 6 of Schedule 2 Part 3 of the LGPS Regulations creates a requirement for a new admission body to carry out, to the satisfaction of the Administering Authority (and Scheme Employer in the case of an Admission Body admitted under paragraph 1 (d)(i) of that part of the Regulations), an assessment taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the admission body.

Where the level of risk identified by the assessment is such as to require it, the Admission Body shall enter into an indemnity or bond with an appropriate party.

Where for any reason it is not desirable for an Admission Body to enter into an indemnity bond, the Admission Body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of that admission body.

The Administering Authority's approach in this area is as follows:

- In the case of Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the LGPS Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond from the Admission Body, if any. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer or Guarantor, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor confirms their agreement to the level of bond cover proposed, the Administering Authority will be happy to supply a separate document (provided by the Fund Actuary) to the Admission Body setting out the level of cover that the Administering Authority and Scheme Employer/Guarantor consider suitable. Again, this should not be construed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and recommends that relevant Scheme Employers review the required cover regularly, at least once a year.

- In the case of Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations or Admission Bodies admitted under that Part of the Regulations where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant and Admission Bodies admitted under Paragraph 1(e) of Part 3, Schedule 2 of the Regulations where there is no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. As such, the Administering Authority will obtain some "standard" calculations from the Fund Actuary to assist them to form a view on what level of bond would be satisfactory. The Administering Authority will be pleased to supply this calculation to the Scheme Employer or Guarantor, where relevant, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor, where relevant, confirms their agreement to the level of bond proposed, the Administering Authority will be happy to provide a separate document to the Admission Body setting out the level of cover which the Administering Authority and Scheme Employer/Guarantor, where relevant, consider suitable, but this should not be constructed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and will require the relevant Scheme Employer or Guarantor, where relevant, to jointly review the required cover with it regularly, at least once a year.

3.9.4 Subsumed liabilities

Where an employer is ceasing participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, this will mean assuming continued investment in more risky investments than Government bonds.

3.9.5 Orphan liabilities

Where an employer is exiting the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the notional assets of the other employers participating in the Fund.

3.9.6 Cessation of participation

Where an employer ceases participation, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the exit valuation may distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers.

Unless the Administering Authority has agreed to the contrary, the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds.

For subsumed liabilities, the Administering Authority may in its absolute discretion instruct the Actuary to value those liabilities using the Funding Target appropriate to the accepting employer.

The departing employer will be expected to make good any deficit revealed in the exit valuation. The fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the employer.

In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and the accepting employer that a condition of accepting the liabilities is that there is to be no exit credit to the exiting employer on exit, all of the assets which are notionally allocated to the liabilities being accepted will transfer to the accepting employer and no exit credit will be paid to the departing employer.

In all other cases where the exit valuation above shows a surplus in relation to employers exiting on or after 14 May 2018, an exit credit will be paid to the exiting employer within 3 months of the later of (a) the exit date; and (b) the date when the employer has provided the Fund with all requisite information in order for the Fund to facilitate the exit valuation.

3.9.7 Academies

Academies are scheduled bodies and, as such, have an automatic right to join the LGPS. Guidance has been issued by the Secretaries of State for Education and Communities and Local Government but in practice differing approaches are being taken when setting the funding strategy for academies.

New Academy conversions

In future for a new academy conversion while the London Borough of Enfield's sub-fund is in deficit, the Administering Authority's standard approach will be to:

- Allocate liabilities to the academy in relation to its current employees only, with the London Borough of Enfield Group sub-fund retaining liability for former employees;

- Allocate a share of assets from the London Borough of Enfield's sub-fund to the new academy's sub-fund based on what is known as a "prioritised share of fund" approach. This means that the academy will inherit an appropriate share of the deficit attributable at conversion to the London Borough of Enfield's former employees as well as the academy's own employees.

- Set contribution levels prior to the next valuation in line with the London Borough of Enfield's contribution rate, provided this leads to a Recovery Period for the Academy which is no longer than the Recovery Period for the London Borough of Enfield. In the latter case the Recovery Period would be set to coincide with the Recovery Period for the London Borough of Enfield and a contribution level determined accordingly.

In future for a new academy conversion while the London Borough of Enfield's sub-fund is in surplus, the Administering Authority's standard approach will be to:

- Allocate liabilities to the academy in relation to its current employees only, with the London Borough of Enfield Group sub-fund retaining liability for former employees;

- Allocate a share of assets from the London Borough of Enfield's sub-fund to the new academy's sub-fund which is equal to the value placed on the liabilities upon conversion for the academy's current employees.

- Set contribution levels prior to the next valuation in line with the London Borough of Enfield's future service ("primary") contribution rate.

The same principles as above apply for the allocation of assets and liabilities in cases where a local authority school is being converted to join a Multi Academy Trust. However, the contribution level required will be in line with the rate applicable to the Multi Academy Trust.

Existing academies and Multi Academy Trusts

Where contributions are reviewed at triennial valuations, the same principles apply in relation to existing academies and Multi Academy Trusts as for other employers.

The exception is that for academies which converted on or after 1 April 2017 with a deficit and whose sub-fund has subsequently remained in deficit (and where the London Borough of Enfield's sub-fund is also in deficit at that valuation), the contribution levels for the academy will normally be set in line with the London Borough of Enfield's rate provided this leads to a Recovery Period not longer than the relevant period for the London Borough of Enfield (in which case the Recovery Period will be set to coincide with the Recovery Period for the London Borough of Enfield).

3.9.8 Admission Bodies with 10 members or fewer

In the case of an Admission Body which has 10 members or fewer (active members, deferred pensioners and pensioners) at a triennial valuation date or on its admission to the Fund between valuations, the Administering Authority may at its sole discretion permit/require the employer to pay the same long-term total % of pay contribution rate as applies for the London Borough of Enfield.

The above approach (which can involve higher/lower contribution levels being required than might be the case if the contributions were set on an employer-specific basis) is adopted in the interests of simple and cost-effective administration, having weighed up the advantages of the approach against the associated risks. The Administering Authority will keep the approach under review at future valuations.

3.10 Early Retirement Costs

3.10.1 Non Ill-Health retirements

The Actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. All employers, irrespective of whether or not they are pooled, are required to pay additional contributions wherever an employee retires early (see below) with no reduction to their benefit or receives an enhanced pension on retirement. The current costs of these are calculated by reference to formulae and factors provided by the Actuary.

In broad terms it assumed that members' benefits on retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age, other than on ill-health grounds, are deemed to have retired early. The additional costs of premature retirement are calculated by reference to this age.

4. Links to investment strategy

Funding and investment strategy are inextricably linked. The investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

4.1 Investment strategy

The investment strategy currently being pursued is described in the Fund's Investment Strategy Statement.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property.

The investment strategy of lowest risk would be one which provides cashflows which replicate the expected benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.

The lowest risk strategy is not necessarily likely to be the most cost-effective strategy in the long-term.

The Fund's benchmark includes a significant holding in equities and other growth assets, in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently operate different investment strategies for different employers.

4.2 Consistency with funding bases

The Administering Authority recognises that future experience and investment returns cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range.

The more optimistic the assumptions made in determining the Funding Target, the more likely that outcome will sit towards the favourable end of the range of possible outcomes, the lower will be the probability of experience actually matching or being more favourable than the assumed experience, and the lower will be the Funding Target calculated by reference to those assumptions.

The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will deliver funding success (as defined earlier in this document). Where the Probability of Funding Success is less than 65% the Administering Authority will not adopt assumptions which lead to a reduction in the aggregate employer contribution rate to the Fund.

The Administering Authority's policy will be to monitor an underlying low risk position (making no allowance for returns in excess of those available on Government stocks) to ensure that the Funding Target remains realistic.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

Enabling employers to follow alternative investment strategies would require investment in new systems and higher ongoing costs which would have to be borne by the employers. The potential benefits of multiple investment strategies would need to be assessed against the costs.

4.4 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of regular monitoring.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks most likely to impact upon the funding strategy are summarised below under the following headings:

- Investment
- Employer
- Liquidity and maturity
- Liability
- Regulatory and compliance;
- Recovery period; and
- Stepping.

5.2 Investment Risk

The risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Commission regular funding updates for the Fund as a whole, on an approximate basis.* *Analyse progress at three yearly valuations for all employers.* *Inter-valuation roll-forward of liabilities between formal valuations.*
Systematic risk with the possibility of interlinked and simultaneous financial market volatility	*The Fund's assets are diversified by asset class, geography and investment managers. The diversification serves to reduce, but not eliminate, the investment risk associated with financial market volatility. The Fund regularly monitors its investment strategy.*
Insufficient funds to meet liabilities as they fall due	*Commission regular funding updates for the Fund as a whole, on an approximate basis. Analyse progress at three yearly actuarial valuations.*
Inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon	*Regular review of advisers in line with national procurement frameworks*
Counterparty failure	*The Fund regularly reviews its investment managers to review the risk of operational and counterparty failure for its pooled fund investments. For segregated mandates the Fund employs a global custodian to provide safekeeping. The custodian is reviewed on a periodic basis.*
Inappropriate long-term investment strategy	*Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.*
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	*Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.*

Active investment manager under-performance relative to benchmark	*Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.*
Pay and price inflation significantly more than anticipated	*The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.* *Inter-valuation monitoring, as above, gives early warning.* *Some investment in index-linked bonds also helps to mitigate this risk.* *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.*
Effect of possible increase in employers' contribution rate on service delivery and admission/scheduled bodies	*Seek feedback from employers on scope to absorb short-term contribution rises.* *Mitigate impact through deficit spreading and phasing in of contribution rises.*

5.3 Employer Risk

Risk	Summary of Control Mechanisms
These risks arise from the ever-changing mix of employers; from short-term and ceasing employers; and the potential for a shortfall in payments and/or orphaned liabilities.	*The Administering Authority will put in place a funding strategy statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admitted) and other pension fund stakeholders.* *The Administering Authority will also consider building up a knowledge base on their admitted bodies and their legal status (charities, companies limited by guarantee, group/subsidiary arrangements) and use this information to inform the Funding Strategy Statement.*

5.4 Liquidity and maturity Risk

Risk	Summary of Control Mechanisms
The LGPS is going through a series of changes, each of which will impact upon the maturity profile of the LGPS and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery, which result in active members leaving the LGPS; transfer of responsibility between different public sector bodies; scheme changes which might lead to increased opt-outs; the implications of spending cuts – all of these will result in workforce reductions that will reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken account of fully in previous forecasts.	*To mitigate this risk the Administering Authority monitors membership movements on a quarterly basis, via a report from the administrator at quarterly meetings. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations and deficit contributions may be expressed in monetary amounts (see Annex 1).* *In addition to the Administering Authority monitoring membership movements on a quarterly basis, it requires employers with Best Value contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements to avoid failing to commission the Fund Actuary to carry out an exit valuation for a departing Admission Body and losing the opportunity to call in a debt.*
There is also a risk of employers ceasing to exist with insufficient funding or adequacy of a bond.	*The risk is mitigated by seeking a funding guarantee from another scheme employer, or external body, wherever possible and alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. The Administering Authority also vets prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from the extra cost of early retirements on redundancy if the employer failed.*

5.5 Liability Risk

Risk	Summary of Control Mechanisms
The main risks include inflation, life expectancy and other demographic changes, interest rate and wage and salary inflation which will all impact on future liabilities.	*The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.* *If significant liability changes become apparent between valuations, the Administering Authority will notify all employers of the anticipated impact on costs that will emerge at the next valuation and will review the bonds that are in place for Admission Bodies* admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations.

5.6 Regulatory and compliance risk

Risk	Summary of Control Mechanisms
The risks relate to changes to both general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules.	*The Administering Authority will keep abreast of all proposed changes. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.* *In particular, for the 2019 valuation, there is currently significant uncertainty as to whether improvements to benefits and/or reductions to employee contributions will ultimately be required under the cost management mechanisms introduced as part of the 2014 Scheme, and also as to what improvements to benefits will be required consequent on the "McCloud" equal treatment judgement. The Administering Authority will consider any guidance emerging on these issues during the course of the valuation process and will consider the appropriate allowance to make in the valuation, taking account of the Fund Actuary's advice. At present the Administering Authority considers an appropriate course of action for the 2019 valuation is to include a loading within the employer contribution rates certified by the Fund Actuary that reflects the possible extra costs to the Fund as advised by the Fund Actuary. It is possible that the allowance within contribution rates might be revisited by the Administering Authority and Fund Actuary at future valuations (or, if legislation permits, before future valuations) once the implications for Scheme benefits and employee contributions are clearer.*

5.7 Recovery Period

Risk	**Summary of Control Mechanisms**
Permitting surpluses or deficits to be eliminated over a Recovery Period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements, and/ or that the objective of long-term cost efficiency is not met.	*The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the Recovery Period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.*

5.8 Stepping

Risk	**Summary of Control Mechanisms**
Permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process, and/or that the objective of long-term cost efficiency is not met.	*The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.*

Annex 1 – Responsibilities of Key Parties

The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are set out below.

The Administering Authority should:

- operate the pension fund
- collect investment income and other amounts due to the Fund as set out in the LGPS Regulations including employer and employee contributions;
- pay from the Fund the relevant entitlements as set out in the relevant Regulations;
- invest surplus monies in accordance with the Investment Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against consequences of employer default;
- manage the valuation process in consultation with the Fund's Actuary;
- prepare and maintain a FSS and a Investment Strategy Statement (ISS), both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS as appropriate; and
- effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.
- Enable the Local Pension Board to review the valuation process as set out in their terms of reference.

The Individual Employers should:

- deduct contributions from employees' pay correctly;
- pay all ongoing contributions, including their own as determined by the Fund Actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;

- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;

- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding;

- pay any exit payments as required in the event of their ceasing participation in the Fund; and

- note and if desired respond to any consultation regarding the Funding Strategy Statement, the Investment Strategy Statement or other policies.

The Fund Actuary should prepare advice and calculations and provide advice on:

- funding strategy and the preparation of the Funding Strategy Statement

- will prepare actuarial valuations including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and the LGPS Regulations

- bulk transfers, individual benefit-related matters such as pension strain costs, compensatory added years costs, etc

- valuations of exiting employers, i.e. on the cessation of admission agreements or when an employer ceases to employ active members

- bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.

Such advice will take account of the funding position and Funding Strategy Statement of the Fund, along with other relevant matters.

The Fund Actuary will assist the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as required by the Administration Regulations.

The Fund Actuary will ensure that the Administering Authority is aware of any professional guidance requirements which may be of relevance to his or her role in advising the Administering Authority.

INVESTMENT STRATEGY STATEMENT

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Enfield Pension Fund adopted by Enfield Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.

1.2 The Council has delegated to its Pension Policy & Investment Committee ("the Committee") "all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer."

1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Strategy with each of its employers and the Pension Board. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

2. Statutory background

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

3. Directions by the Secretary of State

3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.

3.2 The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

4. Advisers

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

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

5. Objective of the Fund

5.1 The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

5.2 The target investment strategy is designed to have an expected return in excess of the discount rate while achieving a level of risk the Committee considers to be appropriate. The aim is to ensure contribution rates are set at a level to attain 100% funding within the timescale agreed with the Fund Actuary and set out in the Funding Strategy Statement.

6 Investment beliefs

6.1 The Fund's fundamental investment beliefs which inform its strategy and guide its decision making are:

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

6.2 At its meeting of 27th February 2020, the Committee approved additional investment beliefs as set out in Appendix 3 of this statement. This set out the ESG themes of important areas of focus for the Fund Responsible Investment activities, and our core positions in each area. This provides greater clarity about the Fund expectations to both investee businesses and other stakeholders

7 The suitability of particular investments and types of investments

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

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

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

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

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

7.5 The most significant rationale of the structure is to invest the majority of the Fund assets in "growth assets" i.e. those expected to generate 'excess' returns over the long term. The structure also includes an allocation to "matching" assets, such as index bonds, gilts and corporate bonds. The investments in property and infrastructure provide diversification whilst the hedge fund protects the Fund on the downside by targeting absolute returns. This strategy is aimed to provide in excess of the discount rate used to value liabilities in the triennial valuation.

7.6 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability and diversification given the Fund’s level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

7.7 The Committee also monitors the Fund’s actual allocation on a regular basis to ensure it does not deviate from within the target range. If such a deviation occurs, a rebalancing exercise is carried out to ensure that the allocation remains within the range set.

7.8 It is intended that the Fund’s investment strategy will be reviewed at least every three years, following actuarial valuations of the Fund. The investment strategy review will typically involve the Panel, in conjunction with its advisers, undertaking an in-depth Asset Liability Modelling exercise to understand the risks within the Fund's current investment strategy and establish other potentially suitable investment strategies for the Fund in the future. This approach was adopted following the 2013 triennial valuation.

7.9 The results of the 2019 valuation showed a 103% funding level which has since weakened to 96%. The intention is for an Asset Liability Modelling exercise to be undertaken and the strategy reviewed over the first quarter of 2021. Investment Strategy Statement will subsequently be updated to reflect the outcome of this strategy review and to include the expected return and volatility of the investment strategy.

8 Asset classes

8.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index linked and corporate bonds, hedge funds, infrastructure and property either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

8.2 In line with the Regulations, the Council’s investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007”

8.3 With investment returns included, the Fund has a positive cash flow that enables investment in illiquid asset classes e.g. property. The majority of the Fund’s assets are highly liquid i.e. can be readily converted into cash, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. However, as a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

8.4 For most of its investments the Council has delegated to the fund managers responsibility for the selection, retention and realisation of assets. The Fund retains sufficient cash to meet its liquidity requirements, and cash balances are invested in appropriate interest earning investments pending their use. The investment of these cash balances is managed internally.

9 Fund Managers

9.1 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

9.2 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management.

9.3 The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.

9.4 The investment management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets.

9.5 As at the date of this ISS the details of the managers appointed by the Committee are set out in Appendix 1

9.6 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.

9.7 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser and the independent advisory member. In addition, the Committee requires all managers to attend a separate manager day meeting twice a year, and officers meet each of the managers in the "alternate quarters" (i.e. when there is no "manager day" meeting) to review and scrutinise performance.

9.8 The Committee also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

10 Stock lending

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

11 Approach to risk

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

11.2 **Funding risks**

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

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

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

a) The return on the assets, the benchmark and the liabilities.
b) Estimated funding level and how it compares to the expected or targeted funding level.
c) The probability of the Fund achieving its long-term funding objectives.

11.3 **Manager risks**

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

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

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

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

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

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

12 Approach to pooling

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

12.2 Since July 2016, the London CIV has made changes to its governance structure, which now operates as follows:
London LGPS CIV Limited ("London CIV") is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). FCA firm registered as London LGPS CIV Ltd, Reference Number 710618.

12.3 Approval for the structure has been signed off by the 32 participating London Authorities.

12.4 The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors. This is achieved through:

- The Shareholder Committee, which acts on behalf of the Shareholders as a consultative body, including on the Company's business plans and financial performance, and topics such as Responsible Investment. It comprises 12 Committee Members made up of 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. A trade union representative sits as an observer.

- The client services framework, which is informed by shareholder consultation and includes a programme of events for clients collectively.

12.5 At the company level for London CIV, it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers

13 Social, environmental and governance considerations

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

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

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

13.4 The Fund is committed to be a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

13.5 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

13.6 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.

13.7 Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In Autumn 2019, Trucost were commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

13.8 Having taken into account the risks associated with exposure to fossil fuel reserves, the Committee has approved a target to:

a. Reduce the Fund's total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in $MtCO_2e$ – million tonnes of CO_2 emissions) by 50% over 5 years up to 30 September 2025.
b. Measure the reduction relative to the Fund's total equity portfolio position as at 30 September 2019 and adjusted for Assets Under Management (£AUM)

13.9 The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

13.10 The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

13.11 Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.

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

13.13 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to non-financial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.

13.14 The Fund does not at the time of preparing this statement hold any assets which it deems to be social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.

13.15 The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

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

14.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

14.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

14.3 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

15 Stewardship

15.1 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the Principles of the Stewardship Code.

15.2 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

15.3 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests. In addition, the Fund gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund’s interest.

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16 Compliance with “Myners” Principles

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

Appendix 1

Fund Manager Structure (This prescribed in the ISS regulations)

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

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

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

Appendix 2

Compliance with "Myners" Principles"

Principle 1: Effective Decision Making
Compliant: The Borough of Enfield has an appointed Pension Fund Committee consisting of elected members and there is a clearly defined decision-making process. The Committee is supported by named offices on investment and administration issues. The Committee has appointed an independent advisory member with experience in investment advice. It also employs an investment consultant and actuary. The Local Pension Board made up of Fund employers and employees has an oversight and scrutiny body.

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

Principle 2: Clear Objectives
Compliant: The overall objective for the Fund is to keep the employers' contribution rates as low and stable as possible while achieving full funding on an ongoing basis. The Committee had as its starting point the latest actuarial valuation when reviewing the investment arrangements to adopt the risk budget and set the investment strategy. The independent investment adviser gave comprehensive training and advice throughout this exercise. The Investment Managers have been advised of the strategy and have clearly defined investment performance targets. The objectives will be reconsidered following the next actuarial valuation and investment strategy review to ensure they remain appropriate.

Principle 3: Risk and Liabilities
Compliant: The Committee has given due consideration to risks and liabilities as explained in the 'Risk' section above. A strategic asset allocation benchmark has been set for the Fund. The Fund also subscribes to the Pensions & Investment research consultants (PIRC) Local Authority Universe as a broad comparison with other local authority schemes.

Principle 4: Performance Assessment
Compliant: The returns of the Investment Managers are measured independently against their performance objectives and they are required to report on investment performance each quarter.

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Principle 5: Responsible Ownership
Compliant: The Panel's policy on Sustainability is detailed in an earlier section of this document. The Investment Managers have been asked to adopt the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents, and to report to the Committee on related activity at the regular meetings.

Principle 6: Transparency and Reporting
Compliant: Documents relating to the management of the Pension Fund investments are published on the Council's website – these include the Investment Strategy Statement, the Annual Report and Accounts, the Funding Strategy Statement and the Governance Compliance Statement. The 'Pensions Charter' is published on the website and this details the information which is provided to scheme members.

Appendix 3

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

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

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

Supporting evidence

Investment Theses behind the chosen SDGs (**G applies to all)**

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

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

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

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

GOVERNANCE AND COMPLIANCE STATEMENT

Introduction

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

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives

Enfield Council recognises the significance of its role as Administering Authority to the London Borough of Enfield Pension Fund on behalf of its stakeholders which include:

- Over 23,100 current and former members of the Fund, and their dependants
- around 40 employers within the Enfield Council area or with close links to Enfield Council
- the local taxpayers within the London Borough of Enfield.

In relation to the governance of the Fund, our objectives are to ensure that:

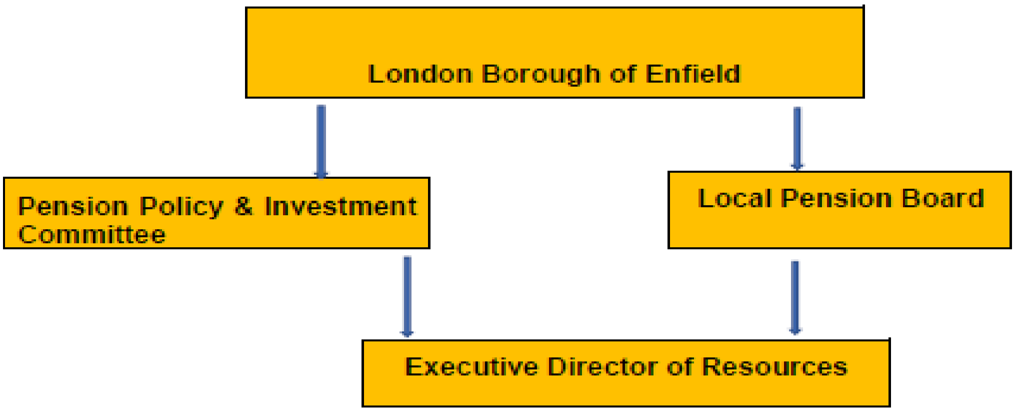
- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pension Policy & Investment Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.

The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.



Terms of Reference for the Pension Policy & Investment Committee

The Constitution allows for the appointment of a Pension Policy & Investment Committee which has responsibility for the discharge of all non-executive functions assigned to it.

The following are the terms of reference for the Pension Policy & Investment Committee:

a) To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation.
b) To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
c) To formulate and publish an Investment Strategy Statement.
d) To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
e) To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
f) To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
g) To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
h) To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
i) To receive and approve an Annual Report on the activities of the Fund prior to publication.
j) To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
k) To keep the terms of reference under review.
l) To determine all matters relating to admission body issues.
m) To focus on strategic and investment related matters at two Pension Policy & Investment Committee meetings.

n) To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan
o) To maintain an overview of pensions training for Members.

Membership of the Pension Policy & Investment Committee

The Council decides the composition and makes appointments to the Pension Policy & Investment Committee. Currently the membership of the Committee is a minimum of 6 elected Members from Enfield Council on a politically proportionate basis and the Pension Policy & Investment Committee will elect a Chair and Vice Chair. All Enfield Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

Members of the Pension Policy & Investment Committee are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted
or the nature of the proceedings that confidential information would be disclosed.

Meetings
The Pension Policy & Investment Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.
Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Enfield Civic Centre and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of
disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website: http://governance.enfield.gov.uk/ieListMeetings.aspx?CommitteeId=664

Other Delegations of Powers

The Pension Policy & Investment Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they must ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pension Policy & Investment Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Executive Director of Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Executive Director of Resources will delegate aspects of the role to other officers of the Council including the Pensions & Treasury Manager and to professional advisors within the scope of the LGPS Regulations.

Pension Board

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Enfield Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Enfield Pension Board established by Enfield Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

Role of the Pension Board

The Public Service Pensions Act 2013 established the requirement for local Pension Boards in the LGPS with responsibility for assisting the Administering Authority in relation to the following:

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and

- Such other matters as the LGPS regulations may specify.

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Policy & Investment Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

Membership of the Pension Board

The Pension Board consists of 8 members as follows:
- Four Employer Representatives
- Four Scheme Member Representatives

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when four of the eight Employer and Scheme Member Representatives are present, and where the Board has an Independent Member, they must also be present.

The members of the Board are appointed by an Appointments Panel which consists of:
- the Cabinet Member for Resources
- the Executive Director of Resources
- the Director of Finance
- the Executive Director of Legal & Governance

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

Meetings
The Pension Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. The Pension Board will be treated in the same way as a Committee of Enfield Council and, as such, members of the public may attend, and papers will be made public in the same way as described above for the Pension Policy & Investment Committee.

Policy Documents
In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website:
http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pension Policy & Investment Committee meeting for approval.

Governance Policy Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

Enfield Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pension Policy & Investment Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Enfield Pension Fund aims to comply with:

- the knowledge and skills elements of the Public Service Pensions Act 2013;
- the CIPFA Knowledge and Skills Frameworks and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pension Policy & Investment Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pension Policy & Investment Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping, and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise

the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Policy & Investment Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the websites: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website:
http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

Discretions Policies

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Enfield' Employing Authority Discretions can be found on the website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Approval, Review and Consultation

This Governance Policy and Statement was approved by the London Borough of Enfield Pension Policy & Investment Committee following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. In August 2019, this document was reviewed and approved by Pension Policy & Investment Committee at its meeting of 5th September 2019.

Contact Information Further information on the London Borough of Enfield Pension Fund can be found as shown below:
Email: pensions@enfield.gov.uk
Website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

Or contact:
Bola Tobun – Finance Manager (Pensions & Treasury)
London Borough of Enfield
E-mail - Bola.Tobun@enfield.gov.uk
Telephone – 020 8132 1588

Appendix A – Delegation of Functions to Officers by Enfield Pension Policy & Investment Committee

Key:
PPIC – Pension Policy & Investment Committee *PTM – Pensions & Treasury Manager*
EDR – Executive Director of Resources & Officers *DF - Director of Finance* *OAP- Officers & Advisers Panel*
IC – Investment Consultant *FA – Fund Actuary*
IA – Independent Adviser

Function delegated to PPIC	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Rebalancing and cash management	Implementation of strategic allocation including use of ranges	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Investment strategy – approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite	To formally review the Scheme's asset allocation at least every three year's taking account of any changes in the profile of Scheme liabilities and will assess any guidance regarding tolerance of risk. It will recommend changes in asset allocation to the Pension Policy & Investment Committee	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Monitoring the implementation of these policies and strategies on an ongoing basis.	New mandates / emerging opportunities To consider the Scheme's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism and recommend revisions to the Pension Policy & Investment Committee.	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers and Pool Operator Selection, appointment, addition, replacement and dismissal of Fund Managers	EDR, DF and PTM (having regard to ongoing advice of the IA & IC) and subject to ratification by PPIC	High level monitoring at PPIC with more detailed monitoring by PTM & OAP Notified PPIC via ratification process.

	To evaluate the credentials of potential managers and make recommendations to the Pension Policy & Investment Committee To review the Scheme's AVC arrangements annually. If it considers a change is appropriate, it will make recommendations to the Pension Policy & Investment Committee.		
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PPIC.	EDR, DF and PTM, subject to agreement with Chairman and Vice Chairman (or either, if only one available in timescale)	PPIC advised of consultation via email (if not already raised previously at PPIC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PPIC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Policy & Investment Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice	EDR & DF	Regular reports provided to PPIC and included in Annual Report and Accounts.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Policy & Investment Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Policy & Investment Committee.	Other urgent matters as they arise	EDR, DF and PTM subject to agreement with Chairman and Vice Chairman (or either, if only one is available in the timescale)	PPIC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PPIC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PPIC and subject to monitoring agreed at that time.

Appendix B

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
STRUCTURE	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council	Compliant	The Council's Constitution states that the Pension Policy & Investment Committee is responsible for the management of the Pension Fund
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Trade union representatives and representatives of admitted bodies sit on the Pension Board.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	A report of the Pension Board and subcommittees meetings are presented at the following Pension Policy & Investment Committee. All key recommendations of the Pension Board are considered, noted and ratified by the Pension Policy & Investment Committee as deemed appropriate.
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	All members of the sub committees are also members of the Pension Policy & Investment Committee.
REPRESENTATION	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - ■ employing authorities (including nonscheme employers, e.g. admitted bodies), ■ scheme members (including deferred and pensioner scheme members), ■ independent professional observers, ■ expert advisors (on an ad-hoc basis).	Compliant	Trade unions and admitted bodies are represented on the Local Pension Board
	That where lay members sit on a main or	Compliant	Papers for Local Pension Board and the Pension Policy & Investment

	secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.		Committee are made available to all members of each body at the same time and are published well in advance of the meetings in line with the council's committee agenda publication framework.
SELECTION & ROLE OF LAY MEMBERS	That committee or board members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Local Pension Board and Pension Policy & Investment Committee have access to the terms of reference of each body and are aware of their roles and responsibilities as members of these bodies.
VOTING	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Members of the Pension Policy & Investment Committee does not currently confer voting rights on non-Councillors in line with common practice across the local government sector.
TRAINING/FACILITY TIME/EXPENSES	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Regular training is arranged for members of the Local Pension Board and the Pension Policy & Investment Committee. In addition members are encouraged to attend external training courses. The cost of any such courses attended will be met by the Fund.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rule on training provision is applied equally across all members of the Local Pension Board and the Pension Policy & Investment Committee.
MEETINGS (FREQUENCY/ QUORUM)	That an administering authority's main committee or committees meet at least quarterly.	Compliant	Meetings of the Local Pension Board and the Pension Policy & Investment Committee are arranged to take place quarterly.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Meetings of the Local Pension Board and the Pension Policy & Investment Committee are arranged to take place quarterly.
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of	Compliant	Union representatives are on the Local Pension Board. Other stakeholders of the Fund are able to make representations at the Annual

	those arrangements by which the interests of key stakeholders can be represented.		General Meeting of the Pension Fund.
ACCESS	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Board/Committee meeting papers are circulated at the same time to all members of the Local Pension Board / Pension Policy & Investment Committee.
SCOPE	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	Local Pension Board and Pension Policy & Investment Committee considers a range of issues at their meetings and therefore has taken steps to bring wider scheme issues within the scope of the governance arrangements.
PUBLICITY	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	This Governance Compliance Statement is a public document that is attached as an appendix to the annual pension fund report.

Communication Policy Statement

This statement is prepared in accordance with the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005, which require an administering authority to prepare, maintain and publish a statement on its communication strategy.

The London Borough of Enfield Local Government Pension Scheme currently has 39 admitted/scheduled employers and approximately 23,123 scheme members. This statement sets out the communication methods with each group.

Employers

Communication with the employers in the Fund takes several forms:

i) **Regular Update Letters**
All employers receive regular updates as and when issues arise e.g. changes to scheme regulations.

ii) **Annual Report and Accounts**
A copy of the document is sent to all employers.

iii) **Investment reports and minutes**
These are available on request to any employers who wish to see them.

iv) **Advice and help**
Enfield staff are available to give advice on the telephone or by e-mail.

Scheme Members

The methods of communicating with scheme members are:

i) **Telephone helpline**
A telephone helpline for all enquiries from scheme members on any aspect of their pension arrangements.

ii) **Annual Benefit Statements**
All active and deferred scheme members receive an annual benefit statement setting out what level of benefits have already been built up, along with a forecast of benefits at retirement.

iii) **Internet**
The scheme's website provides information about any updates to the Pension Fund.

iv) **Information letters**
Information about changes in regulations is provided to employees via their employers by e-mail or letter.

v) **Payslips**
All pensioners receive at least 1 payslip every year and messages are included whenever there is new information to be communicated.

Prospective Scheme Members

The methods of ensuring that prospective members are aware of the Scheme and its benefits are:

i) **Job Advertisements**
Employers advertise the benefits of the Fund in their job advertisements.

ii) **Scheme Booklet**
All new starters in the employing organisations in the Fund are provided with a scheme booklet, which sets out the benefits available from the Fund and employees are given three months to opt out of the Fund.

TRAINING AND DEVELOPMENT POLICY

Introduction

This is the Training & Development Policy of the London Borough of Enfield Pension Fund in relation to the Local Government Pension Scheme (LGPS), which is managed and administered by Enfield Council. The Policy details the training strategy for members of the Pension Policy & Investment Committee and Pension Board, and senior officers responsible for the management of the Fund.

This Training & Development Policy is established to assist Pension Policy & Investment Committee and Pensions Board members and senior officers in developing their knowledge and capabilities in their individual roles, with the ultimate aim of ensuring that the London Borough of Enfield Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Enfield Council has delegated responsibility for the implementation of this Training & Development Policy to the Executive Director of Resources.

Aims and Objectives

Enfield Council recognises the significance of its role as Administering Authority to the London Borough of Enfield Pension Fund on behalf of its stakeholders which include:

- over 23,000 current and former members of the Fund, and their dependants
- about 40 employers within the Enfield Council area or with close links to Enfield Council the local taxpayers within the London Borough of Enfield.

In relation to the governance of the Fund, the objectives are to ensure that:

- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the
- Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

This Policy has been put in place to assist the Fund in achieving these objectives and all Pension Policy & Investment Committee Members, Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Enfield Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

As well as any other LGPS specific guidance relating to the knowledge and skills of Pension Policy & Investment Committee members, Pension Board members or pension fund officers which may be issued from time to time.

This Training & Development Policy applies to all Members of the Pension Policy & Investment Committee, Pensions Board, including scheme member and employer representatives. It also applies to all managers in the Enfield Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Other officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and Pension & Treasury Manager and his/her team.

The advisers to the Fund that provides the day to day and strategic advice to the London Borough of Enfield Pension Fund are also expected to be able to meet the objectives of this Policy, as are all other officers of employers participating in the London Borough of Enfield Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Enfield Council will provide appropriate training for them.
This is considered separately in the London Borough of Enfield Pension Fund Administration Strategy.

CIPFA and TPR Knowledge and Skills Requirements - (CIPFA Knowledge and Skills Framework and Code of Practice)

In January 2010 CIPFA launched technical guidance for Representatives on Pension Policy & Investment Committees and non-executives in the public sector within a knowledge and skills framework. The Framework details the knowledge and skills required by those responsible for pension scheme financial management and decision making.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills frameworks in place. This Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which include all those covered in the existing Committee and nonexecutives' framework):
i) Pensions legislation
ii) Public sector pensions governance
iii) Pension accounting and auditing standards
iv) Pensions administration
v) Financial services procurement and relationship management
vi) Investment performance and risk management
vii) Financial markets and products knowledge
viii) Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pensions Act 2004 and the Pension Regulator's Code of Practice

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.
These requirements are incorporated and expanded on within the TPR Code of Practice which came into force on 1 April 2015. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

Application to the London Borough of Enfield Pension Fund

Enfield Council recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, it fully supports the use of the CIPFA Knowledge and Skills Frameworks, and TPR's Code of Practice. Enfield Council adopts the principles contained in these publications in relation to the London Borough of Enfield Pension Fund, and this Training and Development Policy highlights how the Council will strive to achieve those principles through use of a Training Plan together with regular monitoring and reporting.

The London Borough of Enfield Pension Fund Training and Development Plan

Enfield Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Policy & Investment Committee members, Pension Board members and senior officers, and that training is a key element of this process. Enfield Council will develop a rolling Training Plan based on the following key elements:

1) Individual Training Needs: A training needs analysis will be developed for the main roles of Pension Policy & Investment Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

2) Hot Topic Training: The Training Plan will be developed to ensure appropriately timed 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. This training may be targeted at specific roles.

3) General Awareness: Pension Policy & Investment Committee 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.

Each of these training requirements will be focussed on the role of the individual i.e. a Pension Policy & Investment Committee member, a Pension Board member or the specific role of the officer.

The Pension Policy & Investment Committee agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee, the Board and officers to both enhance existing knowledge and skills and to develop new areas of understanding. This ensures that training is accessible to all Committee and Board members and key officers involved in the management of the Pension Fund.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pension Policy & Investment Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide
- bodies
- Attendance at meetings and events with the London Borough of Enfield Pension Fund's investment managers and advisors
- Links to on-line training
- Access to the London Borough of Enfield Pension Fund website where useful London Borough of Enfield Pension Fund specific material is available.

In addition London Borough of Enfield Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pension Policy & Investment 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:
i) The members' guide to the Local Government Pension Scheme (LGPS)
ii) The latest Actuarial Valuation report
iii) The Annual Report and Accounts, which incorporate:

a) The Funding Strategy Statement
b) The Governance Policy and Compliance Statement

c) The Statement of Investment Principles including the London Borough of Enfield Pension Fund's statement of compliance with the LGPS Myners Principles
d) The Communications Policy
e) The Administration Strategy

iv) The administering authority's Discretionary Policies
v) The Training Policy

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

Monitoring Knowledge and Skills

To identify if Pension Policy & Investment Committee members, Pension Board members and senior officers are meeting the objectives of this policy we will:

1) Compare and report on attendance at training based on the following:
   i) Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
   ii) Hot Topic Training – attendance by at least 80% of the required Pension Policy & Investment Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Policy & Investment Committee members, Pension Board members or senior officers depending on the subject matter.
   iii) General Awareness – each Pension Policy & Investment Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
   iv) Induction training – ensuring areas of identified individual training are completed within six months.

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

The key risks to the delivery of this Policy are outlined below:
   i) Changes in Pension Policy & Investment Committee and/or Pension Board membership and/or senior officers' potentially diminishing knowledge and understanding.
   ii) Poor attendance and/or a lack of engagement at training and/or formal meetings by Pension Policy & Investment Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
   iii) Insufficient resources being available to deliver or arrange the required training.
   iv) The quality of advice or training provided not being to an acceptable standard.

The Pension Policy & Investment Committee members, with the assistance of London Borough of Enfield senior officers and Pension Board members will monitor these and other key risks and consider how to respond to them.

Reporting

A report will be presented to the Pension Policy & Investment Committee on an annual basis setting out:

i) The training provided / attended in the previous year at an individual level
ii) Attendance at Pension Policy & Investment Committee and Pension Board meetings
iii) The results of the measurements identified above.

This information will also be included in the London Borough of Enfield Pension Fund's Annual Report and Accounts.

At each Pension Policy & Investment Committee and Pensions Board meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

Costs

All training costs related to this Training and Development Policy are met directly by the London Borough of Enfield Pension Fund.

Approval, Review and Consultation

This Training and Development Policy to be approved and at the London Borough of Enfield Pension Policy & Investment Committee meeting of 21 November 2019. This Training and Development Policy to be adopted by the London Borough of Enfield Pension Board at their next meeting. It will be formally reviewed and updated at least every year or sooner if the training arrangements or other matters included within it worth re-evaluation.

Further Information

If you require further information about anything in or related to this Training and Development Policy, please contact:

Bola Tobun
Pension & Treasury Manager
London Borough of Enfield
Civic Centre
Silver Street
London
EN1 3XF
E-mail Bola.Tobun@enfield.gov.uk
Telephone 020 8132 1588

Appendix 1

CIPFA Knowledge and Skills Framework for Members of Pension Committees

Core Areas:
1. Pensions Legislative and Governance Context

General Pensions Framework
A general awareness of the pension's legislative framework in the UK.

Scheme-specific legislation

- An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.
- An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
- A regularly updated appreciation of the latest changes to the scheme rules.
- Knowledge of the role of the administering authority in relation to LGPS.

Pensions regulators and advisors
An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

General constitutional framework

- Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
- Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Pensions scheme governance

- An awareness of the LGPS main features.
- Knowledge of the Myners principles and associated CIPFA and Society of Local Authority Chief Executives (SOLACE) guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Knowledge of the stakeholders of the pension fund and the nature of their interests.
- Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Pensions Accounting and Standards

- Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)

1 – Pensions legislation		
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5	
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5	
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5	
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5	
2 – Pensions governance		
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5	
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5	
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	

Resources Department
Enfield Council
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Enfield EN1 3XY

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Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.		1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.		1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.		1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.		1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.		1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.		1 2 3 4 5	
An understanding of how breaches in law are reported.		1 2 3 4 5	
3 – Pensions administration			
An understanding of best practice in pensions administration eg performance and cost measures.		1 2 3 4 5	
Understanding of the required and adopted scheme policies and procedures relating to: • member data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communication and materials.		1 2 3 4 5	

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess…?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)

Knowledge of how discretionary powers operate.	1 2 3 4 5	
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5	
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5	
4 – Pensions accounting and auditing standards		
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5	
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5	
An understanding of the role played by third party assurance providers.	1 2 3 4 5	
5 – Pensions services procurement and relationship management		
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5	

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requiremen

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)

A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5	
6 – Investment performance and risk management		
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5	
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5	

Procedure for Recording and Reporting Breaches of the Law

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Enfield Pension Fund, the Local Government Pension Scheme managed and administered by Enfield Council, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This Procedure document applies, in the main, to:

- all members of the Enfield Pension Policy & Investment Committee and Board;
- all officers involved in the management of the Pension Fund;
- personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Enfield Pension Fund who are responsible for pension matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 ***Pensions Act 2004***

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

  (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

  (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 ***The Pension Regulator's Code of Practice***

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 ***Application to the Enfield Pension Fund***

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Enfield Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3 The Enfield Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Enfield Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 ***Clarification of the law***

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various): http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes) http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)

- The Pensions Regulator's Code of Practice: http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Council Monitoring Officer and the Executive Director of Resources, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 ***Clarification when a breach is suspected***

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Council Monitoring Officer and the Executive Director of Resources, a member of the Pension Policy & Investment Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 ***Determining whether the breach is likely to be of material significance***

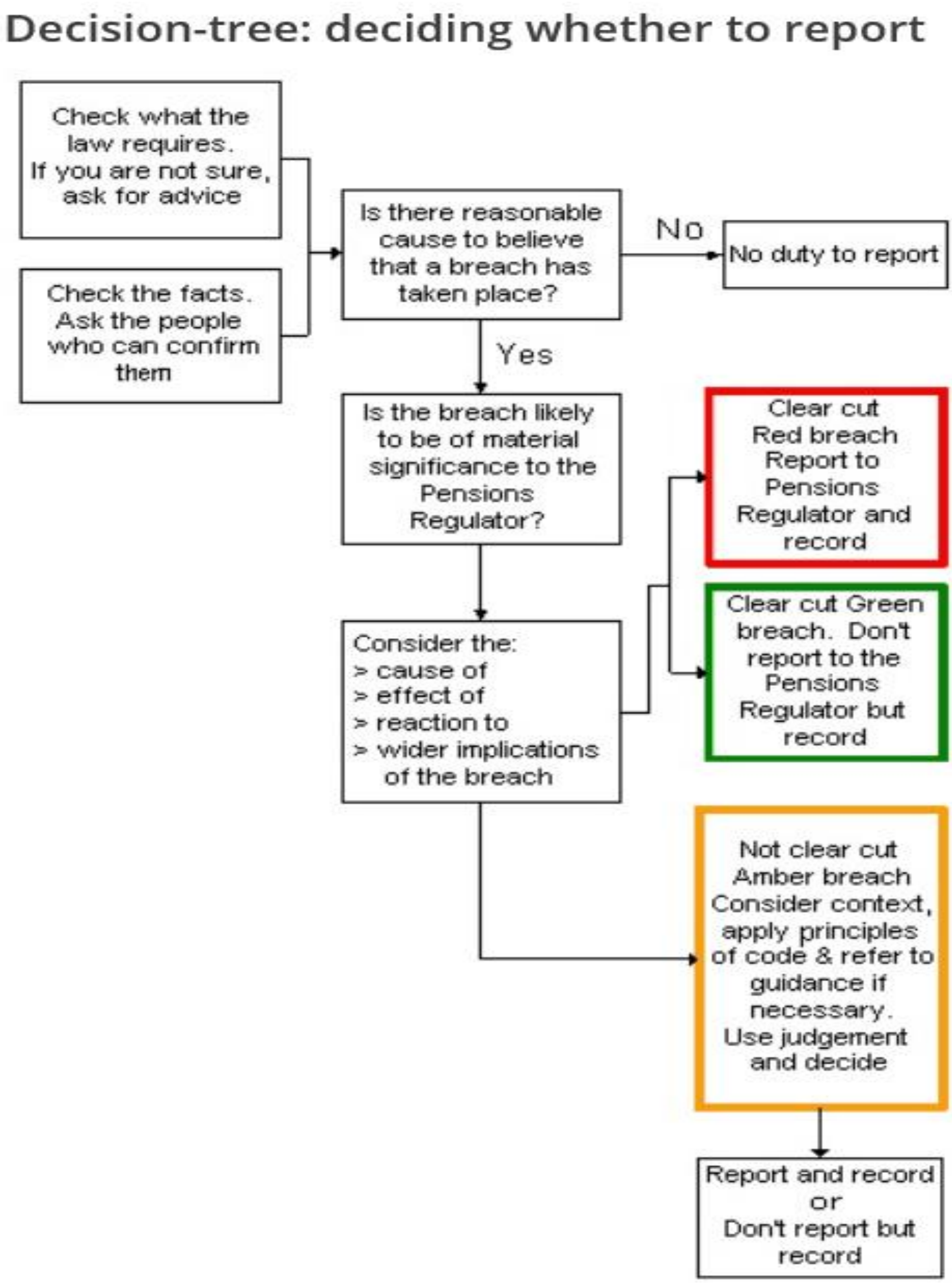
To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.



3.5 ***Referral to a level of seniority for a decision to be made on whether to report***

Enfield Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Council Director of Finance and the Executive Director of Resources, at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 ***Dealing with complex cases***

The Council Director of Finance and the Executive Director of Resources may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. ***Timescales for reporting***

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 ***Early identification of very serious breaches***

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 ***Recording all breaches even if they are not reported***

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Enfield Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Council Monitoring Officer and the Executive Director of Resources. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 ***Reporting a breach***

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Enfield Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Enfield Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10041083); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 ***Confidentiality***

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 ***Reporting to Pension Policy & Investment Committee and Pensions Board***

A report will be presented to the Pension Policy & Investment Committee and the Pensions Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 ***Review***

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Executive Director of Resources. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Bola Tobun - Pensions & Treasury Manager
Email: Bola.Tobun@enfield.gov.uk
Telephone: 020 8379 6879

Enfield Pension Fund
London Borough of Enfield, London EN1 3XF

Designated officer contact details:

1) Director of Finance – Matt Bowmer (Interim)
Email: Matt.Bowmer@enfield.gov.uk

2) Executive Director of Resources – Fay Hammond (Acting)
Email: Fay.Hammond@enfield.gov.uk

3) Monitoring Officer/Director of Law & Governance – Jeremy Chambers
Email: Jeremy.Chambers@enfield.gov.uk

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

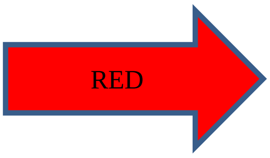
The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B

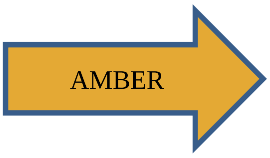
Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



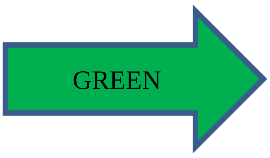
This where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.
Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



This where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



This where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together.
Some useful examples of this is framework is provided by The Pensions Regulator at the following link:
http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C

Enfield Pension Fund - Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

CONFLICTS OF INTEREST POLICY

Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Enfield Pension Fund, which is managed by London Borough of Enfield. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Enfield Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Policy & Investment Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- **Understand and monitor risk**

- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Policy & Investment Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all managers in the management of London Borough of Enfield Pension Fund, the Chief Finance Officer (Section 151 Officer), Executive Directors, Directors and the Service Heads (from here on in collectively referred to as the senior officers of the Fund).

The Pension Manager/Pension Investment & Treasury Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he/she considers appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pension Policy & Investment Committee or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013
Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013
Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of Pension Boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is created by statute and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004
The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.
Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator

has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

Local Government Act 2000
All members and co-opted members of the Enfield Pension Policy & Investment Committee are required by the Local Government Act 2000 to abide by Enfield's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

The Public Services Ombudsman for Wales' Ten Guiding Principles
The Local Government Act 2000 empowered the National Assembly to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added to these; a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

CODE OF CONDUCT & CONFLICT OF INTEREST POLICY

1. **Code of conduct**

1.1 As members of a publicly funded body with a responsibility to discharge public business, members of the Enfield Pension Board should have the highest standards of conduct.

1.2 Pension Board members should have regard to the Seven Principles of Public life:
- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

1.3 All Enfield Pension Board members must:
- Act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

- Not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

- Make all choices on merit and must be impartial and seen to be impartial, when carrying out your public duties.

- Co-operate fully with whatever scrutiny is appropriate to your role.

- Not, without proper authority, reveal any confidential and sensitive information that is provided to you, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation.

- Ensure when using or authorising the use by others of the resources of the authority that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

- Promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

- Sign the Conflict of Interest Declaration and declare any further potential conflicts of interest that may arise once appointed as a member.

- Comply with the Enfield Pension Fund Code in addition to all other existing Codes of Conduct or Protocols (e.g. The Member Code of Conduct).

2. Conflict of interest

2.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined in Section 5(5) as a “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme.”

2.2 A conflict of interest exists where a decision on a matter might reasonably be regarded as affecting (to a greater extent than other persons who may be affected by the decision) the well-being or financial position of the Councillor, a relative or a friend or

- the employment or business carried out by those persons, or in

which they might be investors (above a certain level),
- any of the bodies with which the decision maker is associated, and which decision maker will have registered in the appropriate register of interests.

It does not need to be shown that a conflict of interest actually exists. It is sufficient if it appears to a fair and informed observer that there was a real possibility of conflict.

2.3 Examples of potential conflicts of interest, not only for the Board but also for all those involved in managing the Pension Fund, are listed at appendix A.

2.4 All prospective Pension Board members are required to complete the Enfield Pension Fund Conflict of interest declaration before they are appointed to the Pension Board, attached at appendix B.

2.5 All appointments to the Pension Board should be kept under review by the Executive Director, Resources.

2.5 It is the duty of any appointed Pension Board member to declare any potential conflict of interest. This declaration should be made to the Chair of the Pension Board in the first instance or to the Scheme Manager and recorded in a register of interests.

2.7 The Pension Board shall identify and monitor any potential conflict of interests in a register of interests (attached at appendix C). The register of interests should be circulated to the Enfield Pension Board and Scheme Manager for review and publication.

2.8 If the Pension Board suspects any conflict of interest it should report its concerns to the Scheme Manager.

2.9 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the Pension Board, the Enfield Pension Board must consider obtaining legal advice when assessing its course of action and response. The Enfield Pension Board should consult the Monitoring Officer or the Service Head, Legal Services in the first instance.

2.10 Education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Knowledge and Understanding policy.

3. Operational procedure for officers, Pension Policy & Investment Committee members and Pension Board members

3.1 The following procedures must be followed by all individuals to whom this policy applies.

What is required	**How this will be done**
Step 1 - Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix B. This is in addition to the requirement to register disclosable pecuniary interests and other registerable interests. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix C.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pension Policy & Investment Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Governance Officer to the Chairman of every meeting prior to that meeting. At the start of the Pension Policy & Investment Committee meetings there will also, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual, who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Governance Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Officers, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Governance Officer and where it relates to the business of any meeting, also to the Chairman of that meeting. The Officers, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Pensions & Treasury Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.

What is required	How this will be done
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Officers will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see Appendix B) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. Following this exercise, the updated Register will then be circulated by the Officers to all individuals to whom it relates.

4. Operational procedure for advisers

4.1 All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with London Borough of Enfield.

4.2 Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Pensions & Treasury Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to London Borough of Enfield
- notify the Pensions & Treasury Manager immediately should a potential or actual conflict of interest arise.

4.3 All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

4.4 London Borough of Enfield will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

4.5 London Borough of Enfield will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

4.6 Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Policy & Investment Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

4.7 Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, London Borough of Enfield shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

4.8 *Minor Gifts*

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £10 per item and an overall maximum value of £20 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Policy & Investment Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the London Borough of Enfield Members' Code of Conduct.

5. Monitoring and Reporting

5.1 The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Governance Officer for the Fund. In addition, it will be published in the annual report and accounts

5.2 In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- Provide its findings to the Administering Authority's Independent Adviser and ask him or her to include comment on the management of conflicts of interest in his

or her annual report on the governance of the Fund each year.

6. Key Risks

6.1 The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Pension & Treasury Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

7. Costs

7.1 All costs related to the operation and implementation of this Policy will be met directly by Enfield Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

8. Approval, Review and Consultation

8.1 This Conflicts of Interest Policy is to be approved using delegated responsibilities on 27 February 2020. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Bola Tobun,
Pension & Treasury Manager,
London Borough of Enfield
E-mail - Bola.Tobun@enfield.gov.uk
Telephone – 020 8132 1588

Appendix A

Examples of Potential Conflicts of Interest

a) An elected member on the Pension Policy & Investment Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Pension Policy & Investment Committee is on the board of a Fund Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Policy & Investment Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.

d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Policy & Investment Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Policy & Investment Committee item.

g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Executive Director of Finance and Public Protection, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Policy & Investment Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.

h) Officers of the Fund are asked to provide a report to the Pension Board or Pension Policy & Investment Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.

i) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

j) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Policy & Investment Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Board.

Appendix B

Declaration of Interests relating to the management of Enfield Pension Fund administered by London Borough of Enfield

I, [insert full name] am:

Tick as appropriate

- an officer involved in the management ☐
- Pension Policy & Investment Committee Member ☐
- Pension Board Member ☐

of Enfield Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Enfield Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Undertaking:

I declare that I understand my responsibilities under the Enfield Pension Fund Conflicts of Interest Policy. I undertake to notify the Pension & Treasury Manager of any changes in the information set out above.

Signed:

Date:

Name:

(CAPITAL LETTERS)

Appendix C

Enfield Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by London Borough of Enfield, the Administering Authority.

Date Identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified (1)	Action taken (2)	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc.
(2) E.g. withdrawing from a decision making process, left meeting

Section 4 - Glossary

Actuary	A person who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.
Admitted bodies	These are employers who have been allowed into the Fund at the Council's discretion.
Alternative investments (Other Pooled Funds)	These are less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.
AVCs	Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Fund's AVC provider (Prudential).
Bulk transfer	A transfer of a group of members agreed by, and taking place between, two pension schemes.
Commutation	The conversion of an annual pension entitlement into a lump sum on retirement.
Contingent liability	A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain.
Custodian	A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.
Cross subsidies	Amounts of money by which organisations subsidise each other.
Discretionary	Allowable but not compulsory under law.
Dividends	Income to the Fund on its holdings of UK and overseas equities.
Emerging markets	The financial markets of developing economies.
Equities	Shares in UK and overseas companies.
FTSE	Financial Times – publishers of the FTSE-100, and other indices.
Gilt-edged securities (or Gilts)	Fixed-interest stocks issued by the UK Government.
Hedge fund	A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.
Index	A measure of the value of a stock market based on a representative sample of stocks.

LGPS	The Local Government Pension Scheme is a nationwide scheme for employees working in local government or working for other employers participating in the scheme and for some councillors.
LIBOR	London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments.
Mandatory	Compulsory by force of law.
Myners	Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001.
Private equity	Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (ie, not easily turned into cash) and higher-risk investments that should provide high returns over the long term.
Projected unit actuarial method	One of the common methods used by actuaries to calculate a contribution rate to the Scheme, which is usually expressed as a percentage of the members' pensionable pay.
Recovery period	Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated.
Rolling three-year periods	Successive periods of three years, such as years one to three, followed by years two to four. Performance is often measured over longer periods than a single year to eliminate the short-term effects of volatile changes in stock markets.
Scheduled bodies	These are organisations that have a right to be in the Fund.
Transfer value	A cash sum representing the value of a member's pension rights.
With profits	With-profits funds are investments that give a return in the form of annual bonuses and usually a final or terminal bonus.
Yield	Annual income on an investment divided by its price and expressed as a percentage.

Section 5:

Independent Auditor’s Report to the members of London Borough of Enfield Pension Fund

Independent auditor’s report to the members of the London Borough of Enfield on the pension fund financial statements

Local Authority Fund Statistics

2020/21

UNIVERSE OVERVIEW

	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Universe average	**22.8**	**7.6**	***9.5***	***6.9***	***6.9***	***8.4***
Range of Results						
Top Quartile	28.1	8.9	10.2	8.7	7.0	8.5
Median	24.5	7.9	9.3	8.2	6.7	8.3
Bottom Quartile	20.6	6.8	8.6	7.8	6.4	8.1
Total Equity	**39.0**	**10.0**	**12.3**	**9.7**	**7.5**	**9.0**
Global	40.5	11.5	13.7	13.0		
UK	30.0	3.9	6.7	6.6	5.6	7.8
Overseas	42.3	11.3	13.8	10.6	8.3	9.3
Emerging	46.7	8.5	12.7			
Total Bonds	**7.3**	**3.9**	**4.9**	**5.7**	**5.8**	**7.3**
UK Govt	-6.4	2.4	3.3			
UK Corp	10.0	5.0	5.5			
UK IL	2.1	2.8	5.6			
Global Bonds	6.8	3.6	4.4	3.8		
Absolute Return Bonds	11.9	3.0	3.8			
Private Debt	1.8					
Multi Asset Credit	20.4	2.7				
Alternatives	**8.0**	**8.1**	**9.2**	**8.3**	**6.2**	
Private Equity	12.3	13.1	13.8	14.4		
Infrastructure	1.1	5.9	8.4			
Hedge Funds	12.8	4.3	4.1	3.8		
Private Debt	1.4					
Diversified Growth	**15.2**	**3.6**	**4.0**			
Property	**0.4**	**2.5**	**4.5**	**6.9**	**6.5**	**7.7**

At the end of March 2021 the Universe was comprised of 64 funds with a combined value of £230 bn.
GMPF Designated Fund is included in the Universe but excluded from the League tables.
Haringey is included for 9 months but didn't have data available in time to be included for the full year.

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**22.8**		**7.6**		**9.5**		**8.3**		**6.9**		**8.4**	
Range of Results												
Top Quartile	28.1		8.9		10.2		8.7		7.0		8.5	
Median	24.5		7.9		9.3		8.2		6.7		8.3	
Bottom Quartile	20.6		6.8		8.6		7.8		6.4		8.1	
Avon Pension Fund	17.2	*89*	4.8	*100*	7.1	*98*	7.0	*93*	6.1	*95*	7.8	*92*
Barking and Dagenham	29.1	*18*	8.8	*26*	9.9	*33*	7.8	*70*	5.9	*96*	8.1	*72*
Barnet Pension Fund	27.6	*28*	7.9	*49*	8.5	*82*	7.0	*97*	6.1	*93*	7.7	*96*
Berkshire Pension Fund	15.1	*97*	6.1	*94*	7.6	*94*	6.7	*98*				
Bexley Pension Fund	17.4	*87*	8.0	*43*	9.5	*44*	8.9	*19*	7.3	*11*	9.0	*6*
Brent Pension Fund	21.8	*72*	7.8	*53*	8.3	*89*	7.4	*85*	5.1	*100*	7.0	*100*
Bromley Pension Fund	34.1	*2*	12.1	*2*	13.8	*1*	11.2	*1*	9.0	*2*	9.5	*2*
Cambridgeshire Pension Fund	25.9	*38*	8.2	*41*	10.2	*23*	8.3	*46*	6.5	*69*	8.1	*80*
Camden Pension Fund	31.0	*8*	8.6	*28*	10.2	*26*	7.8	*70*	6.6	*59*	8.2	*61*
Cardiff & Glamorgan Pension Fund	24.4	*53*	6.6	*84*	8.7	*72*	8.0	*65*	6.6	*65*	8.1	*80*
City of London Corporation Pension Fu	27.7	*26*	9.6	*15*	10.1	*31*	8.4	*44*	6.6	*63*		
Cornwall Pension Fund	15.4	*94*	6.6	*82*	7.6	*95*	6.0	*100*				
Cumbria Pension Fund	17.9	*84*	6.9	*71*	8.7	*71*	8.6	*31*	7.0	*28*	8.4	*33*
Devon Pension Fund	25.6	*43*	6.8	*74*	8.5	*85*	7.1	*90*	6.4	*76*	8.0	*88*
Dyfed Pension Fund	28.4	*21*	8.3	*39*	10.5	*16*	9.1	*10*	7.7	*8*	8.9	*8*
Ealing Pension Fund	22.6	*64*	6.6	*80*	8.8	*69*	8.1	*58*	6.8	*43*	8.5	*23*
East Riding Pension Fund	17.5	*85*	6.1	*94*	8.5	*82*	7.7	*80*	6.7	*52*	8.2	*65*
East Sussex Pension Fund	22.0	*69*	7.8	*56*	9.0	*67*	8.2	*53*	6.9	*37*	8.4	*35*
Enfield Pension Fund	21.0	*74*	8.0	*46*	8.6	*76*	8.0	*63*	6.6	*58*	8.4	*43*
Flintshire (Clywd)	23.2	*61*	7.1	*69*	9.2	*59*	7.4	*85*	6.3	*82*	7.9	*90*

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**22.8**		**7.6**		**9.5**		**8.3**		**6.9**		**8.4**	
Range of Results												
Top Quartile	28.1		8.9		10.2		8.7		7.0		8.5	
Median	24.5		7.9		9.3		8.2		6.7		8.3	
Bottom Quartile	20.6		6.8		8.6		7.8		6.4		8.1	
Gloucestershire Pension Fund	26.6	*36*	7.7	*62*	9.6	*43*	8.5	*34*	6.6	*56*	8.3	*57*
Greater Manchester Pension Fund	22.2	*66*	6.4	*85*	9.2	*59*	8.0	*63*	7.2	*20*	8.9	*12*
Greenwich Pension Fund	24.6	*49*	6.7	*79*	8.1	*90*	7.3	*87*	5.8	*98*		
Gwynedd Pension Fund	29.3	*16*	9.2	*20*	10.4	*21*	8.5	*41*	6.8	*46*	8.3	*53*
Hackney Pension Fund	25.6	*41*	7.9	*49*	9.5	*46*	7.7	*81*	6.5	*74*	8.1	*69*
Hammersmith and Fulham	21.9	*71*	7.7	*59*	8.6	*79*	8.7	*27*	7.0	*26*	8.2	*65*
Harrow Pension Fund	24.9	*48*	6.3	*89*	9.1	*66*	8.2	*54*	6.6	*54*	8.4	*39*
Havering Pension Fund	24.9	*46*	8.3	*36*	9.3	*51*	8.5	*36*	6.2	*85*	8.2	*59*
Hillingdon Pension Fund	17.2	*90*	4.9	*98*	7.1	*100*	7.0	*95*				
Hounslow Pension Fund	23.5	*56*	7.8	*56*	9.2	*54*	7.8	*76*	6.9	*37*	8.5	*31*
Isle of Wight Pension Fund	23.4	*57*	7.8	*57*	8.6	*74*	8.6	*29*	7.2	*13*	8.6	*18*
Islington Pension Fund	22.1	*67*	8.6	*30*	9.3	*53*	8.1	*56*	6.2	*85*	8.1	*69*
Kensington and Chelsea	30.9	*12*	11.9	*5*	12.9	*5*	11.2	*3*	8.2	*4*	9.3	*4*
Kent Pension Fund	31.5	*7*	9.1	*23*	10.5	*18*	9.0	*15*	7.1	*24*	8.4	*45*
Kingston upon Thames	28.7	*20*	9.8	*10*	10.6	*15*	9.1	*14*	7.0	*32*	8.3	*49*
Lambeth Pension Fund	27.0	*35*	9.6	*16*	9.7	*36*						
Lancashire Pension Fund	11.7	*100*	8.3	*38*	9.7	*38*	8.8	*24*	6.9	*37*	8.5	*31*
Lewisham Pension Fund	18.4	*80*	7.7	*61*	9.7	*39*	8.5	*39*	6.2	*87*	8.3	*55*
Lincolnshire Pension Fund	23.3	*59*	7.9	*51*	9.2	*59*	7.8	*73*	6.2	*89*	8.0	*82*
London Pension Fund Authority	16.6	*92*	8.0	*44*	9.3	*51*	7.1	*92*				

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**22.8**		**7.6**		**9.5**		**8.3**		**6.9**		**8.4**	
Range of Results												
Top Quartile	28.1		8.9		10.2		8.7		7.0		8.5	
Median	24.5		7.9		9.3		8.2		6.7		8.3	
Bottom Quartile	20.6		6.8		8.6		7.8		6.4		8.1	
Merseyside Pension Fund	15.3	*95*	6.0	*97*	8.5	*85*	7.8	*75*	6.7	*48*	8.3	*47*
Merton Pension Fund	31.0	*10*	10.4	*7*	11.0	*8*	8.9	*22*	7.2	*22*	8.6	*21*
Newham Pension Fund	13.8	*98*	6.1	*95*	7.8	*92*	8.2	*49*	6.4	*78*	7.6	*98*
Northamptonshire Pension Fund	27.0	*33*	9.1	*21*	10.2	*25*	8.7	*26*	6.7	*52*	8.5	*27*
Orkney Islands Pension Fund	38.3	*1*	12.0	*3*	13.7	*2*	11.2	*2*	9.2	*1*	9.8	*1*
Oxfordshire Pension Fund	23.5	*54*	7.5	*66*	9.6	*41*	8.4	*42*	6.3	*80*	8.0	*86*
Powys Pension Fund	17.9	*82*	7.2	*67*	9.1	*64*	8.5	*37*	6.5	*72*	7.8	*94*
Redbridge Pension Fund	27.1	*31*	8.3	*35*	9.2	*62*	8.1	*59*	6.5	*72*	8.1	*80*
Rhondda Cynon Taf Pension Fund	34.1	*3*	12.4	*1*	12.9	*3*	10.8	*5*	7.9	*6*	8.9	*10*
South Yorkshire Pension Authority	19.5	*77*	6.9	*72*	9.4	*48*	8.6	*32*	7.2	*17*	8.4	*37*
Southwark Pension Fund	24.4	*51*	9.6	*15*	10.4	*20*	9.4	*9*	7.2	*19*	8.7	*16*
Strathclyde Pension Fund	25.1	*44*	8.6	*31*	10.8	*10*	9.1	*12*	7.4	*9*	8.8	*14*
Suffolk Pension Fund	20.5	*76*	6.8	*76*	8.6	*79*	7.9	*66*	6.5	*69*		
Surrey Pension Fund	28.3	*23*	6.4	*87*	8.4	*87*	7.8	*73*	6.6	*63*	8.0	*86*
Sutton Pension Fund	25.8	*39*	8.9	*25*	10.1	*30*						
Swansea Pension Fund	30.6	*13*	9.8	*12*	10.7	*13*	8.3	*48*	6.9	*39*	8.3	*47*
Torfaen (Gwent)Pension Fund	30.5	*15*	8.4	*33*	10.2	*28*	8.2	*51*	6.8	*41*	8.1	*81*
Tower Hamlets Pension Fund	28.2	*25*	10.3	*8*	11.4	*7*	8.9	*20*	6.8	*45*	8.2	*66*
Waltham Forest Pension Fund	18.6	*79*	6.2	*90*	7.1	*98*	7.2	*88*	6.1	*91*	7.8	*91*
West Yorkshire Pension Fund	23.2	*62*	6.8	*77*	9.2	*61*	7.7	*80*	7.0	*32*	8.5	*25*

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**22.8**		**7.6**		**9.5**		**8.3**		**6.9**		**8.4**	
Range of Results												
Top Quartile	28.1		8.9		10.2		8.7		7.0		8.5	
Median	24.5		7.9		9.3		8.2		6.7		8.3	
Bottom Quartile	20.6		6.8		8.6		7.8		6.4		8.1	
Westminster Pension Fund	32.7	*5*	9.4	*18*	10.7	*12*	9.5	*7*				
Wandsworth & Richmond Fund	27.5	*30*	7.6	*64*	9.8	*35*	8.9	*17*	7.2	*17*	8.8	*15*

EQUITY PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**39.0**		**10.0**		**12.3**		**9.7**		**7.5**		**9.0**	
Range of Results												
Top Quartile	43.4		12.6		13.7		10.7		7.9		9.3	
Median	38.9		11.1		12.6		9.8		7.5		9.0	
Bottom Quartile	35.7		9.5		11.6		9.2		7.2		8.8	
Avon Pension Fund	37.9	*61*	8.4	*88*	10.2	*95*	8.8	*93*	6.8	*92*	8.4	*92*
Barking and Dagenham	50.0	*7*	13.2	*20*	15.7	*12*	11.4	*15*	7.7	*38*	9.6	*13*
Barnet Pension Fund	48.6	*12*	11.4	*42*	13.0	*35*	10.4	*37*	8.1	*16*	9.3	*24*
Berkshire Pension Fund	29.0	*97*										
Bexley Pension Fund	34.9	*80*	13.3	*19*	12.9	*47*	11.0	*22*	8.5	*8*	10.2	*4*
Brent Pension Fund	38.1	*59*	11.1	*51*	12.6	*54*	9.4	*72*	6.1	*100*	7.8	*100*
Bromley Pension Fund	48.6	*13*	16.9	*3*	18.1	*2*	14.1	*2*	10.4	*2*	10.6	*2*
Cambridgeshire Pension Fund	45.1	*21*	11.3	*48*	13.2	*31*	9.9	*48*	7.2	*74*	8.8	*75*
Camden Pension Fund	43.3	*28*	11.0	*56*	13.3	*29*	9.5	*67*	7.5	*54*	9.2	*36*
Cardiff & Glamorgan Pension Fund	38.3	*56*	7.3	*95*	10.1	*97*	8.8	*89*	7.0	*82*	8.6	*85*
City of London Corporation Pension	38.9	*49*	12.3	*29*	12.9	*45*	10.4	*33*	7.8	*30*		
Cornwall Pension Fund	36.9	*66*	11.9	*32*	13.1	*33*	10.0	*45*				
Cumbria Pension Fund	41.1	*41*	12.2	*31*	12.7	*52*	10.4	*33*	7.9	*24*	9.3	*28*
Devon Pension Fund	37.8	*62*	8.3	*90*	10.6	*88*	8.5	*96*	6.8	*90*	8.5	*87*
Dyfed Pension Fund	36.0	*72*	8.4	*87*	11.9	*69*	9.5	*63*	7.5	*54*	9.1	*41*
Ealing Pension Fund	38.9	*51*	9.5	*75*	11.7	*76*	9.5	*63*	7.5	*48*	9.4	*19*
East Riding Pension Fund	31.1	*95*	7.1	*100*	10.4	*93*	8.9	*85*	7.3	*60*	8.8	*70*
East Sussex Pension Fund	28.4	*98*	7.2	*97*	10.5	*91*	9.1	*82*	7.2	*66*	8.7	*81*
Enfield Pension Fund	41.8	*35*	13.7	*15*	15.0	*14*	11.8	*9*	8.2	*12*	9.8	*6*
Flintshire (Clywd)	42.1	*31*	9.0	*80*	13.6	*28*	9.4	*69*	7.2	*64*	8.5	*89*

EQUITY PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**39.0**		**10.0**		**12.3**		**9.7**		**7.5**		**9.0**	
Range of Results												
Top Quartile	43.4		12.6		13.7		10.7		7.9		9.3	
Median	38.9		11.1		12.6		9.8		7.5		9.0	
Bottom Quartile	35.7		9.5		11.6		9.2		7.2		8.8	
Gloucestershire Pension Fund	40.1	*46*	10.0	*65*	12.3	*60*	9.8	*52*	7.2	*76*	9.0	*55*
Greater Manchester Pension Fund	41.2	*39*	7.2	*98*	11.3	*81*	9.0	*83*	7.4	*58*	9.3	*21*
Greenwich Pension Fund	41.4	*38*	9.7	*73*	11.8	*74*	8.9	*87*	6.5	*96*		
Gwynedd Pension Fund	39.7	*48*	10.7	*59*	12.2	*64*	9.5	*67*	7.2	*72*	8.8	*66*
Hackney Pension Fund	43.5	*25*	11.3	*49*	12.5	*57*	9.3	*74*	7.0	*80*	8.7	*77*
Hammersmith and Fulham	35.1	*79*	11.3	*46*	12.3	*62*	11.4	*17*	8.8	*6*	9.8	*11*
Harrow Pension Fund	34.8	*84*	9.5	*76*	12.4	*59*	9.8	*58*	7.1	*78*	9.0	*49*
Havering Pension Fund	49.3	*8*	14.9	*9*	17.0	*5*	9.9	*50*	7.0	*84*	8.9	*58*
Hillingdon Pension Fund	32.8	*92*	7.4	*93*	8.6	*100*	7.7	*100*				
Hounslow Pension Fund	32.2	*94*	10.0	*66*	11.5	*79*	8.8	*91*	7.5	*54*	9.0	*53*
Isle of Wight Pension Fund	35.4	*77*	10.7	*61*	11.2	*83*	10.4	*35*	8.0	*18*	9.3	*32*
Islington Pension Fund	36.2	*71*	10.5	*63*	11.9	*66*	9.2	*76*	6.4	*98*	8.4	*94*
Kensington and Chelsea	41.8	*33*	14.3	*10*	15.7	*10*	13.9	*4*				
Kent Pension Fund	50.6	*5*	11.6	*39*	12.9	*43*	10.5	*30*	7.6	*40*	8.9	*62*
Kingston upon Thames	38.6	*54*	13.6	*17*	14.9	*16*	11.6	*13*	8.0	*20*	9.3	*34*
Lambeth Pension Fund	53.6	*2*	17.4	*2*	17.2	*4*						
Lancashire Pension Fund	25.8	*100*	12.5	*27*	12.9	*43*	11.1	*19*	7.9	*22*	9.3	*30*
Lewisham Pension Fund	34.5	*85*	11.1	*53*	12.8	*50*	10.1	*41*	6.6	*94*	8.7	*81*
Lincolnshire Pension Fund	38.3	*57*	11.4	*44*	12.5	*55*	9.9	*48*	6.9	*86*	8.7	*83*
London Pension Fund Authority	38.9	*53*										

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	**39.0**		**10.0**		**12.3**		**9.7**		**7.5**		**9.0**	
Range of Results												
Top Quartile	43.4		12.6		13.7		10.7		7.9		9.3	
Median	38.9		11.1		12.6		9.8		7.5		9.0	
Bottom Quartile	35.7		9.5		11.6		9.2		7.2		8.8	
Merseyside Pension Fund	34.8	*82*	8.6	*83*	10.9	*85*	8.7	*95*	6.8	*88*	8.3	*96*
Merton Pension Fund	42.9	*30*	14.3	*12*	13.9	*24*	10.1	*39*	7.6	*46*	9.2	*38*
Newham Pension Fund	34.3	*87*	9.8	*68*	11.9	*71*	10.6	*28*	7.8	*28*	9.1	*43*
Northamptonshire Pension Fund	46.2	*16*	14.0	*14*	14.2	*21*	11.1	*20*	7.9	*26*	9.6	*15*
Orkney Islands Pension Fund	54.5	*1*	17.6	*1*	18.9	*1*	14.4	*1*	10.7	*1*	11.1	*1*
Oxfordshire Pension Fund	36.6	*67*	8.8	*81*	11.6	*78*	9.2	*78*				
Powys Pension Fund	49.1	*10*	12.9	*24*	14.6	*17*	11.9	*8*	7.2	*70*	8.3	*98*
Redbridge Pension Fund	44.3	*23*	12.5	*26*	14.4	*19*	10.1	*43*	7.4	*56*	8.8	*75*
Rhondda Cynon Taf Pension Fund	47.9	*15*	15.0	*7*	15.8	*9*	12.7	*6*	8.9	*4*	9.8	*9*
South Yorkshire Pension Authority	35.7	*74*	9.2	*78*	11.8	*73*	9.2	*80*	7.6	*44*	8.8	*64*
Southwark Pension Fund	33.2	*90*	11.6	*41*	13.0	*40*	10.8	*24*	7.7	*36*	9.0	*47*
Strathclyde Pension Fund	45.8	*18*	11.9	*34*	14.2	*23*	10.7	*26*	8.3	*10*	9.6	*17*
Suffolk Pension Fund	33.9	*89*	10.9	*58*	11.9	*67*	9.8	*56*	7.3	*62*		
Surrey Pension Fund	36.9	*64*	8.4	*85*	10.8	*86*	9.4	*70*	7.6	*44*	8.9	*60*
Sutton Pension Fund	40.6	*43*	13.0	*22*	13.9	*26*						
Swansea Pension Fund	40.4	*44*	11.7	*36*	13.0	*38*	9.8	*54*	7.7	*36*	8.9	*58*
Torfaen (Gwent)Pension Fund	41.7	*36*	11.0	*54*	12.8	*48*						
Tower Hamlets Pension Fund	52.0	*3*	15.6	*5*	16.3	*7*	11.6	*11*	8.2	*14*	9.1	*43*
Waltham Forest Pension Fund	43.5	*26*	9.7	*70*	10.1	*98*	9.5	*59*	7.7	*32*	9.2	*37*
West Yorkshire Pension Fund	35.6	*76*	7.9	*92*	10.5	*91*	8.2	*98*	7.2	*70*	8.8	*65*

EQUITY PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**39.0**		**10.0**		**12.3**		**9.7**		**7.5**		**9.0**	
Range of Results												
Top Quartile	43.4		12.6		13.7		10.7		7.9		9.3	
Median	38.9		11.1		12.6		9.8		7.5		9.0	
Bottom Quartile	35.7		9.5		11.6		9.2		7.2		8.8	
Westminster Pension Fund	45.5	*20*	11.7	*37*	13.0	*36*						
Wandsworth & Richmond Fund	36.2	*69*	9.7	*71*								

BOND /CREDIT PERORMANCE

FundName	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	**7.3**		**3.9**		**4.9**		**5.7**		**5.8**		**7.3**	
Range of Results												
Top Quartile	12.7		4.4		5.5		6.4		6.1		7.5	
Median	8.0		3.8		4.6		5.8		5.7		7.2	
Bottom Quartile	4.2		3.1		3.7		4.7		5.1		6.8	
Avon Pension Fund	18.8	*4*	4.3	*34*	4.8	*38*	6.9	*15*				
Barking and Dagenham	2.9	*85*	1.3	*94*	2.1	*96*	2.9	*96*	4.2	*98*	6.4	*92*
Barnet Pension Fund	10.2	*36*	3.9	*40*	4.8	*36*	6.3	*30*	6.1	*18*	7.3	*44*
Berkshire Pension Fund	4.5	*71*										
Bexley Pension Fund	6.1	*59*	3.5	*57*	3.6	*76*	4.2	*81*	5.2	*70*	6.9	*69*
Brent Pension Fund	-0.8	*97*	2.7	*79*	3.3	*84*	3.7	*92*	4.4	*95*	6.7	*82*
Bromley Pension Fund	11.0	*33*	2.8	*77*	3.9	*72*	5.8	*49*	5.6	*60*	7.1	*57*
Cambridgeshire Pension Fund	11.2	*31*	2.2	*83*	4.8	*42*	4.7	*75*	5.0	*80*	6.7	*85*
Camden Pension Fund	11.2	*29*	0.5	*96*	2.2	*94*	3.9	*85*	4.8	*88*	6.5	*90*
Cardiff & Glamorgan Pension Fund	6.9	*55*	4.4	*30*	4.2	*62*	5.0	*72*	5.8	*43*	7.4	*39*
City of London Corporation Pension	25.1	*1*										
Cornwall Pension Fund	14.3	*16*	-0.2	*98*	1.2	*100*	0.5	*100*				
Cumbria Pension Fund	0.6	*91*	-0.6	*100*	3.3	*86*	6.2	*36*				
Devon Pension Fund	10.9	*35*	4.6	*17*	4.6	*48*	3.8	*87*	5.1	*75*	6.8	*72*
Dyfed Pension Fund	-0.1	*93*										
Ealing Pension Fund	9.0	*40*	4.8	*10*	5.8	*18*	7.1	*11*	6.1	*23*	7.6	*21*
East Riding Pension Fund	1.6	*90*	5.0	*6*	5.5	*24*	5.3	*68*	5.5	*63*	6.7	*80*
East Sussex Pension Fund	4.8	*69*	3.9	*42*	6.1	*10*	7.7	*4*	6.6	*8*	7.7	*15*
Enfield Pension Fund	8.6	*43*	3.2	*70*	4.4	*60*	5.8	*51*	6.1	*28*	7.5	*33*
Flintshire (Clywd)	14.4	*14*	1.5	*87*	2.9	*92*	5.4	*62*	5.1	*75*	7.2	*46*

BOND /CREDIT PERORMANCE

FundName	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	**7.3**		**3.9**		**4.9**		**5.7**		**5.8**		**7.3**	
Range of Results												
Top Quartile	12.7		4.4		5.5		6.4		6.1		7.5	
Median	8.0		3.8		4.6		5.8		5.7		7.2	
Bottom Quartile	4.2		3.1		3.7		4.7		5.1		6.8	
Gloucestershire Pension Fund	11.4	*28*	3.5	*59*	5.2	*32*	6.3	*32*	5.9	*35*	7.5	*36*
Greater Manchester Pension Fund	5.7	*64*	4.5	*27*	4.8	*42*	5.7	*55*	6.0	*33*	7.5	*31*
Greenwich Pension Fund	9.1	*38*	3.8	*43*	4.2	*64*	6.0	*43*	5.9	*40*		
Gwynedd Pension Fund	8.0	*50*	1.4	*93*	1.7	*98*	2.2	*98*	3.9	*100*	5.9	*100*
Hackney Pension Fund	2.9	*83*	4.5	*23*	5.5	*26*	6.7	*19*				
Hammersmith and Fulham	8.3	*45*	3.1	*76*	4.4	*56*	6.6	*21*	5.9	*40*	7.2	*51*
Harrow Pension Fund	16.3	*9*	5.2	*4*	6.5	*6*	7.9	*2*	7.2	*1*	8.2	*3*
Havering Pension Fund	8.9	*41*	5.3	*2*	7.1	*2*	9.2	*1*	7.1	*3*	8.4	*1*
Hillingdon Pension Fund	6.6	*57*	3.4	*60*	5.8	*14*	6.1	*38*				
Hounslow Pension Fund	7.7	*52*	4.4	*32*								
Isle of Wight Pension Fund	4.5	*73*	4.8	*11*	5.2	*30*	6.3	*34*				
Islington Pension Fund	8.1	*47*	4.7	*13*	5.2	*28*	6.3	*28*	5.7	*50*	7.3	*44*
Kent Pension Fund	16.7	*7*	3.3	*64*	4.1	*70*	4.4	*79*	4.9	*83*	7.0	*62*
Kingston upon Thames	13.0	*24*	3.8	*47*	4.4	*56*	5.5	*58*	5.8	*45*	7.2	*49*
Lambeth Pension Fund	23.1	*2*	8.2	*1*	7.2	*1*						
Lancashire Pension Fund	2.6	*86*	3.8	*45*	6.1	*12*	5.7	*53*	5.6	*55*	7.1	*59*
Lewisham Pension Fund	-0.2	*95*	3.7	*51*	5.6	*20*	7.4	*6*	6.9	*5*	8.1	*5*
Lincolnshire Pension Fund	5.8	*60*	3.2	*70*	3.6	*78*	3.7	*89*	4.9	*85*	5.9	*98*
London Pension Fund Authority	5.8	*62*										
Merseyside Pension Fund	-8.7	*100*	4.6	*21*	5.8	*16*	6.9	*13*	6.5	*10*	8.0	*10*

BOND /CREDIT PERORMANCE

FundName	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**7.3**		**3.9**		**4.9**		**5.7**		**5.8**		**7.3**	
Range of Results												
Top Quartile	12.7		4.4		5.5		6.4		6.1		7.5	
Median	8.0		3.8		4.6		5.8		5.7		7.2	
Bottom Quartile	4.2		3.1		3.7		4.7		5.1		6.8	
Merton Pension Fund	15.6	*12*	4.9	*8*	6.2	*8*	7.2	*9*	6.5	*15*	7.6	*23*
Newham Pension Fund	3.1	*81*	4.4	*28*	3.4	*82*	5.3	*66*	5.6	*60*	6.8	*74*
Northamptonshire Pension Fund	4.0	*78*	3.2	*70*	4.5	*52*	5.4	*64*	5.7	*53*	7.2	*54*
Orkney Islands Pension Fund	-5.2	*98*	1.4	*91*	3.9	*74*	5.2	*70*	5.3	*68*	7.0	*67*
Oxfordshire Pension Fund	4.9	*67*	4.5	*25*	5.1	*34*	6.4	*26*	6.1	*23*	7.6	*21*
Powys Pension Fund	3.2	*79*	2.4	*81*	4.4	*60*	6.0	*45*	6.1	*25*	7.8	*13*
Redbridge Pension Fund	4.3	*74*	3.6	*55*	4.7	*44*	6.7	*19*	6.0	*33*	7.5	*28*
Rhondda Cynon Taf Pension Fund	5.1	*66*	4.7	*15*	4.7	*46*	6.0	*41*	5.7	*50*	7.5	*28*
South Yorkshire Pension Authority	7.6	*54*	4.6	*21*	6.7	*4*	6.5	*24*				
Southwark Pension Fund	12.4	*26*										
Strathclyde Pension Fund	13.3	*21*	3.8	*49*	4.1	*66*	4.5	*77*	5.1	*78*	6.6	*87*
Suffolk Pension Fund	13.3	*19*	3.3	*62*								
Surrey Pension Fund	17.8	*5*	1.8	*85*	3.6	*80*	5.5	*60*	5.5	*65*	7.0	*64*
Sutton Pension Fund	8.0	*48*	4.0	*38*	5.6	*22*						
Swansea Pension Fund	4.1	*76*	3.1	*76*	3.2	*88*	4.0	*83*	4.7	*90*	6.7	*77*
Tower Hamlets Pension Fund	16.0	*10*	1.5	*89*	3.0	*90*	3.1	*94*	4.4	*95*	6.2	*95*
West Yorkshire Pension Fund	2.6	*88*	3.2	*72*	4.6	*50*	5.9	*47*	6.5	*13*	8.0	*8*
Westminster Pension Fund	14.1	*17*	4.0	*36*	4.1	*68*						
Wandsworth & Richmond Fund	13.0	*23*	3.6	*53*								

ALTERNATIVES PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*
Universe Average	**8.0**		**8.1**		**9.2**		**8.3**	
Range of Results								
Top Quartile	11.7		9.9		10.2		9.8	
Median	6.9		7.3		7.8		6.9	
Bottom Quartile	3.5		6.2		6.3		5.6	
Avon Pension Fund	8.0	*45*	8.9	*32*	10.1	*27*	5.3	*82*
Barking and Dagenham	6.8	*52*	5.2	*89*	5.8	*90*	5.6	*76*
Barnet Pension Fund	3.8	*74*	9.9	*25*				
Berkshire Pension Fund	5.6	*59*						
Bexley Pension Fund	10.2	*32*						
Brent Pension Fund	-6.5	*98*	5.3	*86*	5.8	*85*	8.3	*39*
Cambridgeshire Pension Fund	7.3	*46*	9.0	*30*	7.8	*49*	9.9	*24*
Camden Pension Fund	-1.3	*93*	13.2	*11*	10.2	*24*	6.1	*61*
Cardiff & Glamorgan Pension Fund	14.3	*15*	15.2	*7*	15.2	*5*	12.5	*6*
City of London Corporation Pension	12.1	*20*	6.2	*75*	6.9	*61*		
Cornwall Pension Fund	6.1	*56*	3.3	*98*	5.5	*95*	5.6	*70*
Cumbria Pension Fund	5.8	*58*	7.7	*48*	9.1	*37*	9.3	*30*
Devon Pension Fund	3.9	*72*	6.8	*66*	7.2	*56*	6.1	*64*
Dyfed Pension Fund	-0.4	*85*						
Ealing Pension Fund	-0.4	*83*						
East Riding Pension Fund	4.6	*67*	6.6	*73*	8.8	*42*	8.7	*36*
East Sussex Pension Fund	19.4	*9*	8.7	*34*	7.4	*54*	6.6	*58*
Enfield Pension Fund	16.3	*11*	6.7	*71*	5.9	*83*	7.0	*49*
Flintshire (Clywd)	9.4	*33*	5.4	*84*	5.9	*81*	4.9	*91*
Gloucestershire Pension Fund	0.5	*82*	7.3	*50*	6.7	*68*		

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	**8.0**		**8.1**		**9.2**		**8.3**	
Range of Results								
Top Quartile	11.7		9.9		10.2		9.8	
Median	6.9		7.3		7.8		6.9	
Bottom Quartile	3.5		6.2		6.3		5.6	
Greater Manchester Pension Fund	8.2	*43*	10.0	*23*	10.8	*22*	10.0	*18*
Greenwich Pension Fund	28.1	*2*	8.1	*46*	5.6	*93*		
Gwynedd Pension Fund	27.7	*4*	24.6	*1*	24.7	*1*	17.2	*1*
Hammersmith and Fulham	7.1	*48*	7.0	*59*	6.7	*66*	4.8	*94*
Harrow Pension Fund	11.6	*26*	8.1	*46*	9.4	*32*	10.3	*15*
Havering Pension Fund	-5.1	*96*	4.7	*96*	-0.2	*100*	2.4	*97*
Hillingdon Pension Fund	8.7	*39*	6.8	*64*	7.9	*46*	7.1	*46*
Hounslow Pension Fund	15.4	*13*	5.1	*91*				
Islington Pension Fund	3.3	*76*	15.2	*5*	12.0	*15*		
Kensington and Chelsea	35.0	*1*	16.4	*2*	12.5	*12*	9.9	*21*
Kent Pension Fund	13.4	*19*	6.8	*68*	6.7	*71*	5.4	*79*
Lambeth Pension Fund	11.4	*30*	10.1	*21*	6.2	*78*		
Lancashire Pension Fund	2.1	*78*	9.4	*27*	11.1	*20*	10.7	*12*
Lewisham Pension Fund	4.1	*70*	8.2	*41*	7.8	*51*	5.2	*85*
Lincolnshire Pension Fund	8.8	*37*	6.2	*77*	6.7	*64*	5.6	*73*
London Pension Fund Authority	4.6	*65*						
Merseyside Pension Fund	8.6	*41*	5.0	*93*	8.1	*44*	7.3	*43*
Merton Pension Fund	11.4	*30*						
Newham Pension Fund	-0.9	*89*	7.1	*52*	5.8	*88*	9.7	*27*
Northamptonshire Pension Fund	6.4	*54*	6.9	*61*	2.0	*98*	-0.2	*100*

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	**8.0**		**8.1**		**9.2**		**8.3**	
Range of Results								
Top Quartile	11.7		9.9		10.2		9.8	
Median	6.9		7.3		7.8		6.9	
Bottom Quartile	3.5		6.2		6.3		5.6	
Orkney Islands Pension Fund	1.1	*80*						
Oxfordshire Pension Fund	25.1	*6*	14.0	*9*	15.7	*3*	13.1	*3*
Powys Pension Fund	4.5	*69*	7.0	*55*	6.3	*76*	5.1	*88*
South Yorkshire Pension Authority	11.9	*22*	8.7	*39*	9.3	*34*		
Southwark Pension Fund	4.8	*63*						
Strathclyde Pension Fund	6.9	*50*	11.1	*16*	12.7	*7*	12.0	*9*
Suffolk Pension Fund	11.8	*24*	5.5	*82*	6.9	*59*	6.7	*55*
Surrey Pension Fund	-1.6	*95*	8.7	*36*	11.2	*17*		
Sutton Pension Fund	13.7	*17*	11.3	*14*	12.5	*10*		
Swansea Pension Fund	20.4	*8*	10.5	*18*	9.1	*39*	6.8	*52*
Torfaen (Gwent)Pension Fund	9.2	*35*	2.8	*100*				
Waltham Forest Pension Fund	-0.9	*87*	5.7	*80*	6.4	*73*	5.8	*67*
West Yorkshire Pension Fund	5.0	*61*	7.0	*57*	9.5	*29*	9.1	*33*
Westminster Pension Fund	-8.0	*100*						
Wandsworth & Richmond Fund	-1.3	*91*						

PROPERTY PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**0.4**		**2.5**		**4.5**		**6.9**		**6.5**		**7.7**	
Range of Results												
Top Quartile	3.4		3.3		5.0		7.3		6.8		8.2	
Median	1.9		2.5		4.4		6.5		6.0		7.4	
Bottom Quartile	-1.2		1.8		3.9		5.8		5.1		6.7	
Avon Pension Fund	-4.6	*95*	1.9	*73*	4.6	*42*	6.5	*49*				
Barking and Dagenham	2.8	*39*	1.8	*75*	3.4	*85*	4.2	*98*	4.9	*92*	6.6	*82*
Barnet Pension Fund	3.6	*20*										
Berkshire Pension Fund	6.8	*3*										
Bexley Pension Fund	1.1	*61*	1.8	*76*	4.1	*66*	7.4	*24*				
Bromley Pension Fund	2.6	*42*	1.7	*82*								
Cambridgeshire Pension Fund	4.7	*10*	3.0	*35*	4.2	*59*	5.9	*75*	5.6	*66*		
Camden Pension Fund	-5.3	*98*	1.7	*78*	4.6	*40*	7.3	*28*	6.3	*43*	7.5	*45*
Cardiff & Glamorgan Pension Fund	0.7	*66*	4.7	*6*	5.5	*11*	7.6	*13*				
City of London Corporation Pension	3.5	*24*										
Cornwall Pension Fund	2.8	*37*	3.6	*22*	4.7	*34*	6.3	*55*				
Cumbria Pension Fund	6.3	*5*	2.4	*55*	5.0	*28*	7.7	*11*	7.8	*6*	9.3	*4*
Devon Pension Fund	3.6	*22*	3.8	*16*	5.2	*19*	7.6	*15*	6.4	*40*		
Dyfed Pension Fund	1.7	*51*	2.2	*60*	4.3	*53*	6.6	*45*				
Ealing Pension Fund	0.8	*65*	2.0	*69*	4.0	*72*						
East Riding Pension Fund	8.4	*2*	5.4	*2*	5.3	*15*	6.3	*62*	5.8	*60*	6.9	*63*
East Sussex Pension Fund	2.6	*41*	2.1	*62*	3.9	*76*	7.0	*34*	6.0	*57*	7.3	*56*
Enfield Pension Fund	4.1	*14*	3.1	*33*	4.1	*60*	4.5	*96*	4.4	*94*	6.9	*67*
Flintshire (Clywd)	1.3	*56*	4.6	*7*	5.3	*13*	7.6	*19*	6.7	*32*	7.2	*59*
Gloucestershire Pension Fund	1.1	*59*	3.1	*33*	5.0	*30*	8.0	*6*	7.9	*3*		

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	**0.4**		**2.5**		**4.5**		**6.9**		**6.5**		**7.7**	
Range of Results												
Top Quartile	3.4		3.3		5.0		7.3		6.8		8.2	
Median	1.9		2.5		4.4		6.5		6.0		7.4	
Bottom Quartile	-1.2		1.8		3.9		5.8		5.1		6.7	
Greater Manchester Pension Fund	-1.9	*85*	-0.1	*95*	2.4	*94*	5.4	*83*	6.0	*49*	8.1	*30*
Greenwich Pension Fund	-0.6	*73*	1.1	*87*	3.3	*87*	5.9	*72*	4.4	*97*		
Gwynedd Pension Fund	3.1	*31*	2.6	*47*	4.0	*74*	7.1	*30*	6.5	*34*	8.2	*26*
Hackney Pension Fund	1.4	*54*	2.1	*66*	3.7	*77*	7.0	*36*	7.3	*12*	8.2	*26*
Hammersmith and Fulham	3.8	*17*	5.5	*1*	6.8	*1*						
Harrow Pension Fund	-2.4	*90*	-0.5	*96*	2.1	*98*	5.6	*77*	5.5	*69*	7.8	*37*
Havering Pension Fund	0.2	*70*	3.9	*15*	5.3	*17*	6.0	*70*				
Hillingdon Pension Fund	9.0	*1*	2.2	*56*	4.3	*51*	7.3	*26*				
Hounslow Pension Fund	1.6	*53*	0.4	*93*	2.8	*91*	6.3	*60*	7.4	*9*		
Isle of Wight Pension Fund	5.3	*9*	3.7	*20*	5.8	*6*	8.1	*4*	6.4	*40*	6.0	*96*
Islington Pension Fund	3.2	*27*	4.0	*13*	5.2	*21*	7.1	*32*				
Kensington and Chelsea	-9.2	*100*	-1.0	*100*	2.1	*100*	5.4	*81*				
Kent Pension Fund	3.4	*26*	3.8	*18*	6.5	*2*	9.0	*1*	9.1	*1*	9.7	*1*
Kingston upon Thames	0.4	*68*	1.7	*82*	3.4	*83*	5.6	*79*	4.9	*89*		
Lambeth Pension Fund	-5.1	*97*	0.4	*91*	4.4	*47*						
Lancashire Pension Fund	-0.1	*71*	2.4	*51*	5.8	*10*	6.3	*58*	7.0	*20*	8.3	*19*
Lewisham Pension Fund	2.9	*34*	2.8	*42*	4.3	*55*	6.8	*43*	5.6	*66*	6.6	*78*
Lincolnshire Pension Fund	2.3	*46*	1.9	*73*	3.6	*81*	5.0	*92*	5.0	*86*	6.2	*89*
London Pension Fund Authority	-1.9	*87*										
Merseyside Pension Fund	-2.0	*88*	1.6	*84*	4.1	*70*	6.9	*38*	6.9	*23*	7.8	*33*

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	**0.4**		**2.5**		**4.5**		**6.9**		**6.5**		**7.7**	
Range of Results												
Top Quartile	3.4		3.3		5.0		7.3		6.8		8.2	
Median	1.9		2.5		4.4		6.5		6.0		7.4	
Bottom Quartile	-1.2		1.8		3.9		5.8		5.1		6.7	
Merton Pension Fund	3.7	*19*	3.3	*26*	4.4	*47*	5.2	*87*	5.1	*77*	7.4	*48*
Newham Pension Fund	-1.8	*80*	4.3	*9*	4.1	*62*	6.4	*53*	5.0	*86*	5.7	*100*
Northamptonshire Pension Fund	-1.1	*75*	0.9	*89*	3.1	*89*	5.2	*85*	5.3	*72*	8.4	*11*
Oxfordshire Pension Fund	-1.8	*83*	2.0	*67*	4.1	*64*	6.4	*51*	5.0	*80*	6.2	*93*
Powys Pension Fund	3.1	*31*	2.9	*38*	4.7	*38*	5.1	*89*				
Redbridge Pension Fund	1.2	*58*	2.6	*49*	5.0	*25*	7.6	*17*	6.8	*29*		
Rhondda Cynon Taf Pension Fund	-1.6	*78*	2.7	*44*	5.0	*23*	6.1	*66*				
South Yorkshire Pension Authority	5.5	*7*	2.4	*53*	3.7	*79*	7.4	*24*	7.3	*14*	8.3	*15*
Southwark Pension Fund	3.8	*15*	5.2	*4*	5.8	*8*	7.8	*9*	7.1	*17*	8.4	*11*
Strathclyde Pension Fund	-3.4	*93*	2.2	*60*	4.9	*32*	8.2	*2*	6.8	*26*	7.7	*41*
Suffolk Pension Fund	2.2	*48*	2.1	*66*	4.1	*70*	6.8	*43*	6.0	*52*		
Surrey Pension Fund	-1.8	*81*	2.8	*40*	4.2	*57*	6.3	*64*	5.2	*74*	6.7	*74*
Sutton Pension Fund	1.1	*63*	1.4	*86*	2.6	*93*						
Swansea Pension Fund	-2.6	*92*	-0.7	*98*	2.4	*96*	4.9	*94*				
Torfaen (Gwent)Pension Fund	3.0	*32*	3.3	*29*	5.0	*27*						
Tower Hamlets Pension Fund	2.8	*36*	2.9	*36*	4.7	*36*	6.6	*47*	6.0	*54*	7.4	*52*
Waltham Forest Pension Fund	2.5	*44*	3.3	*24*	4.4	*49*	3.3	*100*	3.7	*100*	6.4	*85*
West Yorkshire Pension Fund	-1.5	*76*	2.7	*46*	4.5	*43*	6.1	*68*	6.2	*46*	6.9	*70*
Westminster Pension Fund	2.0	*49*	4.2	*11*	6.0	*4*						
Wandsworth & Richmond Fund	4.3	*12*	3.3	*27*								

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*
Universe Average	**15.2**		**3.6**		**4.0**	
Range of Results						
Top Quartile	19.1		4.9		5.2	
Median	15.2		3.2		4.3	
Bottom Quartile	11.2		2.4		3.3	
Avon Pension Fund	8.5	*83*	2.9	*62*	2.4	*79*
Barking and Dagenham	13.0	*73*	5.0	*19*	3.7	*58*
Barnet Pension Fund	22.6	*7*	8.8	*1*	6.8	*1*
Brent Pension Fund	19.4	*21*	5.4	*15*	4.9	*33*
Camden Pension Fund	21.3	*10*	4.8	*27*	5.0	*29*
Cornwall Pension Fund	25.1	*1*	5.6	*8*	5.8	*13*
Devon Pension Fund	14.4	*55*	0.9	*85*	3.5	*63*
Gloucestershire Pension Fund	4.7	*90*	2.1	*77*	1.6	*96*
Greenwich Pension Fund	-1.2	*97*	-0.5	*100*		
Hackney Pension Fund	10.7	*76*	0.2	*92*	2.1	*88*
Hammersmith and Fulham	20.7	*14*	7.2	*4*	6.6	*4*
Harrow Pension Fund	14.9	*52*	3.3	*46*	3.4	*67*
Havering Pension Fund	19.6	*17*	4.6	*31*	5.2	*21*
Hounslow Pension Fund	15.8	*45*	3.1	*58*	4.5	*46*
Isle of Wight Pension Fund	18.3	*31*	2.7	*69*	4.7	*42*
Islington Pension Fund	24.2	*4*	5.6	*12*	6.5	*8*
Kingston upon Thames	13.7	*66*	4.0	*39*	3.3	*75*
Lewisham Pension Fund	-1.6	*100*	-0.3	*96*		
London Pension Fund Authority	3.6	*93*				
Merton Pension Fund	14.1	*62*				

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*
Universe Average	**15.2**		**3.6**		**4.0**	
Range of Results						
Top Quartile	19.1		4.9		5.2	
Median	15.2		3.2		4.3	
Bottom Quartile	11.2		2.4		3.3	
Newham Pension Fund	8.2	*86*	0.4	*89*	2.2	*83*
Northamptonshire Pension Fund	17.8	*38*	2.7	*73*	4.7	*38*
Orkney Islands Pension Fund	18.5	*28*	3.2	*50*	5.2	*25*
Oxfordshire Pension Fund	14.3	*59*	3.3	*46*	4.2	*50*
Redbridge	17.4	*41*	3.2	*54*	2.0	*92*
Southwark Pension Fund	17.9	*35*				
Surrey Pension Fund	15.5	*48*	4.0	*35*	3.3	*71*
Sutton Pension Fund	13.4	*69*	2.9	*65*	3.9	*54*
Torfaen (Gwent)Pension Fund	8.8	*79*	1.9	*81*	1.5	*100*
Tower Hamlets Pension Fund	19.3	*24*	5.0	*23*	5.6	*17*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Average	**56**	**51**	**17**	**21**	**14**	**13**	**8**	**9**	**2**	**2**	**2**	**3**		
Range														
Top Quartile	64	62	22	25	15	17	9	10	3	2	9	11		
Median	57	54	18	19	8	9	8	9	1	1	0	3		
Bottom Quartile	49	44	12	12	4	4	3	6	0	0	0	0		
Avon Pension Fund	38	44	23	17	13	14	12	10	2	1	9	13	2	1
Barking and Dagenham	57	49	8	10	15	17	5	6	1	0	15	17	0	0
Barnet Pension Fund	46	41	27	34	6	7	4	2	3	0	13	15	0	0
Berkshire Pension Fund	44		15		24		13		4		0		0	
Bexley Pension Fund	40	41	30	21	17	17	12	12	0	0	0	10	0	0
Brent Pension Fund	53	49	12	15	8	10	0	0	5	6	21	19	0	0
Bromley Pension Fund	67	63	29	32	0	0	3	5	0	0	0	0	0	0
Cambridgeshire Pension Fund	60	60	15	10	15	18	10	10	1	0	0	0	0	1
Camden Pension Fund	65	60	9	11	3	3	8	12	2	0	12	14	0	0
Cardiff & Glamorgan Pension Fund	63	57	25	29	4	4	7	8	2	1	0	0	0	0
City of London Corporation Pension	60	61	9	6	23	27	7	6	0	0	0	0	0	0
Cornwall Pension Fund	35	31	21	25	25	25	6	7	1	1	11	11	0	0
Cumbria Pension Fund	39	33	18	30	32	31	9	6	3	0	0	0	0	0
Devon Pension Fund	63	56	13	13	6	7	8	9	1	1	9	13	0	0
Dyfed Pension Fund	84	68	2	16	2	2	11	14	1	0	0	0	0	0
Ealing Pension Fund	56	56	27	28	5	1	9	11	4	4	0	0	0	0
East Riding Pension Fund	53	59	13	12	20	14	12	12	3	3	0	0	0	0
East Sussex Pension Fund	42	38	8	11	41	40	8	10	1	1	0	0	0	0
Enfield Pension Fund	43	37	28	31	16	22	6	7	7	4	0	0	0	0
Flintshire (Clywd)	21	13	36	30	35	40	6	7	2	1	0	9	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Average	**56**	**51**	**17**	**21**	**14**	**13**	**8**	**9**	**2**	**2**	**2**	**3**		
Range														
Top Quartile	64	62	22	25	15	17	9	10	3	2	9	11		
Median	57	54	18	19	8	9	8	9	1	1	0	3		
Bottom Quartile	49	44	12	12	4	4	3	6	0	0	0	0		
Gloucestershire Pension Fund	60	60	20	23	3	4	7	9	2	1	8	4	0	0
Greater Manchester Pension Fund	52	47	19	22	19	19	7	8	3	4	0	0	0	0
Greenwich Pension Fund	56	50	17	19	9	9	9	12	0	0	8	10	0	0
Gwynedd Pension Fund	65	66	19	15	8	9	8	10	0	0	0	0	0	0
Hackney Pension Fund	58	54	25	25	0	0	8	11	0	0	9	11	0	0
Hammersmith and Fulham	46	43	21	31	5	6	5	6	0	0	23	14	0	0
Harrow Pension Fund	54	51	23	25	2	1	6	8	4	4	10	12	0	0
Havering Pension Fund	42	36	20	20	5	6	8	10	2	4	23	25	0	0
Hillingdon Pension Fund	46	44	27	25	14	18	12	13	1	1	0	0	0	0
Hounslow Pension Fund	64	60	15	16	13	15	4	5	0	0	3	4	0	0
Isle of Wight Pension Fund	57	55	21	21	0	0	5	6	0	0	16	17	0	0
Islington Pension Fund	55	52	15	12	7	7	16	20	0	1	8	8	0	0
Kensington and Chelsea	74	66	0	0	6	15	5	4	15	14	0	0	0	0
Kent Pension Fund	61	58	13	14	10	11	10	13	5	3	0	0	0	0
Kingston upon Thames	66	64	11	13	0	0	7	5	0	0	16	18	0	0
Lambeth Pension Fund	51	42	32	33	7	5	9	9	0	4	0	6	1	2
Lancashire Pension Fund	48	41	17	17	21	24	14	15	1	3	0	0	0	0
Lewisham Pension Fund	53	49	20	19	15	17	8	9	0	0	5	6	0	0
Lincolnshire Pension Fund	64	59	16	12	16	19	1	10	4	1	0	0	0	0
London Pension Fund Authority	49		12		28		9		2		0		0	

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Average	**56**	**51**	**17**	**21**	**14**	**13**	**8**	**9**	**2**	**2**	**2**	**3**		
Range														
Top Quartile	64	62	22	25	15	17	9	10	3	2	9	11		
Median	57	54	18	19	8	9	8	9	1	1	0	3		
Bottom Quartile	49	44	12	12	4	4	3	6	0	0	0	0		
Merseyside Pension Fund	51	45	16	20	24	24	9	10	1	1	0	0	0	0
Merton Pension Fund	62	57	20	22	7	8	3	4	0	1	8	9	0	0
Newham Pension Fund	51	43	24	27	8	8	13	12	1	3	2	6	0	0
Northamptonshire Pension Fund	56	54	20	18	8	6	8	10	1	0	7	11	0	0
Orkney Islands Pension Fund	68	63	8	12	3	0	0	0	0	0	21	25	0	0
Oxfordshire Pension Fund	58	54	20	22	10	9	6	7	1	1	5	6	0	0
Powys Pension Fund	46	39	32	36	13	13	8	10	0	1	0	0	0	2
Redbridge Pension Fund	60	68	15	22	2	0	9	9	1	1	13	0	0	0
Rhondda Cynon Taf Pension Fund	81	64	12	27	0	0	6	9	0	0	0	0	0	0
South Yorkshire Pension Authority	49	49	21	19	19	18	9	10	1	2	0	0	0	2
Southwark Pension Fund	67	63	7	8	2	2	14	17	0	0	10	10	0	0
Strathclyde Pension Fund	54	47	22	29	13	9	10	12	1	2	0	0	0	0
Suffolk Pension Fund	42	43	20	19	29	28	9	10	1	1	0	0	0	0
Surrey Pension Fund	66	62	12	12	7	9	6	8	0	-1	9	11	0	0
Sutton Pension Fund	60	53	18	21	3	4	6	8	0	0	12	13	0	0
Swansea Pension Fund	73	70	10	12	12	10	4	5	2	2	0	0	0	1
Torfaen (Gwent)Pension Fund	75	69	16	19	5	6	2	3	0	1	2	2	0	0
Tower Hamlets Pension Fund	59	58	11	11	0	0	8	10	1	0	20	20	0	0
Waltham Forest Pension Fund	78	77	0	0	9	12	10	10	3	1	0	0	0	0

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Other*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	2020
Average	***56***	***51***	***17***	***21***	***14***	***13***	***8***	***9***	***2***	***2***	***2***	***3***		
Range														
Top Quartile	*64*	*62*	*22*	*25*	*15*	*17*	*9*	*10*	*3*	*2*	*9*	*11*		
Median	*57*	*54*	*18*	*19*	*8*	*9*	*8*	*9*	*1*	*1*	*0*	*3*		
Bottom Quartile	*49*	*44*	*12*	*12*	*4*	*4*	*3*	*6*	*0*	*0*	*0*	*0*		
West Yorkshire Pension Fund	*68*	*62*	*13*	*17*	*13*	*14*	*4*	*5*	*3*	*2*	*0*	*0*	*0*	0
Westminster Pension Fund	*71*	*65*	*19*	*23*	*2*	*2*	*4*	*10*	*3*	*2*	*0*	*0*	*0*	0
Wandsworth & Richmond Fund	*64*	*44*	*24*	*24*	*4*	*6*	*4*	*5*	*4*	*1*	*0*	*3*	*0*	18

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

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

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject:	**GAD Section 13 Valuation Results based on 31 March 2019 LGPS Triennial Valuation**
Cabinet Member:	**Cllr Maguire**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report provides Members with information on the Section 13 analysis completed by the Government Actuary's Department (GAD) using the 2019 valuations.

2. The purpose of Section 13 of the Public Service Pensions Act 2013 was to consider issues of compliance, consistency, solvency and long term cost efficiency across the various LGPS funds.

Proposal(s)

3. Members are recommended to:

a) note the contents of this report and Appendix 1;

b) note 2019 actuarial valuation attached to this report as Appendix 2, reissued by the Fund Actuary in July 2021; and

c) note the 2022 Formal Actuarial Valuation Timetable and Scope, attached as Appendix 3.

Reason for Proposal(s)

4. The LGPS is a funded scheme and periodic assessments are needed to ensure the fund has sufficient assets to meet its liabilities. Employer contribution rates may change depending on the results of valuations. Scheme regulations set out when valuations are to be carried out.

5. Each LGPS pension fund is required to appoint its own fund actuary, who carries out the fund's valuation. The fund actuary uses a number of assumptions to value the liabilities of the fund. Liabilities are split between those that relate to the past (the past service cost), and those that relate to the future (the future service cost). The results of the valuation may lead to changes in employer contribution rates for both future and past service costs.

6. The report is based on the actuarial valuations of the 91 funds, with data provided by the funds and their actuaries, and a significant engagement exercise with affected funds. GAD is committed to preparing a section 13 report that makes practical recommendations to advance the reporting aims. Also expecting that their approach to section 13 will continue to evolve to reflect ever-changing circumstances and feedback received.

Relevance to the Council's Corporate Plan

7. Good homes in well-connected neighbourhoods.

8. Build our Economy to create a thriving place.

9. Sustain Strong and healthy Communities.

Background

10. The Government Actuary (GAD) has been appointed by the Department of Levelling Up, Housing and Communities (DLUHC) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the Local Government Pension Scheme in England and Wales ('LGPS' or 'the Scheme').

11. This is the second formal section 13 report, a 'Dry Run' was produced in respect of the 2013 valuations and published in 2016. Section 13 applies for the first time to the valuations as at 31 March 2016 and for this report to the valuations as at 31 March 2019 and requires the Government Actuary (GAD) as the person appointed by DLUHC to report on whether the following four main aims are achieved:
   a) **compliance**: whether the fund's valuation is in accordance with the scheme regulations

   b) **consistency**: whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within LGPS

   c) **solvency:** whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund

   d) **long term cost efficiency:** whether the rate of employer contributions is set at an appropriate level to ensure the long term cost efficiency of the scheme, so far as relating to the pension fund.

12. Section 13 subsection (6) states that if any of the aims of subsection (4) are not achieved:
   a) the report may recommend remedial steps
   b) the scheme manager must:

i) take such remedial steps as the scheme manager considers appropriate

ii) publish details of those steps and the reasons for taking them

c) the responsible authority may

iii) require the scheme manager to report on progress in taking remedial steps

iv) direct the scheme manager to take such remedial steps as the responsible authority considers appropriate

13. GAD looked at a range of metrics to identify potential issues in respect of solvency and long term cost efficiency. Each fund's score under each measure is colour coded or flagged, where:

a) **GREEN** - indicates that there are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency

b) **AMBER** - indicates a potential issue should be recognised, but in isolation would not usually contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency

c) **RED** - indicates a potentially material issue that may contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency

14. The trigger points for these flags are based on a combination of absolute measures and measures relative to the bulk of the funds in scope. Whereby GAD had regard to particular circumstances of some potential exceptions, following engagement with the administering authority and the fund actuary.

15. The detailed results, covering all English & Welsh funds, are contained in the attached Appendix 2 to this report. We can locate our own Fund results by searching for its name.

16. Listed below are some highlights of the are:

17. The charts on pages 12 & 13 of this report show how all funds' funding levels compare when measured on a single "SAB standard basis", which allows proper like-for-like comparison;

18. Page 12 (Chart B1) shows how the funding levels compare on the "local bases" (i.e. as shown in the funds' own valuation reports) vs on this standard basis. If we want to know how well our Fund is funded relative to our peers, then it is the latter (the right hand column) which tells us.

19. Page 13 (Chart B2) in effect shows the degree of prudence of our own Fund's basis vs the standard basis (which is GAD's best estimate). Funds towards the top of the chart have their published funding level assessed more prudently, and vice versa.

20. Pages 30-34 (Table C2) shows the various solvency metrics – green flags mean GAD have no concerns. However white flags indicate GAD has some concern (but not sufficiently so to make it an amber or red flag), for instance on “SAB funding level” they believe the funding position looks particularly low, and “asset shock” is where they consider that any marked fall in assets would have a relatively big impact on contribution rates.

21. Pages 42-46 (Table D2) shows the various long term cost efficiency metrics – again, most funds are green, some have white flags, but now GAD show a few amber flags. The main metrics where flags arise are:
    a) “Deficit period”: GAD consider the implied deficit recovery period to be rather long (calculated on GAD’s standard best estimate basis);
    b) “Return scope”: GAD think that the required investment return looks high relative to the fund’s expected future returns based on its actual asset mix;
    c) “Deficit recovery plan”: in essence GAD believe that contributions should not have been reduced as much (if at all) as they were.

22. The LGPS Actuaries continue to have some issues with some of these metrics and flags. As a result most of them are still in persistence engagement with GAD, as the objective should be for us to have as pragmatic and helpful metrics as possible.

23. Clearly this report has emerged very much closer to the 2022 valuations, than when the 2019 ones were published. GAD have made a number of recommendations which could flow through into the 2022 valuation process.

24. Scheme Advisory Board to consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.

25. SAB to consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

26. Fund actuaries [to] provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.

27. SAB to “review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency”.

28. There is also a clear directional steer on - Climate risk will be a focus in future section 13 reports. GAD will facilitate dialogue and engagement with DLUHC, actuarial advisors and the SAB prior to publication of the 2022 valuations to ensure a consistent approach is adopted.

2022 Actuarial Valuation Timetable

29. Appendix 3 attached to this report has the timetable and scope for 2022 Formal Actuarial Valuation.

Safeguarding Implications

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

Public Health Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

34. The valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation and any significant variations to those assumptions could impact upon Fund’s financial position. Therefore, a prudent approach is crucial in minimising the key risks involved in managing the Pension Fund.

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

35. This is a noting report.

Financial Implications

36. There are no immediate finance implications arising from this report.

Legal Implications

37. The Local Government Pension Scheme Regulations 2013, Regulation 62, requires an Administering Authority to obtain an actuarial valuation of its fund as at 31st March 2016, and as at 31st March every third year thereafter. The

documents obtained by the administering authority must include a report by an actuary in respect of the valuation, and a rates and adjustments certificate provided by the actuary. The report must contain a statement of the demographic assumptions used in producing the valuation, and how these assumptions relate to events which have actually occurred in relation to the scheme membership. These documents must be received before the first anniversary of the valuation date.

38. Regulation 66 also requires the Administering Authority to supply copies of any valuation report, rates and contributions certificates to the Secretary of State, employing authorities participating in the Fund and any other bodies liable to make payments to it.

39. When exercising its functions, the Pensions Committee, must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector duty).

Workforce Implications

40. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Other Implications

41. None

Options Considered

42. There are no alternative options.

Conclusions

43. Looking back: this report publicly identifies where our Fund sits relative to our peers on a number of metrics;

44. Looking forward: the report also identifies a number of areas which may affect the outputs of the 2022 actuarial valuations.

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Date of report 14th March 2022

Appendices

Appendix 1 – Section 13 GAD Actuarial Valuations of Funds as at 31 March 2019
Appendix 2 – Enfield 31 March 2019 Valuation Results
Appendix 3 – Enfield PF 2022 Valuation Timetable and Scope of Engagement

Background Papers - None

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Government Actuary's Department

Local Government Pension Scheme England and Wales

Section 13 Report as at 31 March 2019

Appendices

October 2021

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At GAD, we seek to achieve a high standard in all our work. We are accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme. Our website describes **the standards** we apply.

Appendix A: Compliance

A.1 In this appendix we set out checks we conducted to determine whether the actuarial valuations of the 88 Local Government Pension Scheme (LGPS) funds have been completed in accordance with the scheme regulations.

Statement of Compliance

A.2 The Government Actuary's Department (GAD) selected one fund as a representative example from each of the firms of actuarial advisors. The following statements of compliance were contained within the chosen reports by each firm:

Table A1: Statement of Compliance

Fund	Statement of compliance
London Borough of Enfield Pension Fund (Aon)	This report was commissioned by and is produced solely for the use of the Administering Authority. It is produced in compliance with: Regulation 62 of the Local Government Pension Scheme Regulations 2013.
London Borough of Sutton Pension Fund (Barnett Waddingham)	The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023 as required under Regulation 62 of the Regulations.
Derbyshire Pension Fund (Hymans Robertson)	We have been commissioned by Derbyshire County Council ("the Administering Authority") to carry out an actuarial valuation of the Derbyshire Pension Fund ("the Fund") as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations")
Lancashire County Pension Fund (Mercer)	This report is addressed to the Administering Authority of the Lancashire County Pension Fund ("the Administering Authority") and is provided to meet the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations").

Compliance with valuation regulations

Actuarial Valuation Reports Regulation 62 (1 - 2)

A.3 Regulation 62 (1) requires the administering authority to obtain an actuarial valuation report on the assets and liabilities of each of its pension funds, including a rates and adjustments certificate, as at 31st March 2016 and on 31st March in every subsequent valuation year (i.e. 31st March 2019). Regulation 62 (2) requires that the above documents be obtained by the first anniversary of the date at which the valuation is made, namely, 31 March 2020 in the case of the 2019 valuation.

Publication

A.4 Each chosen fund was published in accordance with regulations. The following table sets out dates of publication of the actuarial report.

Table A2: Publication date

Fund	Date of publication
London Borough of Enfield Pension Fund (Aon)	31 March 2020
London Borough of Sutton Pension Fund (Barnett Waddingham)	31 March 2020
Derbyshire Pension Fund (Hymans Robertson)	31 March 2020
Lancashire County Pension Fund (Mercer)	31 March 2020

Demographic Assumptions

A.5 Regulation 62 (3) states that the actuarial valuation report must contain a statement of the demographic assumptions that have been used in making the valuation, and must show how these assumptions reflect the experience that has actually occurred during the period since the last valuation. Each valuation report contains a section on demographic assumptions including all the assumptions that we would expect in an actuarial valuation report.

Table A3: Demographic Assumptions

Demographic	London Borough of Enfield Pension Fund (Aon)	London Borough of Sutton Pension Fund (Barnett Waddingham)	Derbyshire Pension Fund (Hymans Robertson)	Lancashire County Pension Fund (Mercer)
Pre-retirement mortality	✔	✔	✔	✔
Post-retirement mortality	✔	✔	✔	✔
Dependant mortality	✔	✔	✔	✔
Ill health retirement	✔	✔	✔	✔
Normal health retirements	✔	✔	✔	✔
Withdrawals	✔	✔	✔	✔
Promotional salary scale	✔	N/A	✔	N/A
Family details (partners and dependants)	✔	✔	✔	✔
50:50 option take-up	✔	✔	✔	✔
Commutation	✔	✔	✔	✔

Barnett Waddingham and Mercer did not make a separate promotional salary scale assumption and therefore effectively this was combined in their general pay increase assumption.

Local Experience

A.6 The regulation requires that the reports "must *show how* the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation." in respect of the demographic assumptions. For the four chosen funds:

> All have shown differences between expectations and experiences for the inter-valuation period

We note that additional information on demographic experience and assumption setting may be contained in supporting (non-public) reports/advice.

Contribution Rates

A.7 Regulation 62 sets out that employer contributions are separated into two components:

> Primary rates which meet the cost of ongoing accrual for current active members; and

> Secondary rates, which are mainly established to repay deficit or eliminate surplus over a given period (the deficit/surplus recovery period).

A.8 Regulation 62 (6) states that when setting the contribution rates the actuary must have regard to:

> the existing and prospective liabilities arising from circumstances common to all those bodies

> the *desirability* of maintaining as nearly constant a common rate as possible

> the current version of the administering authority's funding strategy mentioned in regulation 58 (funding strategy statements), and

> the *requirement* to secure the solvency of the pension fund and the long-term cost efficiency of the Scheme, so far as relating to the pension fund.

A.9 Regulation 62 (4) states that the rates and adjustments certificate must specify both the primary rate of the employer's contribution and the secondary rate of the employer's contribution, for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.

A.10 Each valuation report must set out primary and secondary employer contribution rates.

Primary Rates

A.11 Regulation 62 (5) defines the primary rate of an employer's contribution as "the amount in respect of the cost of future accruals which, in the actuary's opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its solvency", and specifies that this must be expressed as a percentage of the pay of their employees who are active members.

A.12 The following table shows the primary rate of employer contribution for the administering authorities whole fund:

Table A4: Primary contribution rate

Fund	Primary contribution rate
London Borough of Enfield Pension Fund (Aon)	18.5%
London Borough of Sutton Pension Fund (Barnett Waddingham)	19.2%
Derbyshire Pension Fund (Hymans Robertson)	18.5%
Lancashire County Pension Fund (Mercer)	17.4%

A.13 Each primary rate of employer contribution has been calculated to cover the cost of future benefits accrued by their employees. Each valuation also provides a breakdown of the primary rate for each employer. Each valuation provides a secondary rate for each employer (expressed as a cash amount and/or percentage of pay for each employer).

Secondary Rates

A.14 Regulation 62 (7) states that the secondary contribution rate may be expressed as either a percentage or a monetary amount. Each valuation provides a secondary rate for each employer (expressed as a cash amount and/or percentage of pay for each employer). The secondary rates of employer contributions for each valuation have been defined to be adjustments to the primary rate as required. In all cases, the secondary rates have been provided for the next three years for each employer.

Table A5: Whole fund Secondary Contribution Rates

Fund	2020/21	2021/22	2022/23
London Borough of Enfield Pension Fund (Aon)	£2,099,000 or 1.3% of pensionable pay plus £8,100	£2,175,000 or 1.3% of pensionable pay plus £8,400	£2,253,000 or 1.3% of pensionable pay plus £8,700
London Borough of Sutton Pension Fund (Barnett Waddingham)	4.5% of pensionable pay or £4,879,000	4.5% of pensionable pay or £5,058,000	4.5% of pensionable pay or £5,242,000
Derbyshire Pension Fund (Hymans Robertson)	£17,432,000	£17,752,000	£18,079,000
Lancashire County Pension Fund (Mercer)	£3,200,000 or £9,300,000 less 0.6% of pensionable pay	£3,300,000 or £9,700,000 less 0.6% of pensionable pay	£3,400,000 or £10,000,000 less 0.6% of pensionable pay

Rates and Adjustments Certificate (Regulation 62 (8))

A.15 Regulation 62 (8) states that the rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects:

(a) the number of members who will become entitled to payment of pensions under the provisions of the Scheme; and

(b) the amount of the liabilities arising in respect of such members

during the period covered by the certificate.

A.16 In the following table we set out where the assumptions for each valuation can be found.

A.17 Of the four chosen funds only two had Rates and Adjustments Certificate containing a clear statement detailing the assumptions on which the certificate has been given and where to find them in our opinion. We recommend that advisers consider further at subsequent valuations. However, we do not consider this to be material non-compliance.

Table A6: Location of assumptions

Fund	Statement in rates and adjustments certificate	Location of assumptions in valuation report
London Borough of Enfield Pension Fund (Aon)	Not transparent to GAD initially (but updated once highlighted)	Further information e
London Borough of Sutton Pension Fund (Barnett Waddingham)	✔	Appendix 2
Derbyshire Pension Fund (Hymans Robertson)	✔	Appendix 2
Lancashire County Pension Fund (Mercer)	Not transparent to GAD	Appendix A

Regulation 62 (9)

A.18 Regulation 62 (9) States that the administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.

A.19 For each of the four valuation reports examined we have seen evidence of having received relevant data from the administering authority.

Appendix B: Consistency

B.1 In this appendix we set out analysis we undertook in relation to whether the actuarial valuations were carried out in a way which is not inconsistent with other valuations completed under the scheme regulations. This appendix contains comments and a number of charts referring to the following aspects:

> Key information

> Funding levels

> Discount rates

> Demographic assumptions

Key Information

B.2 Based on the recommendation in the 2016 report all funds provided a standardised dashboard of results. The standardised dashboard is provided below, but in green are suggested additional elements which have been recommended as part of the 2019 section 13 review.

Table B1: Dashboard

Item requested	Format
Past service funding position – local funding basis:	
Funding level (assets/liabilities)	*%*
Funding level (change since last valuation)	*%*
Asset value used at the valuation	*£m*
Value of liabilities	*£m*
Surplus (deficit)	*£m*
Discount rate – past service	*% pa*
Discount rate – future service used for contribution rate setting	*% pa*
Assumed pension increases (CPI)	*% pa*
Method of derivation of discount rate, plus any changes since the previous valuation	*Freeform text*
Assumed life expectancies at age 65:	
Average life expectancy for current pensioners – men currently age 65	*years*

Item requested	Format
Average life expectancy for current pensioners – women currently age 65	*years*
Average life expectancy for future pensioners – men currently age 45	*years*
Average life expectancy for future pensioners – women currently age 45	*years*

Past service funding position – SAB basis:	
Market value of assets	*£m*
Value of liabilities	*£m*
Funding level on SAB basis (assets/liabilities)	*%*
Funding level on SAB basis (change since last valuation)	*%*

Contributions rates payable:	*2019 Valuation*	*2022 Valuation*
Primary contribution rate (average for the fund)	*% pa*	*% pa*
Secondary contribution - 1st year of rates and adjustment certificate	*£m*	*£m*
Secondary contribution - 2nd year of rates and adjustment certificate	*£m*	*£m*
Secondary contribution - 3rd year of rates and adjustment certificate	*£m*	*£m*
Assumed payroll - 1st year of rates and adjustment certificate	*£m*	*£m*
Assumed payroll – 2nd year of rates and adjustment certificate	*£m*	*£m*
Assumed payroll – 3rd year of rates and adjustment certificate	*£m*	*£m*
Total expected contributions - 1st year of rates and adjustment certificate	*£m*	*£m*
Total expected contributions – 2nd year of rates and adjustment certificate	*£m*	*£m*
Total expected contributions – 3rd year of rates and adjustment certificate	*£m*	*£m*
Average total employer contribution rate (over the 3 years covered by the rates and adjustment certificate)	*%pa*	*% pa*
Average employee contribution rate (over the 3 years covered by the rates and adjustment certificate)	*%pa*	*% pa*
Employee contribution rate based on 1st year of rates and adjustment certificate assumed payroll	*£m*	*£m*

Item requested	Format	

Deficit recovery plan	*2019 Valuation*	*2022 Valuation*
Deficit/(Surplus) recovery period end date	*Year*	*Year*
Where a deficit recovery end date is not provided, please provide: time horizon for valuation funding plan	*Year*	*Year*
Likelihood of success of valuation funding plan on the 2019 time horizon	*%*	*%*

Additional information:	
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	*%*
Percentage of total liabilities that are in respect of Tier 3 employers	*%*

B.3 All information was included for the sample fund reports we considered in more detail listed below:

Fund
London Borough of Enfield Pension Fund (Aon)
London Borough of Sutton Pension Fund (Barnett Waddingham)
Derbyshire Pension Fund (Hymans Robertson)
Lancashire County Pension Fund (Mercer)

Funding Levels

B.4 Chart B1 shows how the ranking of local funding levels varies when results are restated onto the SAB standardised basis. We might expect the rankings of funding levels when calculated on the local bases to correspond roughly to the rankings of funding levels when calculated on the SAB standard basis. We would therefore expect the lines in Chart B1 joining each fund in the column on the left with itself in the column on the right to be roughly horizontal. However, we see that there is no clear correlation between how funds rank on local bases and how they rank on the SAB standard basis. To choose a typical example, Cheshire is ranked mid-table on the local basis but is towards the top quartile of the table on the SAB standard basis, indicating that their local fund basis is, relatively, more prudent than the other funds. To note we would expect the local funding basis to be prudent. A prudent basis is one where there is a greater than 50% likelihood that the available assets will cover the benefits in respect of accrued service when they fall due if assets are valued equal to liabilities.

Chart B1: Standardising Local Valuation Results

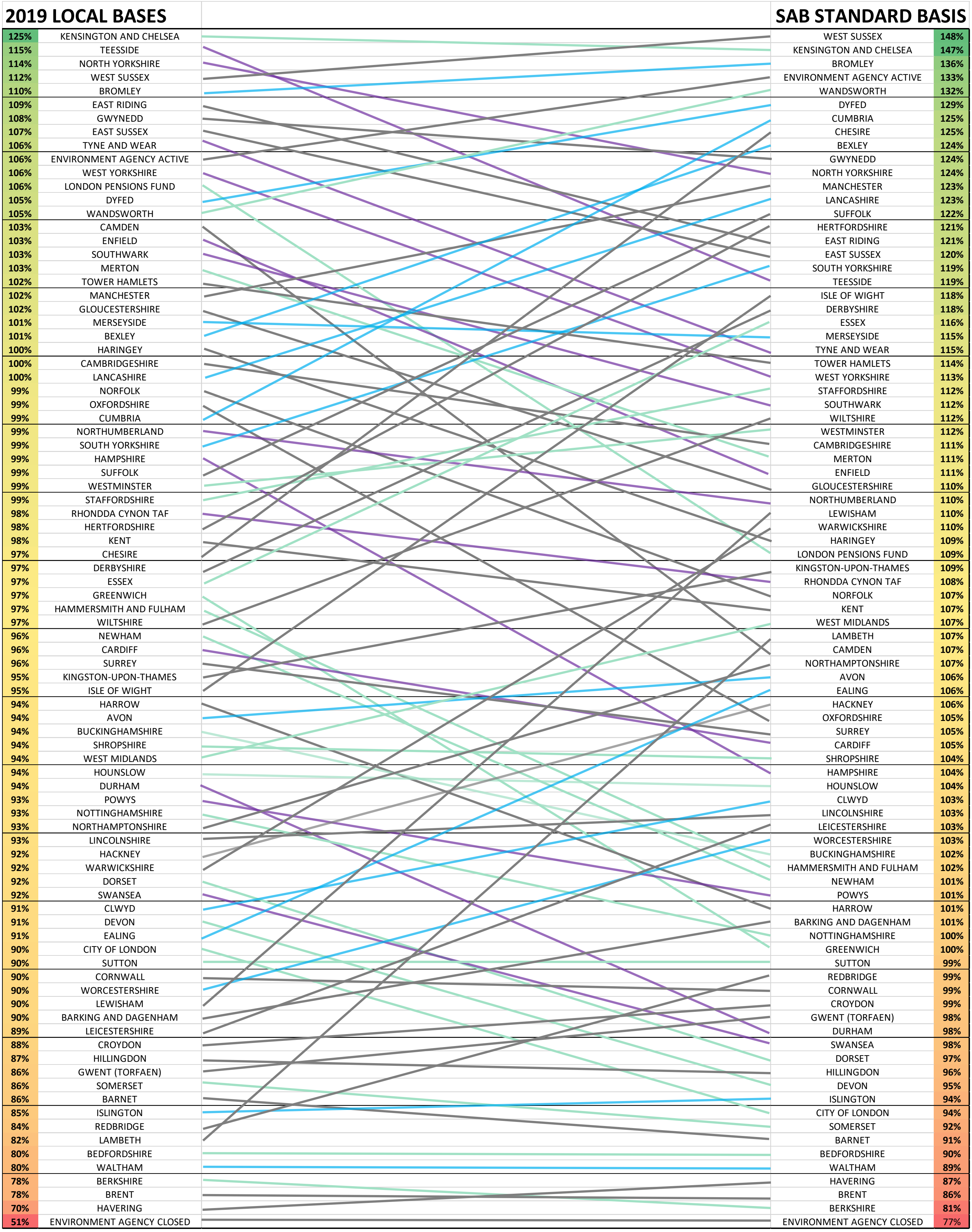
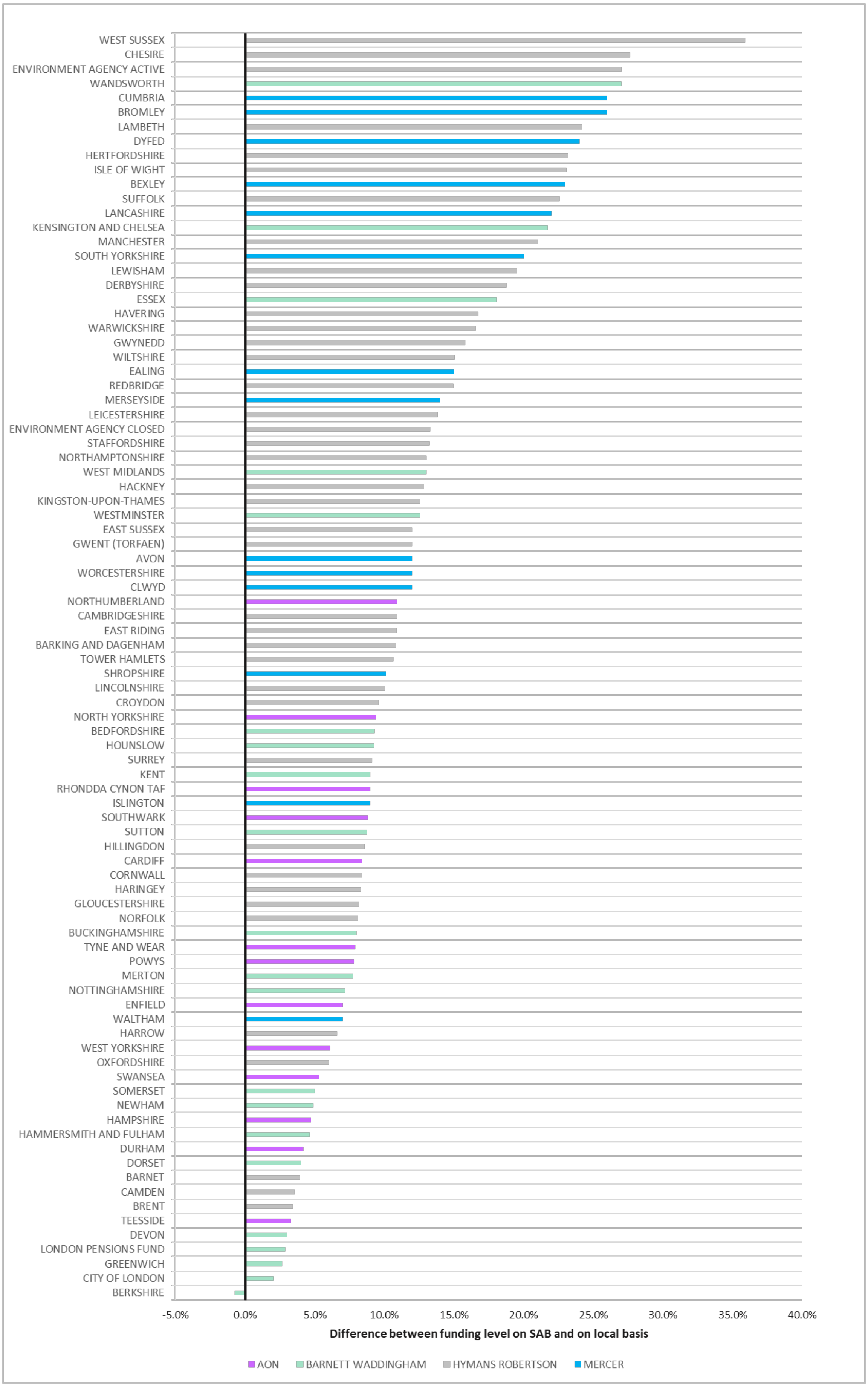


Chart B2: Difference Between Funding Level on SAB Standardised Basis and Funding Level on Local Bases



Discount Rates

B.5 Each firm of actuarial advisors applies their own method for calculating discount rates as shown in the table below.

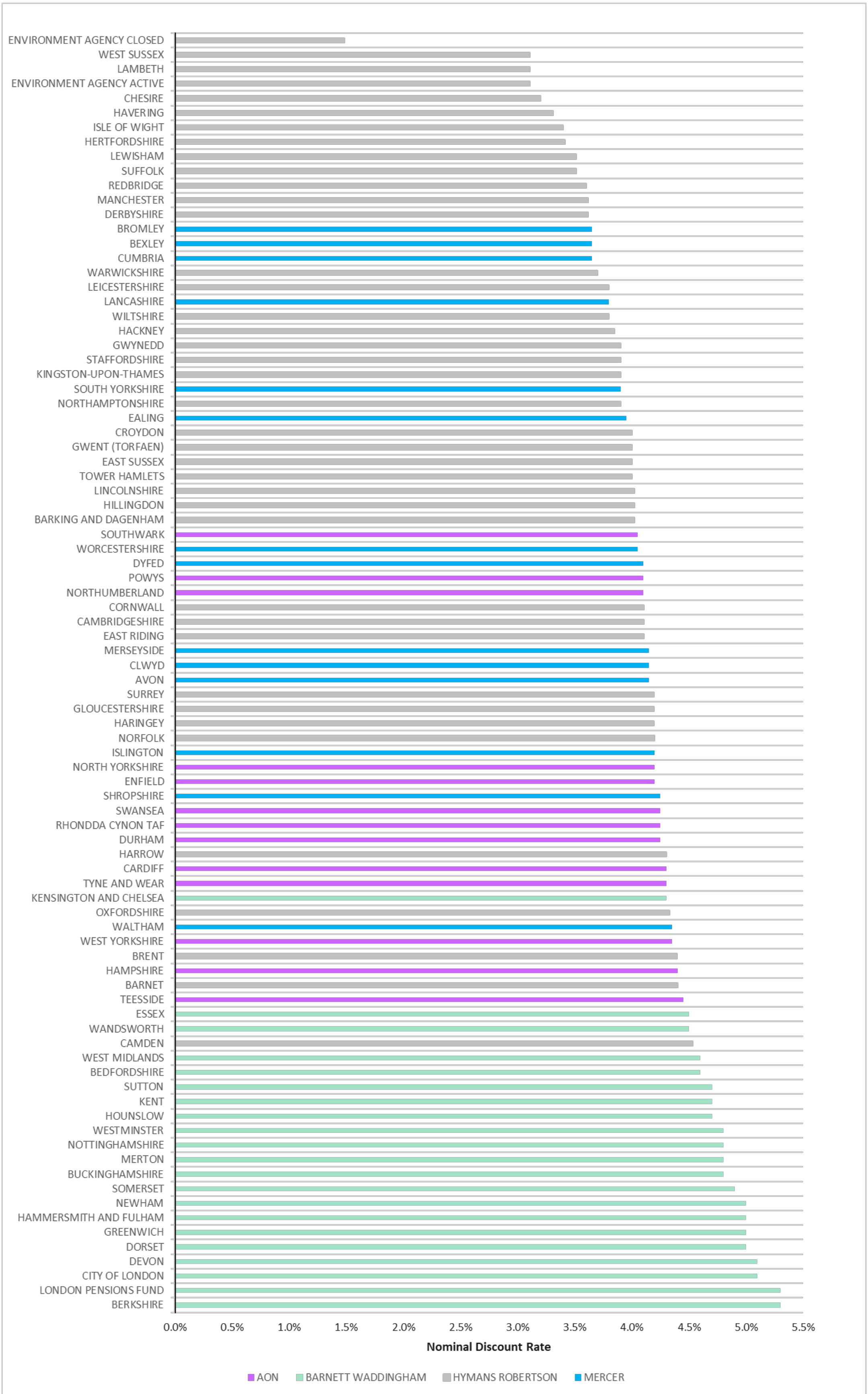
B.6 Chart B3 shows the pre-retirement discount rate used to assess past service liability applied in the actuarial valuations for each fund. Note that some funds (advised by Mercers') used different discount rates to assess past service liabilities and future service contribution rates, we consider only the former here.

B.7 The discount rates set by each fund are likely to be linked to the mix of assets held by the fund, and we would therefore expect to see differences in discount rate from fund to fund.

Table B2: Discount Rate Methodology

Fund	Discount rate methodology
London Borough of Enfield Pension Fund (Aon)	Stochastic modelling
London Borough of Sutton Pension Fund (Barnett Waddingham)	Weighted average expected return on long term asset classes
Derbyshire Pension Fund (Hymans Robertson)	Stochastic modelling
Lancashire County Pension Fund (Mercer)	Stochastic modelling

Chart B3: Pre – retirement Discount Rates

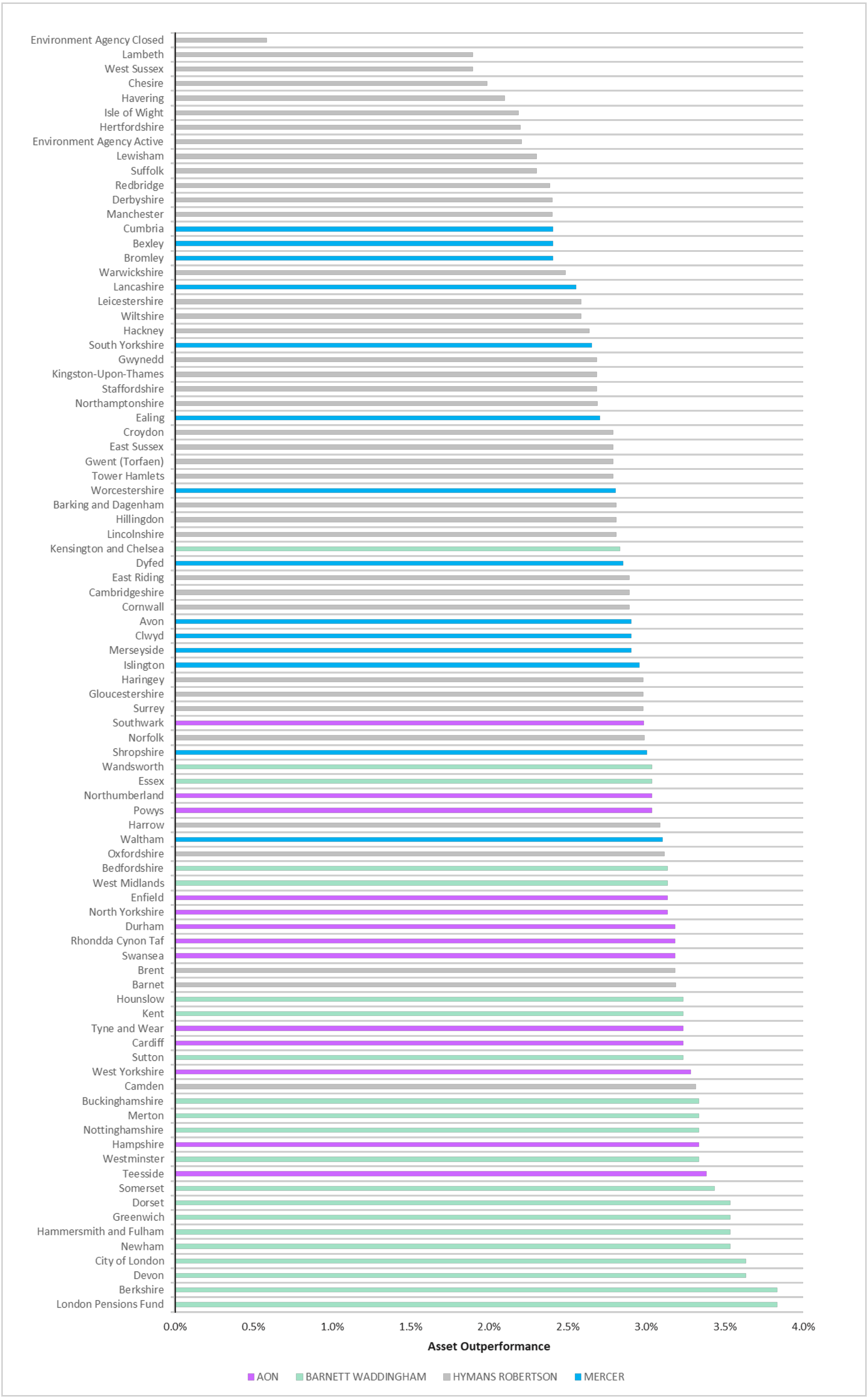


B.8 We assess implied asset outperformance as discount rate less risk free rate less RPI, where the risk free rate is taken to be the real 20 year Bank of England spot rate as at 31 March 2019 (-2.14%). Chart B4 shows the assumed asset out performance (“AOA”) over and above the risk free rate, where AOA is calculated as the fund’s nominal discount rate (“DR”) net of:

- The RFR – the real 20 year Bank of England spot rate as at 31 March 2019
- Assumed CPI – as assumed by the fund in their 2019 actuarial valuation
- The excess of assumed RPI inflation over assumed CPI inflation (“RPI– CPI”) – as assumed by the fund in their 2019 actuarial valuation i.e. $\mathrm{AOA} = \mathrm{DR} - \mathrm{RFR} - \mathrm{RPI}$. (Chart B4 shows the implied rate of asset outperformance for each fund.)

B.9 The implied asset outperformance shows less variation than in 2016. This may suggest some improvement in consistency in the assumption that in previous years. However, there is still a notable trend for funds advised by Aon and Barnett Waddingham to have higher levels of asset outperformance, whilst those advised by Hymans Robertson show lower levels of asset outperformance.

Chart B4: Assumed Asset Outperformance within Discount Rate



Demographic assumptions

B.10 Commutation assumptions (the extent to which members on average exchange pension in favour of a tax free cash benefit) are set as the percentage of the maximum commutable amount that a member is assumed to take on retirement. Chart B5 shows the assumed percentages for both pre 2008 and post 2008 pensions, which may be set separately.

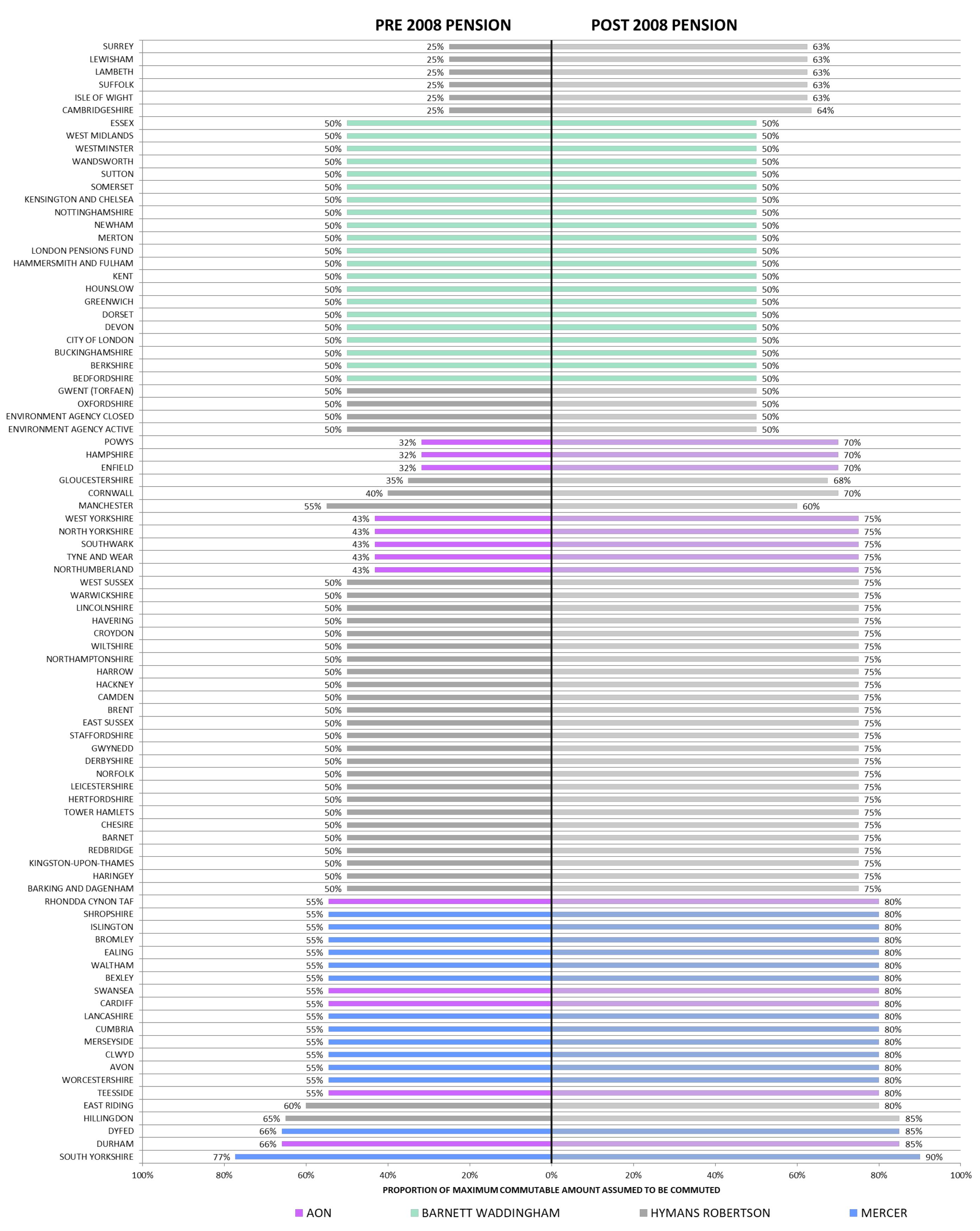
B.11 Other things being equal, it is more prudent to assume a lower rate of commutation, because the cost of providing a pension benefit is higher than the commutation factor. In addition, cash was provided as of right in the LGPS prior to 2008 whereas for benefits accrued after that date, cash was available only by commutation of pension.

B.12 The chart shows that the funds advised by Barnett Waddingham assume that members commute 50% of the maximum allowable cash amount. The majority of funds advised by Mercer assume that members take 80% of the maximum allowable cash amount. There is more variation in the commutation assumptions made by funds advised by Aon and Hymans Robertson. However, there is a noticeable cluster of funds assuming members commute 50% of the maximum allowable for pre 2008 pensions and 75% for post 2008 for Hymans Robertson clients.

B.13 If it is the case that firms of actuarial advisors find that there is insufficient data to make assumptions on a fund by fund basis, then it would be reasonable for them to make the assumption based on scheme wide data. However, each advisor only has access to the data from the funds that it advises, and therefore can only base their assumptions on the data from those funds. Another firm of actuarial advisors has access to the data for a different collection of funds and therefore might draw a different conclusion as to what the scheme wide average commutation rate is.

B.14 We encourage further discussions on how assumptions are derived based on local circumstances in valuation reports.

Chart B5: Commutation Assumptions for Pre and Post 2008 Pensions



Appendix C: Solvency

C.1 In this appendix we set out analysis we undertook in relation to whether the rate of employer contributions to the LGPS pension fund is set at an appropriate level to ensure the solvency of the pension fund. This appendix contains a description of:

> Solvency considerations

> Core Spending Power

> Mapping of solvency considerations to measures adopted

> Methodology used for solvency measures

> Table of outcomes for each fund

Potential for default

C.2 In the context of the LGPS:

> Our understanding based on confirmation from the Department for Levelling Up, Housing and Communities (DLUHC) is that, in contrast to employers in the private sector, there is no insolvency regime for local authorities

> Therefore, for the purposes of our analysis we assume that local authority sponsors cannot default on their pension liabilities through failure

> Members' benefits are therefore dependent on the assets of the scheme and future contributions from employers including local authorities

Solvency considerations

C.3 In assessing whether the conditions for solvency are met, we will have regard to:

Risks already present:

> funding level on the SAB standard basis

> whether or not the fund continues to be open to new members. If the fund is closed to new members or is highly mature and without any guarantee in place, we will focus on the ability to meet additional cash contributions.

> the ability of tax raising authorities to meet employer contributions

Emerging risks:

> the risks posed by changes to the value of scheme assets (to the extent that these are not matched by changes to the scheme liabilities)

> the proportion of scheme employers without tax raising powers or without statutory backing

C.4 We express the emerging risks in the context of Core Spending Power (for English local authorities, described below) or financing data (for Welsh local authorities). For funds which have no or limited Core Spending Power we have followed the same approach used in 2016 and the dry run.

Core Spending Power

C.5 GAD's stress tests are designed to test the ability of the underlying tax raising employers to meet a shock in the fund; one that results in a sustained reduction of the funding position, requiring remedial action from those employers in the form of long term additional contributions.

C.6 The purpose is to put this in the context of the financial resources available to those tax raising employers. In order to do that, DLUHC has pointed to an objective, well used and publicly available measure referred to as Core Spending Power. This applies for all local authorities across England and is published here.

C.7 Core Spending Power has the following components:

> Modified Settlement Funding Assessment

> Estimated Council Tax excluding Parish Precepts

> Potential additional Council Tax revenue from Adult Social Care flexibility

> Potential additional Council Tax revenue from £5 referendum principle for districts with lower quartile B and D

> Proposed Improved Better Care Fund

> Illustrative New Homes Bonus

> Rural Services Delivery Grant

C.8 GAD have referenced Core Spending Power for 2019-20 (to be consistent with the effective date of the data provided for section 13) as the measure of financial resource of the underlying (tax raising) employers, and amalgamated these up to the fund level, in order to compare like with like. The Core Spending Power 2019-20 data was subsequently revised, however the results were not revised as this was not material to GAD's recommendations.

C.9 Core Spending Power is not a measure of total local authority income. It does not include commercial income, sales fees and charges, or ring-fenced grants (except improved Better Care Fund). Core Spending Power includes an assumed modelled amount of locally retained business rates and as such does not include growth (or falls) in actual retained business rates. In some authorities, non-uniformed police employees participate in the LGPS, but their funding comes from Home Office. On the basis that the majority of this applies to uniformed police officers, no adjustment is made for it. Similarly, DfE funding for academies is not included.

C.10 Core Spending Power is publicly available and objective, therefore DLUHC have advised it is the best such measure available currently.

C.11 Core Spending Power does not apply to Welsh local authorities. For Welsh funds GAD have used "financing of gross revenue expenditure" ("financing data"), which is broadly comparable with Core Spending Power, following discussions with Welsh Government in 2016. This applies for all local authorities in Wales and is published here. The 2019-20 "financing of gross revenue expenditure" data was subsequently revised, however the results were not revised as this was not material to GAD's recommendations.

C.12 Financing data has the following components which GAD have included for the purpose of section 13 analysis:

> Adjustments (including amending reports)

- Council tax reduction scheme (including RSG element)
- Discretionary non-domestic rate relief
- General government grants
- Share of re-distributed non-domestic rates
- Amount to be collected from council tax

C.13 Financing data also has the following components which we have not included for the purpose of section 13 analysis:

- Specific grants
- Appropriations from(+) / to(-) reserves

C.14 We have referenced financing data for 2019-20 (to be consistent with the effective date of the data provided for section 13) as the measure of financial resource of the underlying (tax raising) employers, and amalgamated these up to the fund level, in order to compare like with like.

C.15 Similarly to Core Spending Power, financing data excludes income from sales, fees, and charges and we have excluded police funding from the analysis.

Solvency measures

C.16 The five solvency metrics adopted in the 2016 exercise have been adopted for the 2019 exercise. We developed and considered other measures but have excluded, for example the liability shock as it did not add value under current circumstances beyond what was already measured under asset shock.

Table C1: 2019 Solvency measures

Consideration	Measure Used
Risks already present:	
The relative ability of the fund to meet its accrued liabilities	**SAB funding level:** A fund's funding level using the SAB standard basis, as set out in Appendix G
The extent to which the fund continues to be open to new members. If a fund is closed to new members or is highly mature, we will focus on the ability to meet additional cash contributions	**Open fund:** Whether the fund is open to new members
The proportion of scheme employers without tax raising powers or without statutory backing	**Non-statutory members:** The proportion of members within the fund who are/were employed by an employer without tax raising powers or statutory backing
Emerging risks:	
The cost risks posed by changes to the value of scheme assets (to the extent that these are not matched by changes to the scheme liabilities)	**Asset shock:** The change in average employer contribution rates expressed as a percentage of Core Spending Power (or financing data) after a 15% fall in value of return-seeking assets
The impact that non-statutory employers defaulting on contributions would have on the income of sponsoring employers as a whole	**Employer default:** The change in average employer contribution rates as a percentage of Core Spending Power (or financing data) if all employers without tax raising powers or statutory backing default on their existing deficits

C.17 Emerging risk measures require assumptions. We used best estimate assumptions for this purpose, details of which can be found in Appendix G. Details of the methods used to calculate scores under each measure and the criteria used to assign a colour code can be found in this chapter.

Funds with no or low core spending

C.18 There were four funds with no or low core spending:

- City of London Corporation Pension Fund
- Environmental Agency Active Fund
- Environmental Agency Closed Fund
- London Pension Fund Authority Pension Fund

C.19 For each of these funds, we have reverted to the 2016 and dry run methodology for asset shock and employer default, which expressed the resulting additional contributions to meet the emerging deficit as a percentage of pensionable pay.

Solvency measures – methodology

C.20 We detail the methodology behind the measures used to assess a fund's solvency position. Some of the measures listed below were calculated using a market consistent set of assumptions. For more information on this best estimate basis please see Appendix G.

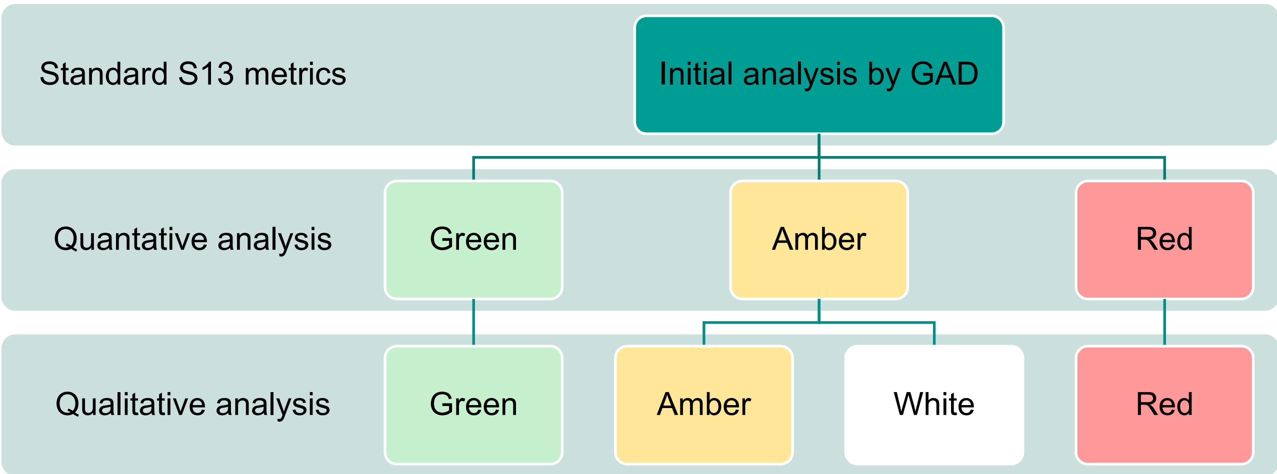
C.21 The 2016 exercise used red, amber and green ('RAG') flags for the solvency measure, where amber and red flags were raised when a fund breached thresholds set by GAD. For the 2019 exercise, GAD initially adopted the same RAG approach and 2016 thresholds, however the flag allocations were subsequently revised for the solvency measures taking into account to the following:

- The scheme funding position has improved significantly since 2016 (the aggregate funding position on prudent local bases improved from 85% to 98%)

- The size of funds has grown considerably over the past three years to 31 March 2019 but the ability of tax backed employers to increase contributions if required (as measured by core spending power and financing data) has not kept pace. This could pose a risk to the LGPS, for example if there is a severe shock to return seeking asset classes.

C.22 Following discussions with DLUHC, GAD agreed that it is not helpful to raise individual fund flags which have been primarily driven by the relatively larger increase in the size of funds relative to the possible contributions available and introduced the "white" flag. The white flag is an advisory flag that highlights a general risk but does not require action in isolation.

C.23 The chart below illustrates the steps taken by GAD in determining the flag colours for the metrics



C.24 The text box below defines each flag colour:

Key

RED indicates a material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure Solvency may be considered.

AMBER indicates a potential material issue that we would expect funds' to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure Solvency.

WHITE is an advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.

GREEN indicates that there are no material issues that may contribute to a recommendation for remedial action in order to ensure Solvency.

C.25 GAD will assess the position at the time of the 2022 section 13 report and will decide whether to retain the white flag, return to the RAG approach or use other metrics/thresholds that are appropriate for the circumstances of the LGPS at that point in time.

SAB funding level: A fund's funding level using the SAB standard basis

C.26 This measure highlights possible risks to a fund as a result of assets being significantly lower than liabilities, where liabilities are those estimated on the SAB standard basis detailed in Appendix G.

C.27 A fund in deficit will need to pay additional contributions in order to meet the liabilities that have already been accrued.

C.28 This measure assesses the relative funding levels of individual funds. All funds have been ordered by this measure (highest funding level first) and the five funds ranked 83 to 87 out of 88 (i.e. not including Environment Agency Closed Fund) are assigned an amber code. All other funds are assigned a green colour code.

C.29 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised.

Open fund: Whether the fund is open to new members

C.30 A scheme that is closed to new members will be closer to maturity than a scheme which is still open. This creates a possible risk to sponsoring employees as there is less scope to make regular contributions and receive investment returns on those contributions. Additionally, if problems do occur with the scheme funding level, the reduced time to maturity of the scheme means that additional contributions must be spread over a shorter timeframe and could be more volatile as a result.

C.31 This measure is a 'Yes' when a fund is still open to new members and a 'No' otherwise. A 'Yes' results in a green colour code, while a 'No' results in a red colour code. As at 31 March 2019, the Environment Agency Closed Fund is the only closed fund. However, given that this fund has a DEFRA guarantee we consider it appropriate to set the flag to green in this circumstance.

C.32 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised.

Non-statutory members: The proportion of members within the fund who are employed by an employer without tax raising powers or statutory backing

C.33 We have considered taxpayer-backed employers of stronger covenant value than other employers. It is important, in this context, that administering authorities and other employers understand the potential cost that may fall on taxpayers in the future if employers without statutory backing or tax raising powers are unable to meet their required contributions and those with such powers become responsible for the accrued costs.

C.34 Data for this measure has been taken from the publicly available 'Local government pension scheme funds local authority data: 2019 to 20120' published by DLUHC here. The data contains the number of employees within each fund by employer group, where:

- Group 1 refers to local authorities and connected bodies
- Group 2 refers to centrally funded public sector bodies
- Group 3 refers to other public sector bodies and
- Group 4 refers to private sector, voluntary sector and other bodies

C.35 For the purposes of this measure, and unless information has been provided to the contrary, it has been assumed that employers listed under groups 1 and 2 are those with tax raising powers or statutory backing and that employers listed under groups 3 and 4 are those without tax raising powers or statutory backing.

C.36 The measure therefore gives the proportion of members within the fund that are/were employed by group 1 and 2 employers as a proportion of all members within the fund.

C.37 Under this measure a fund has been allocated an amber colour code if its proportion of members who are employed by an employer without tax raising powers or statutory backing is between 25% and 50%, a red colour code would allocated if the proportion is more than 50%.and a green colour code in all other cases.

C.38 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised.

Asset shock: The change in average employer contribution rates as a percentage of Core Spending Power or financing data after a 15% fall in value of return-seeking assets

C.39 This measure shows the effect on total employer contribution rates of a one-off decrease in the value of a fund's return seeking assets equal to 15% of the value of those assets expressed as a percentage of Core Spending Power or financing data. Defensive assets are assumed to be unaffected.

C.40 For the purposes of this measure liabilities have been restated on the standardised best estimate basis and deficit recovery periods have been standardised using a period of 20 years to ensure that results are comparable.

C.41 For the scenario where a fund is in deficit after the asset shock (the funding level is less than 100% after the shock) and the threshold has been breached, then an amber flag is raised. However, where the fund is in surplus after the shock and the fund had breached the threshold, the fund will not raise a flag but the risk remains that such an event could bring forward the need to increase contributions.

C.42 Return-seeking asset classes are assumed to be:

- Equities (UK, Overseas and Unquoted or private equities)
- Property
- Infrastructure investments which are equity type
- “Other” return seeking investment

Defensive asset classes are assumed to be:

- Cash
- Bonds (Gilts, Corporate Bonds or index linked)
- “Other” defensive investments

C.43 We calculated the emerging deficit from the shock following a 15% fall in return seeking assets which would be attributed to the employers covered by core spending or financing data (which we refer to as “% tax raising employers” below):

$$\text{New Deficit} = (\text{Pre stress asset value} - \text{post stress asset value}) \times \text{\% Tax raising employers}$$

We spread this over 20 years of annual payments and express as a percentage of Core Spending Power (or financing data for Welsh funds)

$$\frac{\text{New Deficit}}{\bar{a}_{20} \times \text{Core Spending Power}}$$

Where:

- new deficit is calculated on the standardised best estimate basis as at 31 March 2019
- $\bar{a}_{20}$ is a continuous annuity over the 20-year deficit recovery period at the rate of interest equal to $\frac{(1+i)}{(1+e)} - 1$.
- i is the nominal discount rate assumption on the standardised best estimate basis.
- e is the general earnings inflation assumption on the standardised best estimate basis

C.44 A fund is allocated an amber colour code if its result is above 3% and a green colour code otherwise.

C.45 For those funds with no/low core spending, the measure considered the change of contribution rate and was expressed as a percentage of pensionable pay, with an amber flag raised if that was greater than 5% and is in deficit after the asset shock. No results are available for the Environment Agency Closed Fund as there are no remaining active members within the fund with which to calculate contribution rates.

C.46 As set out in methodology section above, GAD undertook a subsequent qualitative analysis to consider whether it was felt that the risk identified was potentially material to the fund, and hence whether the amber flag should be maintained.

Employer default: The change in average employer contribution rates as a percentage of payroll if all employers without tax raising powers or statutory backing default on their existing deficits

C.47 LGPS regulations require employers to pay contributions set in the valuation. DLUHC has confirmed that:

- there is a guarantee of LGPS pension liabilities by a public body
- that public body is incapable of becoming insolvent, and
- the governing legislation is designed to ensure the solvency and long term economic efficiency of the Scheme.

C.48 It is important, in this context, that administering authorities and other employers understand the potential cost that may fall on taxpayers in the future if employers without statutory backing or tax raising powers are unable to meet their required contributions and those with such powers become responsible for the accrued costs.

C.49 A fund's deficit will not change as a result of the default, but as the deficit is spread over a smaller number of employers, the contribution rate for each remaining employer will increase.

C.50 For the purposes of this measure liabilities have been restated on the standardised best estimate basis and deficit recovery periods have been standardised using a period of 20 years to ensure that results are comparable.

C.51 For funds in surplus under the standardised best estimate basis, the flag colour for a fund is green, as there would be no deficits attributed to non-taxed backed employer, therefore the risk has been mitigated. The measure therefore considers those funds in deficit on the standardised best estimate basis.

C.52 We calculated the amount of deficit attributed to tax raising authorities if other public sector bodies & private sector, voluntary sector and other bodies were to default:

$$\text{Share of Deficit} = \text{Deficit} \times \%\ \text{non} - \text{tax raising employers}$$

C.53 We spread this over 20 years of annual payments and express as a percentage of Core Spending Power for most funds (Welsh funds use financing data and funds with no/low Core Spending use pensionable pay, as set out in C.55 below).

$$\frac{(\text{Share of Deficit})}{(\ \bar{a}_{20} \times \text{Core Spending Power})}$$

Where:

- Share of deficit is calculated on the standardised best estimate basis as at 31 March 2019
- $\bar{a}_{20}$ is a continuous annuity over the 20 year deficit recovery period at the rate of interest equal to $\frac{(1+\text{i})}{(1+\text{e})} - 1$.
- i is the nominal discount rate assumption on the standardised best estimate basis.
- e is the general earnings inflation assumption on the standardised best estimate basis

C.54 A fund is allocated an amber colour code if its result is greater than 3% and a green colour code otherwise.

C.55 For those funds with no/low core spending, the change of contribution rate was expressed as a percentage of pensionable pay, with an amber flag raised if that was greater than 2% and is in deficit after the asset shock. No results are available for the Environment Agency Closed Fund as there are no remaining active members within the fund with which to calculate contribution rates and Environmental agency closed as there is no SF3 data for the fund.

C.56 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised.

Solvency measures – by fund

Table C2: Solvency measures by fund

Pension fund	Open fund	SAB funding level	Non-Statutory employees	Asset shock	Employer default
Avon Pension Fund	Yes	106.0%	5.1%	2.2%	Surplus
Bedfordshire Pension Fund	Yes	89.3%	6.8%	2.2%	0.2%
Buckinghamshire County Council Pension Fund	Yes	102.0%	4.3%	2.1%	Surplus
Cambridgeshire Pension Fund	Yes	110.9%	9.2%	2.7%	Surplus
Cardiff and Vale of Glamorgan Pension Fund	Yes	104.2%	6.4%	1.5%	Surplus
Cheshire Pension Fund	Yes	124.9%	7.2%	Surplus	Surplus
City and County of Swansea Pension Fund	Yes	96.8%	3.7%	1.9%	0.0%
City of Westminster Pension Fund	Yes	111.2%	10.4%	2.9%	Surplus
Clwyd Pension Fund	Yes	103.0%	4.8%	1.4%	Surplus
Cornwall Pension Fund	Yes	98.7%	6.0%	1.3%	0.0%
Cumbria Local Government Pension Scheme	Yes	125.0%	6.8%	Surplus	Surplus
Derbyshire Pension Fund	Yes	115.8%	4.8%	Surplus	Surplus
Devon County Council Pension Fund	Yes	95.7%	5.2%	2.3%	0.1%
Dorset County Pension Fund	Yes	96.2%	4.7%	2.2%	0.1%
Durham County Council Pension Fund	Yes	98.0%	3.4%	2.4%	0.0%
Dyfed Pension Fund	Yes	129.0%	3.7%	Surplus	Surplus
East Riding Pension Fund	Yes	120.0%	2.6%	Surplus	Surplus
East Sussex Pension Fund	Yes	118.7%	1.7%	Surplus	Surplus
Essex Pension Fund	Yes	115.1%	9.1%	2.3%	Surplus
Gloucestershire County Council Pension Fund	Yes	109.9%	9.5%	2.4%	Surplus

Pension fund	Open fund	SAB funding level	Non-Statutory employees	Asset shock	Employer default
Greater Gwent (Torfaen) Pension Fund	Yes	97.7%	7.8%	1.7%	0.0%
Greater Manchester Pension Fund	Yes	123.3%	22.6%	Surplus	Surplus
Gwynedd Pension Fund	Yes	123.9%	3.3%	Surplus	Surplus
Hampshire County Council Pension Fund	Yes	103.6%	3.4%	2.6%	Surplus
Hertfordshire County Council Pension Fund	Yes	121.2%	5.4%	Surplus	Surplus
Isle of Wight Council Pension Fund	Yes	118.0%	2.7%	Surplus	Surplus
Islington Council Pension Fund	Yes	94.0%	6.1%	3.1%	0.1%
Kent County Council Pension Fund	Yes	107.4%	8.6%	2.5%	Surplus
Lancashire County Pension Fund	Yes	122.0%	8.2%	Surplus	Surplus
Leicestershire County Council Pension Fund	Yes	102.8%	1.4%	2.2%	Surplus
Lincolnshire Pension Fund	Yes	102.8%	2.8%	2.3%	Surplus
London Borough of Barking and Dagenham Pension Fund	Yes	100.4%	4.7%	2.7%	0.0%
London Borough of Barnet Pension Fund	Yes	89.8%	30.5%	1.4%	0.7%
London Borough of Bexley Pension Fund	Yes	124.0%	4.3%	Surplus	Surplus
London Borough of Brent Pension Fund	Yes	81.0%	17.1%	1.6%	0.6%
London Borough of Bromley Pension Fund	Yes	136.0%	12.9%	Surplus	Surplus
London Borough of Camden Pension Fund	Yes	106.5%	11.2%	3.5%	Surplus
London Borough of Croydon Pension Fund	Yes	98.0%	5.5%	1.5%	0.0%
London Borough of Ealing Pension Fund	Yes	106.0%	0.7%	1.7%	Surplus
London Borough of Enfield Pension Fund	Yes	110.2%	1.4%	1.5%	Surplus
London Borough of Hackney Pension Fund	Yes	105.2%	2.1%	2.7%	Surplus

Pension fund	Open fund	SAB funding level	Non-Statutory employees	Asset shock	Employer default
London Borough of Hammersmith and Fulham Pension Fund	Yes	101.3%	6.0%	2.7%	Surplus
London Borough of Haringey Pension Fund	Yes	108.7%	1.2%	2.7%	Surplus
London Borough of Harrow Pension Fund	Yes	100.8%	0.3%	2.2%	0.0%
London Borough of Havering Pension Fund	Yes	86.4%	1.5%	1.3%	0.0%
London Borough of Hillingdon Pension Fund	Yes	95.4%	1.2%	1.5%	0.0%
London Borough of Hounslow Pension Fund	Yes	103.2%	10.7%	2.4%	Surplus
London Borough of Lambeth Pension Fund	Yes	106.6%	1.0%	2.2%	Surplus
London Borough of Lewisham Pension Fund	Yes	109.5%	6.0%	2.0%	Surplus
London Borough of Merton Pension Fund	Yes	110.6%	2.1%	2.4%	Surplus
London Borough of Newham Pension Fund	Yes	100.8%	6.9%	1.8%	0.0%
London Borough of Redbridge Pension Fund	Yes	99.0%	10.9%	2.1%	0.0%
London Borough of Southwark Pension Fund	Yes	111.8%	3.0%	2.7%	Surplus
London Borough of Tower Hamlets Pension Fund	Yes	112.7%	6.4%	2.5%	Surplus
London Borough of Waltham Forest Pension Fund	Yes	87.0%	3.4%	1.6%	0.1%
Merseyside Pension Fund	Yes	115.0%	11.6%	3.6%	Surplus
Norfolk Pension Fund	Yes	107.4%	8.4%	2.4%	Surplus
North Yorkshire Pension Fund	Yes	123.4%	4.8%	Surplus	Surplus
Northamptonshire Pension Fund	Yes	106.1%	4.8%	2.3%	Surplus
Northumberland County Council Pension Fund	Yes	109.9%	3.9%	2.8%	Surplus
Nottinghamshire County Council Pension Fund	Yes	100.2%	4.8%	3.2%	0.0%
Oxfordshire County Council Pension Fund	Yes	105.2%	4.3%	3.2%	Surplus

Pension fund	Open fund	SAB funding level	Non-Statutory employees	Asset shock	Employer default
Powys County Council Pension Fund	Yes	101.0%	5.5%	1.3%	0.0%
Rhondda Cynon Taf County Borough Council Pension Fund	Yes	107.4%	5.8%	2.4%	Surplus
Royal Borough of Greenwich Pension Fund	Yes	99.4%	3.4%	2.6%	0.0%
Royal Borough of Kensington and Chelsea Pension Fund	Yes	146.5%	4.0%	Surplus	Surplus
Royal Borough of Kingston Upon Thames Pension Fund	Yes	107.8%	7.4%	2.1%	Surplus
Royal County of Berkshire Pension Fund	Yes	77.2%	6.0%	1.5%	0.3%
Shropshire County Pension Fund	Yes	104.1%	9.5%	2.1%	Surplus
Somerset County Council Pension Fund	Yes	91.0%	8.9%	2.5%	0.3%
South Yorkshire Pension Fund	Yes	119.0%	9.3%	Surplus	Surplus
Staffordshire Pension Fund	Yes	111.8%	5.9%	3.0%	Surplus
Suffolk Pension Fund	Yes	121.4%	4.9%	Surplus	Surplus
Surrey Pension Fund	Yes	104.7%	4.4%	2.3%	Surplus
Sutton Pension Fund	Yes	99.1%	2.4%	1.3%	0.0%
Teesside Pension Fund	Yes	118.1%	7.2%	Surplus	Surplus
Tyne and Wear Pension Fund	Yes	114.0%	12.1%	4.3%	Surplus
Wandsworth Council Pension Fund	Yes	132.2%	4.4%	Surplus	Surplus
Warwickshire Pension Fund	Yes	108.9%	0.0%	3.0%	Surplus
West Midlands Pension Fund	Yes	106.8%	8.6%	2.8%	Surplus
West Sussex County Council Pension Fund	Yes	147.5%	4.7%	Surplus	Surplus
West Yorkshire Pension Fund	Yes	112.1%	12.7%	4.1%	Surplus
Wiltshire Pension Fund	Yes	111.6%	27.0%	2.9%	Surplus

Pension fund	Open fund	SAB funding level	Non-Statutory employees	Asset shock	Employer default
Worcestershire County Council Pension Fund	Yes	102.0%	7.9%	2.5%	Surplus
City of London Corporation Pension Fund*	Yes	92.4%	10.9%	3.6%	0.5%
London Pensions Fund Authority Pension Fund*	Yes	108.6%	18.3%	7.3%	Surplus
Environment Agency Active Fund*	Yes	132.8%	N/A	Surplus	N/A
Environment Agency Closed Fund*	No	64.6%	N/A	N/A	N/A

Notes:
1. Funding levels are on the SAB standard basis.
2. The liability value and salary roll figures in the maturity indicator are as at 31 March 2019. The liability value was calculated on the standardised best estimate basis.
3. For funds marked * against asset shock we have assessed the shock as a percentage of pensionable pay (as we did in the 2016 and the dry run).

Appendix D: Long term cost efficiency

D.1 We developed a series of relative and absolute considerations to help assess whether the contributions met the aims of section 13 under long term cost efficiency. This appendix contains a description of:

- Mapping of long term cost efficiency considerations to measures adopted
- Methodology used for long term cost efficiency measures
- Engagement with funds which flagged on LTCE measures
- Table of outcomes for each fund

Long term cost efficiency – considerations and methodology

Table D1: Long term cost efficiency considerations and measures

Consideration	Measure Used
Relative considerations:	
The implied deficit recovery period	**Deficit Period:** Implied deficit recovery period calculated on a standardised best estimate basis (SAB Actuarial (section 13) key indicator 2)
The investment return required to achieve full funding	**Required Return:** The required investment return rates to achieve full funding in 20 years' time on a standardised best estimate basis (SAB Actuarial (section 13) key indicator 3)
The pace at which the deficit is expected to be paid off	**Repayment Shortfall:** The difference between: actual contribution in excess of GAD's best estimate of future service cost and the annual deficit recovery contributions required as a percentage of payroll to pay off the deficit in 20 years, where the deficit is calculated on a standardised best estimate basis
Absolute Considerations:	
The extent to which the required investment return above is less than the estimated future return being targeted by a fund's investment strategy	**Return Scope:** The required investment return rates as calculated in required return (i.e. SAB Actuarial (section 13) key indicator 3), compared with the fund's expected best estimate future returns assuming current asset mix maintained (SAB Actuarial (section 13) key indicator 3)
The extent to which any deficit recovery plan can be reconciled with, and can be demonstrated to be a continuation of, the previous deficit recovery plan, after allowing for actual fund experience	**Deficit Reconciliation:** Confirmation that the deficit period can be demonstrated to be a continuation of the previous deficit recovery plan, after allowing for actual fund experience

D.2 For the 2019 section 13 report, GAD has adopted the same measures as those in 2016. However, a further qualitative step was introduced to consider whether it was felt that the risk identified was potentially material to the fund.

D.3 Three of these measures were selected from the Actuarial section 13 KPIs defined by the SAB. The selected SAB measures have been augmented with two additional measures which we believe are appropriate in helping to assess whether the aims of section 13 are met.

D.4 The analyses and calculations carried out under these long term cost efficiency measures are approximate. They rely on the accuracy of the data provided by the respective local firms of actuarial advisors.

D.5 Although the calculations are approximate, we consider they are sufficient for the purposes of identifying which funds are a cause for concern. While the measures should not represent targets, these measures help us determine whether a more detailed review is required for example, we would have concern where multiples measures triggered amber for a given fund.

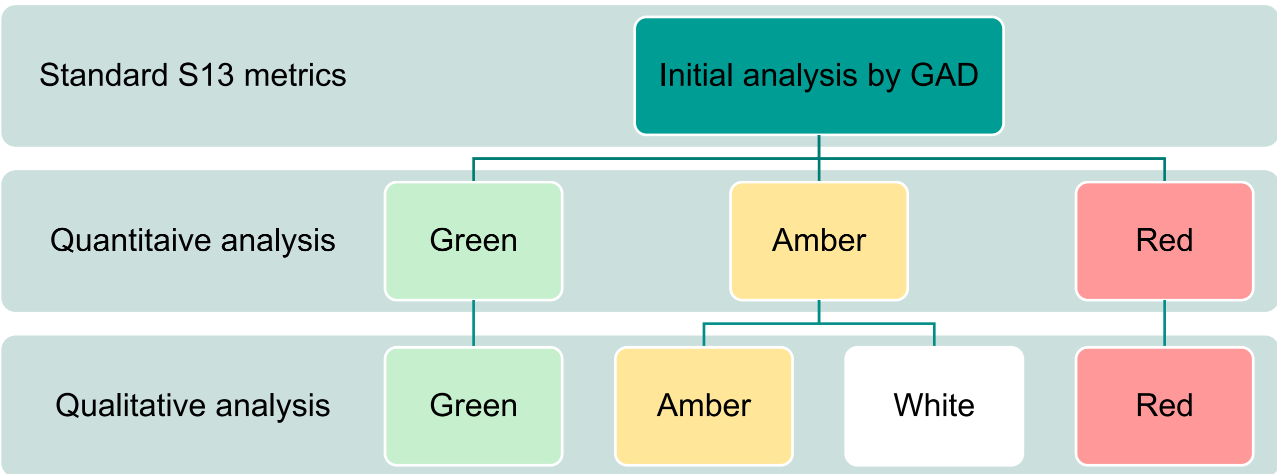
Long term cost efficiency measures – methodology

D.6 We detail the methodology behind the measures used to assess a fund's long term cost efficiency position below. Some of the measures listed below were calculated using a market consistent set of assumptions. For more information on this best estimate basis please see Appendix G.

D.7 The 2016 exercise used Red, Amber or Green ('RAG') flags for the solvency measure, where amber and red flags were raised when a fund breached thresholds set by GAD. For the 2019 exercise, GAD initially adopted the same RAG approach and 2016 thresholds, however the flag allocation was subsequently revised for the long term cost efficiency measures as GAD wished to concentrate on funds which raised multiple amber flags. GAD also introduced a subsequent qualitative measure, which considered the funding level relative to contributions graph, which assisted GAD on determining whether to flag and/or engage with a fund.

D.8 Following discussions with DLUHC, GAD agreed that it is not helpful to raise individual fund flags but rather concentrate on funds with multiple flags and this resulted in the introduction of a "white" flag. The white flag is an advisory flag that highlights a general risk but does not require action in isolation.

D.9 The chart below illustrates the steps taken by GAD in determining the flag colours for the metrics



D.10 The text box below defines each flag colour:

Key

RED indicates a material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure Solvency may be considered.

AMBER indicates a potential material issue that we would expect funds' to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure Solvency.

WHITE is an advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.

GREEN indicates that there are no material issues that may contribute to a recommendation for remedial action in order to ensure Solvency.

D.11 GAD will assess the position at the 2022 section 13 and will decide whether to retain the white flag, return to the RAG approach or use other metrics/thresholds that are appropriate for the circumstances of the LGPS at that point in time.

Deficit period: The implied deficit recovery period calculated on a standardised best estimate basis

D.12 This measure is based on SAB Actuarial (section 13) key indicator 2. However, as the SCAPE discount rate used in the SAB standard basis is not market-related, the calculations are done on a standardised best estimate basis.

D.13 The implied deficit recovery period on the standardised best estimate basis was found by solving the following equation for x:

D.14 $$\bar{a}_x = \frac{\text{Deficit on standardised BE basis}}{\text{Annual deficit recovery payment on standardised BE basis}}$$

Where:

- x is the implied deficit recovery period.
- $\bar{a}_x$ is a continuous annuity over x years at the rate of interest equal to $\frac{(1+i)}{(1+e)} - 1$.
- i is the nominal discount rate assumption on the standardised best estimate basis.
- e is the general earnings inflation assumption on the standardised best estimate basis.
- The deficit on the standardised best estimate basis is as at 31 March 2019.
- The annual deficit recovery payment on the standardised best estimate basis is calculated as the difference between the average employer contribution rate for the years 2020/21 to 2022/23, allowing for both contributions paid as a percentage of salary and fixed monetary contributions into the fund, where deficit contributions are fixed (i.e. the fixed monetary contributions, if any, have been converted so that they are quoted as a percentage of salary roll), and the employer standard contribution rate on the standardised best estimate basis for the years 2020/21 to 2022/23 (which is assumed to be equal to the future cost of accrual of that particular fund).

D.15 Funds that were in surplus or where the implied deficit recovery period was less than 10 years were flagged as green. Those with recovery periods greater than or equal to 10 years were flagged as amber. If there were any funds that were paying contributions at a level that would result in an increase in deficit, they would have been flagged as red.

D.16 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised based on whether multiple flags were raised for a fund.

Required return: The required investment return rates to achieve full funding in 20 years' time on the standardised best estimate basis

D.17 This measure is based on SAB Actuarial (section 13) key indicator 3. However, as the SCAPE discount rate used in the SAB standard basis is not market related, the calculations are done on a standardised best estimate basis.

D.18 The following assumptions were made for the purposes of this calculations:

- Time 0 is 31 March 2019.
- Time 20 is 31 March 2039.
- $\mathrm{A_0}$ is the value of the fund's assets at time 0, and was obtained from the data provided by the local firms of actuarial advisors.
- $\mathrm{A_{20}}$ is the projected value of the fund's assets at time 20 (using the equation below)
- $\mathrm{L_0}$ is the value of the fund's liabilities at time 0, on a standardised best estimate basis
- $\mathrm{L_{20}}$ is the projected value of the fund's liabilities at time 20 (using the equation below)
- $\mathrm{C_0}$ is one year's employer contributions paid from time 0
- $\mathrm{C_{0-20}}$ is the total employer contributions payable over the period time 0 – 20, assumed to occur mid-way between time 0 and time 20 (i.e. at time 10)
- $\mathrm{B_0}$ is the value of one year's benefits paid (excluding transfers) from time 0
- $\mathrm{B_{0-20}}$ is the total value of benefits payable (excluding transfers) over the period time 0 – 20, assumed to occur mid-way between time 0 and time 20 (i.e. at time 10).
- $\mathrm{SCR_0}$ is the standard contribution rate payable from time 0 to time 1 on a standardised best estimate basis.
- $\mathrm{SCR_{0-20}}$ is the standard contribution rate payable from time 0 – 20, assumed to occur mid-way between time 0 and time 20 (i.e. at time 10).
- $\mathrm{Sal_0}$ is the salary roll at time 0 and was obtained from the data provided by the local firms of actuarial advisors.
- i is the nominal discount rate assumption on the standardised best estimate basis.
- e is the general earnings assumption on the standardised best estimate basis.
- x is the required investment return that is to be calculated

D.19 The membership profile is assumed to be constant.

D.20 The assets and liabilities at time 20 were then equated and the resulting quadratic equation solved to find the required rate of investment return to achieve full funding, i.e.:

$$A_{20} - L_{20} = 0$$

Where:

- $A_{20} = [A_0 \times (1+x)^{20}] + [(C_{0-20} - B_{0-20}) \times (1+x)^{10}]$
- $L_{20} = [L_0 \text{ x } (1+i)^{20}] + [(SCR_{0-20} - B_{0-20}) \times (1+i)^{10}]$
- $C_{0-20} = C_0 \times 20 \times (1+e)^{10}$
- $B_{0-20} = B_0 \times 20 \times (1+e)^{10}$
- $SCR_{0-20} = Sal_0 \times SCR_0 \times 20 \times (1+e)^{10}$

D.21 Where the required investment return was higher than the nominal discount rate on the standardised best estimate basis (i.e. i where i = 4.30%) funds would be classified as amber, whereas funds were classified as green if the required return was less than i.

D.22 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised based on whether multiple flags were raised for a fund.

Repayment shortfall: The difference between the actual contribution rate net of GAD's best estimate future service cost and the annual deficit recovery contributions (on a standardised best estimate basis and assuming deficit is paid off in 20 years), as a percentage of payroll

D.23 This measure is an extension from the deficit period measure, as it considers the affordability of the deficit on GAD's best estimate basis. For this calculation we determine the difference between:

- The employer contributions in excess of GAD's best estimate future service cost, and
- The required annual deficit recovery contribution rate on a standardised best estimate basis to pay off the deficit in 20 years' time (the 20 year deficit recovery period is based on the SAB Actuarial (section 13) key indicator 3)

D.24 The required annual deficit recovery contribution rate to be paid on a standardised best estimate basis is equal to:

$$\frac{\text{Deficit on standardised best estimate basis}}{\bar{a}_{20} \times \text{ Salary Roll}}$$

Where:

- The deficit on the standardised best estimate basis is as at 31 March 2019.
- $\bar{a}_{20}$ is a continuous annuity over the 20 year deficit recovery period at the rate of interest equal to $\frac{(1+i)}{(1+e)} - 1$.
- i is the nominal discount rate assumption on the standardised best estimate basis.
- e is the general earnings inflation assumption on the standardised best estimate basis.
- The salary roll is as at 31 March 2019 and has not been adjusted.

D.25 The difference in deficit recovery contribution rates is then defined as:

$$(\text{Avg ER cont rate paid} - \text{ ER SCR on BE basis}) - \frac{\text{Deficit on BE basis}}{\bar{a}_{20} \text{ x Salary Roll}}$$

Where:

- The average employer contribution rate is for the years 2020/21 – 2022/23, allowing for both contributions paid as a percentage of salary and fixed monetary contributions into the fund where deficit contributions are fixed (i.e. the fixed monetary contributions, if any, have been converted so that they are quoted as a percentage of salary roll).
- The employer standard contribution rate on the standardised best estimate basis is for the years 2020/21 – 2022/23. It is assumed that the standard contribution rate is equal to the future cost of accrual of that particular fund.

D.26 The data required for each of the funds to carry out the above calculation was provided by their respective firms of actuarial advisors.

D.27 Where appropriate data has been restated on the standardised best estimate basis.

D.28 Funds in surplus on GAD's best estimate basis or where the difference in deficit recovery contribution rates is greater than 0% are flagged as green. Where the difference between contribution rates is between 0% and -3%, the funds would be flagged as amber and if the difference in deficit recovery contribution rates is less than -3%, then the fund would be flagged as red.

D.29 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised based on whether multiple flags were raised for a fund.

Return scope: The required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained

D.30 This measure is based on SAB Actuarial (section 13) key indicator 3.

D.31 The required investment return (x) calculated in the required return measure was compared against the best estimate investment return expected from the fund's assets held on 31 March 2019.

D.32 The asset data used in this calculation was provided by each fund's respective firm of actuarial advisors.

D.33 Funds where the best estimate future returns were higher than the required investment return by 0.5% or more were flagged as green. Those funds where this difference was between 0% and 0.5% would be flagged as amber whilst those where the best estimate returns were lower than the required investment returns were flagged as red.

D.34 As set out in methodology section above, GAD undertook a subsequent qualitative analysis on whether flag colours should be revised based on whether multiple flags were raised for a fund.

Deficit reconciliation: Confirmation that the deficit period can be demonstrated to be a continuation of the previous deficit recovery plan, after allowing for actual fund experience

D.35 This measure is used to monitor the change in the deficit recovery end point set locally by the fund at each valuation and what the underlying reasons are for any adverse changes in this period.

D.36 This measure considers the following:

- Whether contributions have decreased since the previous valuations (reducing the burden on current tax payers)

- Whether the deficit recovery end point has moved further into the future, compared with the previous valuation (increasing the burden on future tax payers)

D.37 Funds where both of the above have occurred are flagged amber otherwise funds are flagged green. There was no allowance for white flags as this measure indicates a material issue that funds should be aware of.

Long term cost efficiency measures – engagement

D.38 The metrics set out above and qualitative analysis of funds funding position relative to the contribution helped determine which funds GAD would engage with to discuss the potential material and material risks and the general issues that arose from the analysis. The approach used for determining whether to engage with funds was based on the approach set out in paragraph D.7, however GAD undertook two types of engagements:

- “Full” Engagement –discussion with funds for which a combination of flags for were raised, which raised material or potentially material risks

- “Light” Engagement – discussion with funds where a combination of flags was not raised but which were close to flagging and therefore may want to take action to avoid the likelihood of being flagged in the section 13 report following the 2022 valuation

Full engagement

D.39 The four funds for which GAD held a “Full” engagement with set out in the main report are City of London Corporation Pension Fund, Royal County of Berkshire Pension Fund, Islington County Pension Fund and Devon County Council Pension Fund. The engagement with all funds was constructive.

D.40 Following the initial engagement Islington County Pension Fund committed to making an additional contribution which was sufficient to remove the flags raised.

D.41 Further Devon County Council Pension Fund confirmed a post valuation investment had been made which was again sufficient prove their position to remove the concerns

Light Engagement

D.42 GAD also engaged with funds with funds where a combination of flags were not raised but where some flags may been raised and where the funding level and contribution levels were low relative to the other LGPS funds. The funds which GAD engaged with were:

- Dorset County Pension Fund (Barnett Waddingham)

- London Borough of Newham Pension Fund (Barnett Waddingham)

- Royal Borough of Greenwich Pension Fund (Barnett Waddingham)

- Somerset County Council Pension Fund (Barnett Waddingham)

- London Borough of Waltham Forest (Mercer)

D.43 The engagement with these funds was positive and GAD explained that whilst these funds were not part of the “full” engagement there were concerns regarding the position of these funds and that the funds may wish to take action in order to reduce the likelihood of being flagged in the section 13 report following the 2022 valuation.

Long term cost efficiency measures – by fund

Table D2: Long term cost efficiency measures by fund

Pension fund	Maturity (rank)	Deficit period (rank)	Required return (rank)	Repayment shortfall	Return scope (rank)	Deficit recovery plan
Avon Pension Fund	7.5 (52)	Surplus	3.3% (48)	Surplus	0.8% (61)	Green
Bedfordshire Pension Fund	6.6 (84)	8 (76)	3.4% (51)	5.7%	0.3% (77)	Green
Buckinghamshire County Council Pension Fund	6.6 (85)	Surplus	3.4% (54)	Surplus	0.6% (70)	Green
Cambridgeshire Pension Fund	7 (68)	Surplus	3.1% (39)	Surplus	1.6% (23)	Green
Cardiff and Vale of Glamorgan Pension Fund	7.2 (65)	Surplus	3.6% (67)	Surplus	0.7% (67)	Green
Cheshire Pension Fund	7.7 (41)	Surplus	2.4% (10)	Surplus	1.2% (38)	Green
City and County of Swansea Pension Fund	7.3 (59)	6 (74)	3.7% (72)	3.9%	0.9% (53)	Green
City of Westminster Pension Fund	10.9 (1)	Surplus	0.3% (1)	Surplus	4.3% (1)	Green
Clwyd Pension Fund	7.3 (61)	Surplus	3% (35)	Surplus	0.9% (55)	Green
Cornwall Pension Fund	7.3 (62)	3 (69)	3.4% (55)	5.7%	0.3% (78)	Green
Cumbria Local Government Pension Scheme	8 (26)	Surplus	2.4% (12)	Surplus	1.2% (35)	Green
Derbyshire Pension Fund	6.9 (73)	Surplus	3.2% (40)	Surplus	1% (50)	Green
Devon County Council Pension Fund	7.6 (43)	15 (85)	4.2% (86)	0.8%	0.6% (71)	Green
Dorset County Pension Fund	7.5 (53)	9 (78)	4% (83)	2.2%	0.3% (79)	Green
Durham County Council Pension Fund	8 (29)	5 (71)	3.7% (70)	4.1%	-0.1% (85)	Green
Dyfed Pension Fund	6.8 (76)	Surplus	2.9% (26)	Surplus	1.6% (19)	Green
East Riding Pension Fund	7.3 (58)	Surplus	2.9% (25)	Surplus	1.7% (18)	Green
East Sussex Pension Fund	7.5 (50)	Surplus	3.1% (38)	Surplus	1.2% (34)	Green
Essex Pension Fund	7 (70)	Surplus	2.6% (14)	Surplus	1.9% (13)	Green

Pension fund	Maturity (rank)	Deficit period (rank)	Required return (rank)	Repayment shortfall	Return scope (rank)	Deficit recovery plan
Gloucestershire County Council Pension Fund	7.7 (38)	Surplus	2.3% (9)	Surplus	2.1% (7)	Green
Greater Gwent (Torfaen) Pension Fund	7.4 (56)	6 (73)	3.8% (75)	3.5%	0.8% (63)	Green
Greater Manchester Pension Fund	8.6 (15)	Surplus	2.6% (18)	Surplus	1.7% (16)	Green
Gwynedd Pension Fund	6.8 (81)	Surplus	2.9% (24)	Surplus	1.7% (17)	Green
Hampshire County Council Pension Fund	6.9 (72)	Surplus	3.9% (80)	Surplus	0.3% (80)	Green
Hertfordshire County Council Pension Fund	6.8 (77)	Surplus	2.6% (16)	Surplus	1.1% (44)	Green
Isle of Wight Council Pension Fund	8.7 (13)	Surplus	2.6% (15)	Surplus	1.9% (10)	Green
Islington Council Pension Fund	8.5 (17)	10 (80)	3.9% (79)	3.0%	0.7% (68)	Green
Kent County Council Pension Fund	6.9 (74)	Surplus	3.2% (41)	Surplus	1.3% (32)	Green
Lancashire County Pension Fund	7.5 (51)	Surplus	2.9% (23)	Surplus	1.5% (25)	Green
Leicestershire County Council Pension Fund	6.8 (78)	Surplus	2.9% (27)	Surplus	1.1% (41)	Green
Lincolnshire Pension Fund	6.9 (71)	Surplus	3% (33)	Surplus	1.6% (22)	Green
London Borough of Barking and Dagenham Pension Fund	7.5 (45)	2 (65)	3.5% (63)	5.1%	1% (48)	Amber
London Borough of Barnet Pension Fund	8 (28)	10 (79)	3.6% (66)	4.4%	0.2% (81)	Green
London Borough of Bexley Pension Fund	7.4 (55)	Surplus	2.6% (17)	Surplus	1.9% (14)	Green
London Borough of Brent Pension Fund	9.1 (7)	10 (81)	3% (32)	8.6%	1.6% (20)	Green
London Borough of Bromley Pension Fund	7.5 (46)	Surplus	1.9% (3)	Surplus	2.6% (4)	Green
London Borough of Camden Pension Fund	9.6 (5)	Surplus	2% (4)	Surplus	2.9% (3)	Green
London Borough of Croydon Pension Fund	6.9 (75)	4 (70)	3.5% (60)	4.8%	0.9% (56)	Green
London Borough of Ealing Pension Fund	7.7 (40)	Surplus	3.1% (37)	Surplus	1.1% (45)	Green
London Borough of Enfield Pension Fund	6.8 (79)	Surplus	3.4% (53)	Surplus	0.5% (73)	Green
London Borough of Hackney Pension Fund	8.2 (22)	Surplus	2.2% (8)	Surplus	2.1% (9)	Green
London Borough of Hammersmith and Fulham Pension Fund	10.6 (4)	Surplus	3.8% (74)	Surplus	0.4% (75)	Green

Pension fund	Maturity (rank)	Deficit period (rank)	Required return (rank)	Repayment shortfall	Return scope (rank)	Deficit recovery plan
London Borough of Haringey Pension Fund	9.1 (8)	Surplus	3.4% (50)	Surplus	0.8% (59)	Green
London Borough of Harrow Pension Fund	8.4 (20)	1 (64)	3.6% (64)	5.3%	1.1% (43)	Green
London Borough of Havering Pension Fund	8 (27)	12 (84)	3.7% (69)	4.0%	0.1% (83)	Green
London Borough of Hillingdon Pension Fund	8.1 (25)	8 (75)	3.8% (76)	3.4%	-0.1% (86)	Green
London Borough of Hounslow Pension Fund	7.6 (44)	Surplus	3.4% (57)	Surplus	1% (47)	Green
London Borough of Lambeth Pension Fund	10.7 (2)	Surplus	2.7% (20)	Surplus	1.6% (24)	Green
London Borough of Lewisham Pension Fund	9 (9)	Surplus	3.3% (44)	Surplus	0.5% (72)	Green
London Borough of Merton Pension Fund	7.5 (49)	Surplus	3.5% (61)	Surplus	1% (49)	Green
London Borough of Newham Pension Fund	7.5 (48)	2 (67)	4% (82)	2.3%	-0.3% (87)	Green
London Borough of Redbridge Pension Fund	7.7 (37)	5 (72)	3.9% (81)	2.4%	0.5% (74)	Amber
London Borough of Southwark Pension Fund	8.4 (21)	Surplus	2.8% (22)	Surplus	1.5% (28)	Green
London Borough of Tower Hamlets Pension Fund	8.8 (12)	Surplus	2.1% (6)	Surplus	2.2% (5)	Green
London Borough of Waltham Forest	8.1 (24)	11 (82)	3.6% (65)	4.2%	0.8% (65)	Green
Merseyside Pension Fund	9.2 (6)	Surplus	3.3% (47)	Surplus	1.2% (36)	Green
Norfolk Pension Fund	7.7 (39)	Surplus	3% (28)	Surplus	1.4% (31)	Green
North Yorkshire Pension Fund	6.5 (86)	Surplus	3% (31)	Surplus	0.9% (51)	Green
Northamptonshire Pension Fund	7.3 (63)	Surplus	3% (34)	Surplus	1.5% (27)	Green
Northumberland County Council Pension Fund	8.8 (11)	Surplus	3.2% (43)	Surplus	1.1% (42)	Green
Nottinghamshire County Council Pension Fund	6.7 (82)	2 (66)	3.6% (68)	4.5%	0.9% (52)	Green
Oxfordshire County Council Pension Fund	7.2 (64)	Surplus	3.7% (71)	Surplus	0.9% (54)	Green
Powys County Council Pension Fund	8.1 (23)	1 (63)	3.2% (42)	7.3%	0.8% (64)	Green

Pension fund	Maturity (rank)	Deficit period (rank)	Required return (rank)	Repayment shortfall	Return scope (rank)	Deficit recovery plan
Rhondda Cynon Taf County Borough Council Pension Fund	7.9 (32)	Surplus	3.5% (62)	Surplus	0.8% (62)	Green
Royal Borough of Greenwich Pension Fund	7 (69)	9 (77)	4.2% (85)	0.8%	0.2% (82)	Green
Royal Borough of Kensington and Chelsea Pension Fund	8.4 (18)	Surplus	2% (5)	Surplus	3.1% (2)	Green
Royal Borough of Kingston Upon Thames Pension Fund	7.5 (47)	Surplus	3.3% (49)	Surplus	1.1% (39)	Green
Royal county of Berkshire Pension Fund	6.6 (83)	25 (87)	4.6% (87)	-1.5%	0.1% (84)	Green
Shropshire County Pension Fund	7.9 (31)	Surplus	3.5% (59)	Surplus	0.6% (69)	Green
Somerset County Council Pension Fund	7.8 (36)	12 (83)	3.9% (78)	2.9%	1.6% (21)	Green
South Yorkshire Pension Fund	7.8 (34)	Surplus	3% (30)	Surplus	1.4% (30)	Green
Staffordshire Pension Fund	8.7 (14)	Surplus	2.5% (13)	Surplus	1.9% (11)	Green
Suffolk Pension Fund	7.4 (54)	Surplus	2.4% (11)	Surplus	1.9% (12)	Green
Surrey Pension Fund	7.2 (66)	Surplus	3.4% (52)	Surplus	1.1% (40)	Green
Sutton Pension Fund	6.4 (87)	2 (68)	3.3% (46)	5.8%	0.7% (66)	Green
Teesside Pension Fund	8.5 (16)	Surplus	3.8% (73)	Surplus	0.9% (57)	Green
Tyne and Wear Pension Fund	8.9 (10)	Surplus	3.5% (58)	Surplus	1.2% (37)	Green
Wandsworth Council Pension Fund	8.4 (19)	Surplus	2.1% (7)	Surplus	2.1% (8)	Green
Warwickshire Pension Fund	7.3 (60)	Surplus	3.3% (45)	Surplus	1.1% (46)	Green
West Midlands Pension Fund	7.9 (30)	Surplus	2.7% (21)	Surplus	1.5% (26)	Green
West Sussex County Council Pension Fund	6.8 (80)	Surplus	1.7% (2)	Surplus	2.2% (6)	Green
West Yorkshire Pension Fund	7.3 (57)	Surplus	3.8% (77)	Surplus	0.8% (60)	Green
Wiltshire Pension Fund	7.1 (67)	Surplus	2.6% (19)	Surplus	1.5% (29)	Green
Worcestershire County Council Pension Fund	7.7 (42)	Surplus	3% (36)	Surplus	1.8% (15)	Green
City of London Corporation Pension Fund	7.8 (35)	15 (86)	4.1% (84)	1.2%	0.3% (76)	Green

Pension fund	Maturity (rank)	Deficit period (rank)	Required return (rank)	Repayment shortfall	Return scope (rank)	Deficit recovery plan
London Pensions Fund Authority Pension Fund	10.6 (3)	Surplus	3.4% (56)	Surplus	0.9% (58)	Green
Environment Agency Active Fund	7.8 (33)	Surplus	3% (29)	Surplus	1.3% (33)	Green
Environment Agency Closed Fund	0 (N/A)	N/A	N/A	N/A	N/A	N/A

Notes:
1. The liability value and salary roll figures in the maturity indicator are as at 31 March 2019. The liability value was calculated on the standardised best estimate basis.

Appendix E: ALM

Why perform an Asset Liability Modelling (ALM) exercise?

E.1 An ALM exercise allows us to simultaneously project the assets and liabilities of the scheme under a range of simulations (known as stochastic economic scenarios), to investigate possible outcomes for key variables and metrics. Modelling the scheme in this way allows us to understand not only central, expected outcomes but also the wider range of possible outcomes and associated probabilities.

E.2 A common use of ALM studies is to help scheme managers and sponsors determine investment, contribution and funding policy by illustrating the impact of changing policy on key variables, such as the funding level (i.e. ratio of assets to liabilities), of the scheme under a range of scenarios.

E.3 For this piece of work, we modelled the whole Scheme rather than individual funds and our focus was on variations of the employer contribution rates over time as a broad measure of long term cost efficiency and sustainability relative to the funding available to local authorities. We are primarily interested in the extent to which contribution rates can vary from current levels as well as the projection of funding levels. Consequently, we have assumed that the current investment policy remains in place and is constant over the projection period.

E.4 Stochastic modelling techniques allow us to simulate one thousand economic scenarios – with different outturns and paths of key parameters and variables. The simulations are calibrated to reflect views on expected returns and relative behaviours between key variables, but importantly include an element of randomness in order to capture volatility observed in financial markets. By running the scenario generator many times, the spread of different possible outcomes can be illustrated, and the probability of certain outcomes can be estimated.

E.5 As with all models, the outcomes are a function of the assumptions adopted, and the outcomes are not intended to be predictors of the future but are illustrations of the range of possible outcomes. It is highly unlikely that the assumptions made will be borne out in practice and adjustments might be made to manage any pressures that arise.

E.6 Our study models change in economic outcomes only – we have not looked at any other possible changes such as demographic changes, including mortality, nor management changes such as changes to the investment approach or the impacts of climate change.

Outcomes of our modelling

E.7 The ALM exercise provides underlying projections, under thousands of scenarios, for a number of key variables and metrics of interest, including:

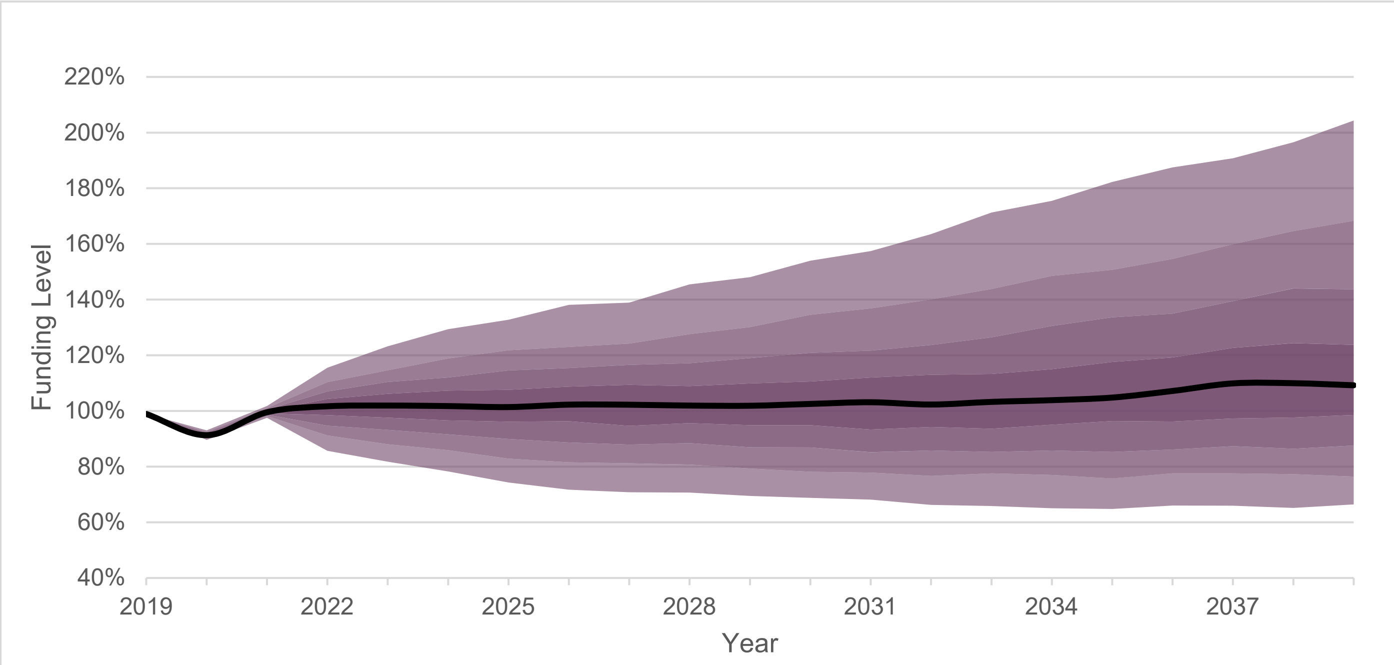
- The scheme's assets
- The scheme's liabilities
- The scheme's funding level
- The contribution rates

E.8 The main report includes illustrations of funding level and contributions (relative to the salary and the level of funding available to local authorities) of the LGPS, as a whole. These illustrations assumed no immediate recovery of assets in 2020/21 as GAD currently hold no information on the extent to which funds have recovered. The illustrations considered the impact with and without a constraint on contribution rates.

E.9 Charts E.1 and E.2 below illustrates the possible impact on funding levels and contribution rates if an allowance was made for the expected recovery of assets for 2020/21 in the projections and assuming that the contributions are not restricted. In the absence of any data available to illustrate the effect of a possible immediate recovery in asset values we have reset the funding level to 100% as at 31 March 2021 in the following analysis.

E.10 In charts E.1 and E.2, the black line shows the median funding level and contribution rate. Each shade of purple represents the range of funding level or contribution for a decile (10%) of scenarios, with the subsequent lighter shade representing the next decile. We have not shown the most extreme deciles (0-10% and 90-100%)

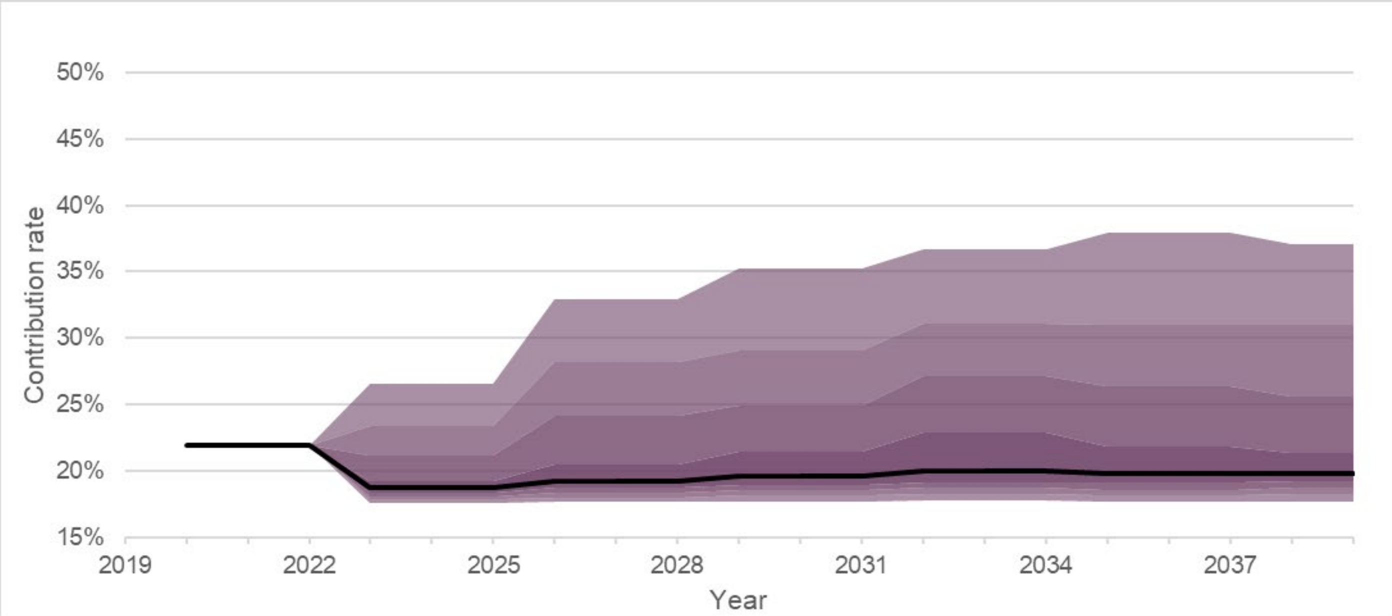
Chart E1: Illustration of funding levels with unconstrained contributions including allowance for expected 2020/21 recovery in assets



E.11 Chart E1 illustrates the initial drop in assets for the 2019/20 scheme year, due to COVID-19. For illustration purposes, we have shown the effect of an immediate recovery in the following year, by setting the scheme to be fully funded as at 31 March 2021 (a better position relative to that at the 2019 valuation).

E.12 The chart shows significant risk still remains as there is around 20% likelihood of the funding being 80% or lower by 2037. The upside is also illustrated in chart E.1, as the likelihood of improved funding is greater than that of chart 6.1, as there is over 30% chance that funding exceeds 140% funding.

Chart E2: Illustration of unconstrained employer contributions including allowance for expected 2020/21 recovery in assets



E.13 Based on the assumption that there is a rebound in asset values in 2020/21, chart E.2 illustrates that the median level of contributions may reduce at the 2022 valuation, due to the improvement in funding relative to the 2019 valuation.

E.14 Chart E.2 also illustrates that the risk to future contributions remain. After the assumed recovery there is around a 20% likelihood that contribution rates could exceed 30% by 2031. However, there is a limited likelihood of a significant reduction in contributions due to the assumption that no reduction is applied to primary contribution rates when the LGPS is in surplus.

Methodology

E.15 Our model projects the entire Scheme and assumes that the asset strategy and future valuation assumptions are an average of those used for the individual funds as at 31 March 2019. In practice, schemes are likely to have specific asset strategies and valuation assumptions, for example the discount rate will have regard to the expected return for each fund.

E.16 Projection of the contribution rates are determined based on the liability and asset values at each future triennial valuation and these are assumed to remain consistent for the following three years.

E.17 To project the development of the scheme we must make assumptions about the following:

- Expected new entrants into the scheme
- The way in which liabilities will evolve – for example, the rate at which current active liabilities “migrate” to being non-active (i.e. deferred/pensioner liabilities) over time or the extent to which liabilities are increased by CPI inflation and wage inflation at each point in time
- The way in which liabilities are assessed, and
- The way in which contributions are determined – both in respect of ongoing accrual and in respect of any surplus or deficit that arises.

The box below provides further details on the assumptions made in respect of these areas.

Key assumptions made in the ALM

For the purpose of assessing liabilities and determining contribution rates, assumptions are needed to carry out an actuarial valuation at each future point in time. In our modelling we have assumed that:

- The discount rate is set based on a constant margin above expected CPI. As such, the extent of the margin above real gilt yields included in the valuation may vary within the projections according to the projected economic conditions.
- The length of the recovery period is reset at each valuation i.e. deficit is spread over a 20 year period. However, when a surplus arises no reduction is applied to the primary rate (the cost of the benefits being accrued)
- New entrants' assumption – the scheme's active membership is assumed to remain stable over time
- The Scheme investment strategy is assumed to remain stable i.e. we assume the assets are rebalanced each year to the same allocation as that in the 2019 valuation.
- Demographic experience is as assumed in the underlying 2019 valuations

E.18 It should be noted that any change to manage down employer contribution rates in the short term do not alter the long term cost of the scheme (which depends on the level of scheme benefits and scheme experience, including asset returns) and more generally might have some other less desirable outcomes, for example:

- increasing the length of recovery periods transfers costs onto future generations
- choosing a more return seeking investment strategy would be expected to increase volatility and risk

Assumptions

E.19 An ALM produces a broader amount of information than a traditional deterministic actuarial valuation. Consequently, we need to make more detailed assumptions to simplify the calculations involved in the projections and make it practical to analyse all the key outcomes we are interested in.

E.20 To project the development of the scheme we must make assumptions about the key economic variable and financial assumptions for example price inflation, salary growth and returns on assets held. These are determined from the economic scenario generator (ESG).

E.21 The ESG is calibrated to current conditions and expectations for the future and specifies how key economic variables may vary (stochastically, according to probability distributions) in future. The ESG was provided by Moody's, with a calibration date of 31 March 2020, and reflected the market expectations at that time.

E.22 GAD made subsequent amendments to the ESG:

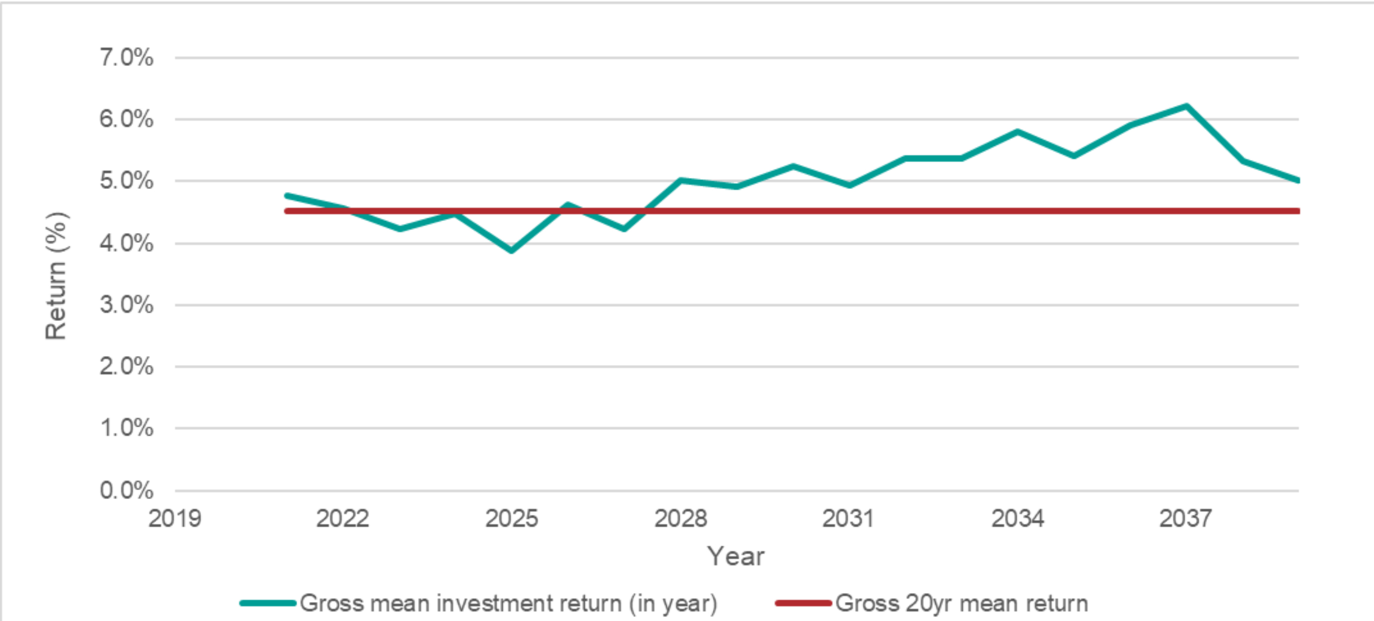
- As the calibration was as at 31 March 2020, asset returns for the 2019/20 scheme year were introduced to allow for the known financial outcomes and ensuring that the asset value as at 31 March 2020 are consistent with publicly available SF3 data

- CPI simulations are derived based on projected RPI simulations less a constant margin. The margin, set at 1.15%, is based on GAD's house view for the current difference between RPI and CPI and is constant throughout the projection period. In practice the difference between RPI and CPI is expected to reduce from 2030 when RPI reforms, however allowing for this would result in a disjoint in CPI projections because market expectations for RPI (which drive simulations) do not show such a disjoint.
- Assumed asset returns were enhanced to align with GAD's long-term views

E.23 Charts E.3 and E.4 illustrate the investment returns used in the ALM projections. The green line in Chart E.3 represents the mean return in each simulation year, and the expectation is that returns improve on average with time.

E.24 The red line in chart E.3. illustrates the annualised mean return over the projection period of the ALM projection, which is 4.5%. The expected return in the ALM is in line with GAD's expectation based on the economic environment as at 31 March 2020.

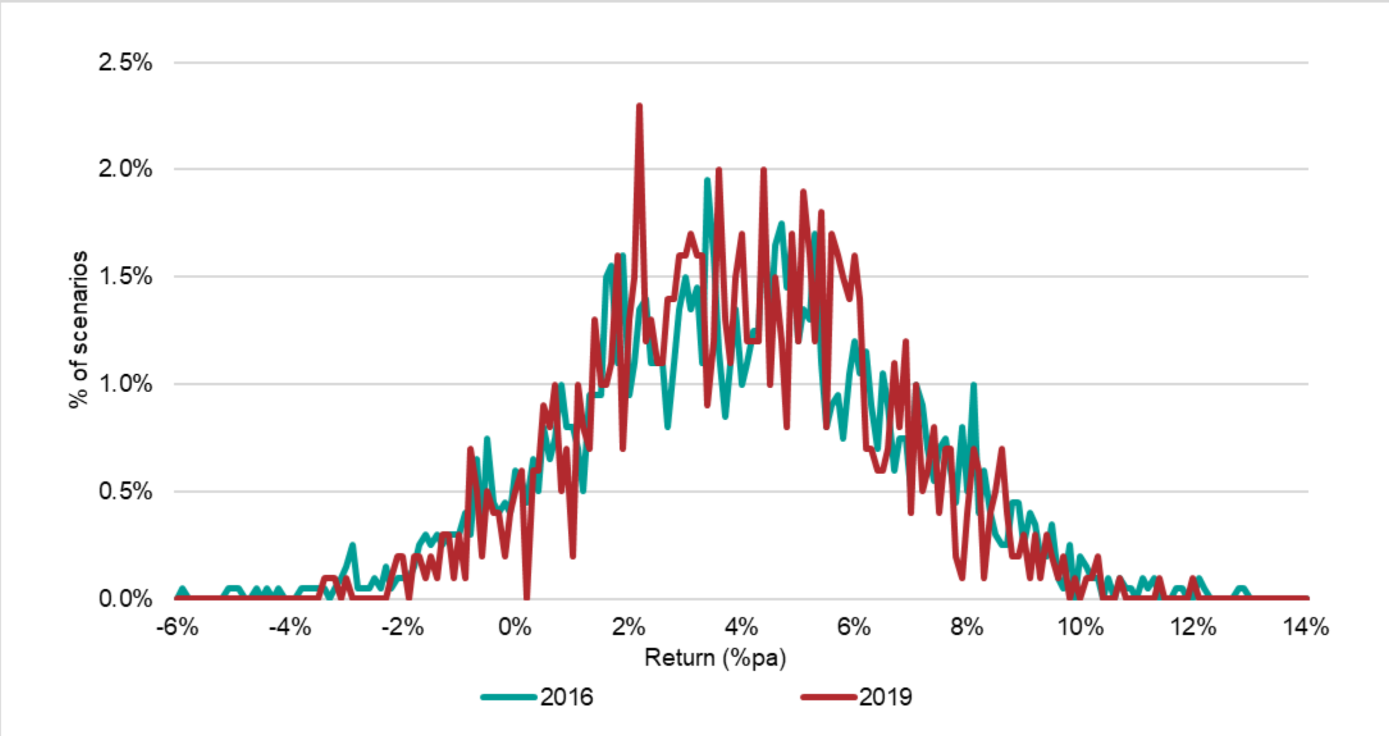
Chart E3: Mean investment return for future years



E.25 Chart E.4 is the distribution of the annualised portfolio returns over the twenty-year period and compares the projection to that of the 2016 ALM exercise. The distributions of the returns are similar, which is expected due to the same investment strategy being adopted at the 2016 and 2019 valuation and similar return prospects.

E.26 Chart E.4 demonstrates the volatility in the LGPS, which was also one of the key risks identified in the investment returns section within the main report. The chart below illustrates that whilst returns are mainly clustered between -2% and 10%, with the mean round 4%, significant risks of low returns over the 20-year period remain but so does the upside potential.

Chart E4: Distribution of annualised nominal investment returns



Appendix F: Data Provided

F.1 At the request of DLUHC, GAD collected data from each fund's 2019 valuation report via the fund actuaries. These actuarial funding valuations were conducted by four firms of actuarial advisors:

> Aon

> Barnett Waddingham

> Hymans Robertson

> Mercer

F.2 Data was received from the relevant firm of actuarial advisors for all 88 pension funds and included additional information provided to the fund actuaries by administrators in respect of their fund's employers.

F.3 Limited checks, consisting of spot checks to make sure that data entries appear sensible, have been performed by GAD and the data received appears to be of sufficient quality for the purpose of analysing the 2019 valuation results. These checks do not represent a full, independent audit of the data supplied. The analysis contained in this report relies on the general completeness and accuracy of the information supplied by the administering authority or their firms of actuarial advisors.

F.4 In addition, data has been collated from the 'Local government pension scheme funds local authority data', which is published annually by DLUHC at Local government pension scheme funds for England and Wales: 2016 to 2017 - GOV.UK (www.gov.uk). This published data may be referred to elsewhere as SF3 statistics.

F.5 Unless otherwise stated the data detailed above has been used to inform the analysis contained in the LGPS England and Wales section 13 2019 Report.

F.6 The information provided to GAD is, in many instances, more detailed than that provided in the actuarial valuation reports.

F.7 There was some inconsistency in the information provided to GAD. For example, membership details were not always split by gender as requested. However, this did not have a material impact on the analysis that GAD was able to complete (we assumed the average male female breakdown for these funds.

Data specification

(1) MEMBERSHIP DATA

Data split by gender.

(a) Active members: number of members, unweighted average age (to 2dp), total rate of annual actual pensionable pay at 31 March 2019 and 31 March 2016 (2014 pay definition)

(b) Deferred members: number of members, unweighted average age (to 2dp), total annual preserved pension revalued to 31 March 2019 for both 31 March 2016 and 31 March 2016. Note this should exclude undecided members.

(c) Pensioners (former members): number of members, unweighted average age (to 2dp), total annual pensions in payment at 31 March 2019 and 31 March 2016.

(d) Pensioners (dependants including partners and children): number of members, average age (weighted as appropriate), total annual pensions in payment at 31 March 2019 and 31 March 2016.

(2) FINANCIAL ASSUMPTIONS

Assumptions used to value the liabilities of the most secure employers (e.g. local authorities)

(a) Specify what proportion of the liabilities is calculated using the assumptions below

(b) Provide assumptions used for past service liabilities, these have been given for both as at 31 March 2019 and 31 March 2016.

i. Nominal discount rate (pre & post retirement separately if applicable)

ii. RPI inflation

iii. CPI inflation rate

iv. Earnings inflation

(c) Provide assumptions used for future contributions, these have been given for both as at 31 March 2019 and 31 March 2016.

i. Nominal discount rate (pre & post retirement separately if applicable)

ii. RPI inflation

iii. CPI inflation rate

iv. Earnings inflation

(d) Short term assumptions used in the valuation (if applicable)

i. CPI

ii. Salary Increases

iii. Discount Rate

(e) Deficit Recovery Period (years)

(3) DEMOGRAPHIC ASSUMPTIONS

Rates to be provided at sample ages split by gender

Each could be split further in Group 1, Group 2, Group 3, Group 4, and Group 5

(a) Assumed life expectancy for members retiring in normal health

i. Pensioner members aged 65 (for members retiring on normal health) (to 2dp) (with mortality improvements)

ii. Pensioner members aged 65 (for members retiring on normal health) (to 2dp) (without mortality improvements)

iii. Active / deferred members at age 65 if they are currently aged 45 (to 2dp) (with mortality improvements)

iv. Active / deferred members at age 65 if they are currently aged 45 (to 2dp) (without mortality improvements)

(b) Commutation

i. Pre 2008 pension Commutation Assumptions (as % of maximum lump sum allowed under HMRC rules). For example, maximum proportion of pension that may be commuted under the 2008 scheme is 35.71%. This will give a lump sum equal to the permitted maximum and thus if the member is assumed to commute this amount of pension, the entry in the table above is 100%. For pre2008 service, members already receive a lump sum = 3/80ths x pre 2008 pensionable service x final pensionable salary. Please specify the pre 2008 assumption as the proportion of the permitted maximum that is expected to be commuted over and above the 3/80ths lump sum.

ii. Post 2008 pension Commutation Assumptions (as % of maximum lump sum allowed under HMRC rules).

(4) ASSETS These are split to provide information for 31 March 2019 and 31 March 2016

(a) Market value of assets

(b) Value of assets used in the valuation

(c) Do you use a smoothed asset value in the valuation? If yes please attach an explanation

(d) Actual Asset Distribution split into the following:

i. Proportion of assets held in Bonds

a) Proportion of bonds which are fixed interest government bonds

b) Proportion of bonds which are fixed interest non-government bonds

c) Proportion of bonds which are inflation linked bonds

ii. Proportion of assets held in Equities

a) Proportion of equities which are UK equities

b) Proportion of equities which are overseas equities

c) Proportion of equities which are unquoted or private equities

iii. Proportion of assets held in Property

iv. Proportion of assets held in Insurance Policies

v. Proportion of assets held in Fully insured annuities

vi. Proportion of assets held in Deferred or immediate fully insured annuities

vii. Proportion of assets held in Hedge funds

viii. Proportion of assets held in Cash and net current assets

ix. Proportion of assets held in Commodities,

x. Proportion of assets held in ABC arrangements

xi. Proportion of assets held in Infrastructure – debt type

xii. Proportion of assets held in Infrastructure* – equity type

xiii. Proportion of assets held in “Other” investments – defensive*

xiv. Proportion of assets held in “Other” investments – return seeking

(e) Weighted best estimate return

(5) LIABILITIES AND FUTURE CONTRIBUTION RATE

These are split to provide information for 31 March 2019 and 31 March 2016

Local assumptions

(a) Past service liability – split between Actives, Deferred, Pensioners and Total

(b) Funding level

(c) Surplus / deficit

(d) Deficit recovery period

(e) Assumed member contribution yield k) Expenses, split by administration and investment (if not included implicitly in discount rate) l) Pensionable Pay definition (2008 or 2014 scheme definition) m)Is a smoothed liability value used? If Yes, an explanation is included ii) SAB standardised basis (only relevant for England and Wales) a) Past service liability – split between Actives, Deferred, Pensioners and Total b) Funding level c) Surplus / deficit d) Deficit recovery period Future contribution rates h) Standard contribution rate i) Contribution rate in respect of surplus or deficit j) Assumed member contribution yield

SAB standardised basis

(a) Past service liability – split between Actives, Deferred, Pensioners and Total

(b) Funding level

(c) Surplus / deficit

(d) SAB future service costs (excluding expenses) %

(6) Deficit recovery plan reconciliation

(a) Deficit contribution expected to be paid over each 3 yearly period from 2016 to 2043 as at March 2019 and March 2016

(b) Present value of deficit contribution expected to be paid over each 3 yearly period from 2016 to 2043 as at March 2019 and March 2016

(7) Post 2014 scheme

(a) Assumption for members in 50/50 scheme (if a proportion of members include details in 7b below)

(b) Proportion of members assumed to be in 50/50 scheme

(8) Documentation required

(a) Valuation Report @ 31 March 2019

(b) Relevant related reports

(c) Compliance Extract

(d) Statement of Investment Strategy

(e) Funding Strategy Statement

(f) Other

(9) McCloud approach

Please note the planned approach to risks arising from the McCloud judgement as discussed in the FSS

ALTERNATIVE FINANCIAL ASSUMPTIONS

Specify where a significant proportion of employer liabilities have been valued using alternative assumptions – provided as above in section 2

Appendix G: Assumptions

G.1 Each section of analysis contained in the main report is based on one of three sets of assumptions:

> The local fund assumptions, as used in the fund's 2019 actuarial valuation

> The SAB standardised set of assumptions, or SAB standard basis

> A best estimate set of assumptions

G.2 Details of local fund assumptions can be found in each fund's actuarial valuation report as at 31 March 2019. Details of the SAB standard basis and the standardised best estimate basis can be found in the table below.

Table G1: SAB standard basis and best estimate basis

Assumption	SAB standard basis	Best Estimate basis
Methodology	Projected Unit Methodology with 1 year control period	Projected Unit Methodology with 1 year control period
Rate of pension increases	2% per annum	2% per annum
Public sector earnings growth	3.5% per annum	3.5% per annum
Discount rate	4.45% per annum	4.3% per annum
Changes to State Pension Age (SPA)	As legislated	As legislated
Pensioner Baseline mortality	Set locally based on Fund experience	As set out in GAD's 2016 valuation
Mortality improvements	Core CMI_2018 with long term reduction in mortality rates of 1.5% per annum	Improvements in line with those underlying the ONS 2018-based principal population projections for the UK
Age retirement	Set locally based on Fund experience	As set out in GAD's 2016 valuation
Ill health retirement rates	Set locally based on Fund experience	As set out in GAD's 2016 valuation
Withdrawal rates	Set locally based on Fund experience	As set out in GAD's 2016 valuation
Death before retirement rates	Set locally based on Fund experience	As set out in GAD's 2016 valuation
Promotional salary scales	None	As set out in GAD's 2016 valuation
Commutation	We have used the SAB future service cost assumption of 65% of the maximum allowable amount	As set out in GAD's 2016 valuation
Family statistics	Set locally based on Fund experience	Set locally based on Fund experience

G.3 The financial assumptions for the best estimate basis are based on GAD’s neutral assumptions for long term inflation measures and asset returns, and the split of LGPS assets held as at 31 March 2019. These neutral assumptions are not deliberately optimistic nor pessimistic and do not incorporate adjustments to reflect any desired outcome. We believe there is around a 50% chance of outcomes being better and a 50% chance of outcomes being worse than these assumptions imply.

G.4 Future asset returns are uncertain and there is a wide range of reasonable views on what future asset returns will be and therefore the best estimate discount rate should be. We have presented GAD’s house view above, but there are other reasonable best estimate bases which may give materially different results.

Appendix H: Section 13 of the Public Service Pensions Act 2013

13 Employer contributions in funded schemes

(1) This section, which can be found at Public Service Pensions Act 2013 (legislation.gov.uk),applies in relation to a scheme under section 1 which is a defined benefits scheme with a pension fund.

(2) Scheme regulations must provide for the rate of employer contributions to be set at an appropriate level to ensure

(a) the solvency of the pension fund, and

(b) the long term cost efficiency of the scheme, so far as relating to the pension fund.

(3) For that purpose, scheme regulations must require actuarial valuations of the pension fund.

(4) Where an actuarial valuation under subsection (3) has taken place, a person appointed by the responsible authority is to report on whether the following aims are achieved

(a) the valuation is in accordance with the scheme regulations

(b) the valuation has been carried out in a way which is not inconsistent with other valuations under subsection (3)

(c) the rate of employer contributions is set as specified in subsection (2).

(5) A report under subsection (4) must be published and a copy must be sent to the scheme manager and (if different) the responsible authority.

(6) If a report under subsection (4) states that, in the view of the person making the report, any of the aims in that subsection has not been achieved

(a) the report may recommend remedial steps

(b) the scheme manager must

i. take such remedial steps as the scheme manager considers appropriate, and

ii. publish details of those steps and the reasons for taking them

(c) the responsible authority may

i. require the scheme manager to report on progress in taking remedial steps

ii. direct the scheme manager to take such remedial steps as the responsible authority considers appropriate.

(7) The person appointed under subsection (4) must, in the view of the responsible authority, be appropriately qualified.

Appendix I: Extracts from other relevant regulations

Regulations 58 and 62 of 'The Local Government Pension Scheme Regulations 201320'

Funding strategy statement (Regulation 58)

(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

(2) The statement must be published no later than 31st March 2015.

(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

(4) In preparing, maintaining and reviewing the statement, the administering authority must have regard to

(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012" and

(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Actuarial valuations of pension funds (Regulation 62)

(1) An 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) Each of those documents must be obtained before the first anniversary of the date ("the valuation date") as at which the valuation is made or such later date as the Secretary of State may agree.

(3) A report under paragraph (1)(b) must contain a statement of the demographic assumptions used in making the valuation and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.

(4) A rates and adjustments certificate is a certificate specifying

(a) the primary rate of the employer's contribution and

(b) the secondary rate of the employer's contribution, for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.

(5) The primary rate of an employer's contribution is the amount in respect of the cost of future accruals which, in the actuary's opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its solvency, expressed as a percentage of the pay of their employees who are active members.

(6) The actuary must have regard to-

(a) the existing and prospective liabilities arising from circumstances common to all those bodies

(b) the desirability of maintaining as nearly constant a common rate as possible

(c) the current version of the administering authority's funding strategy mentioned in regulation 58 (funding strategy statements) and

(d) the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.

(7) The secondary rate of an employer's contributions is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should, in the case of a Scheme employer, be increased or reduced by reason of any circumstances peculiar to that employer.

(8) A rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects

(a) the number of members who will become entitled to payment of pensions under the provisions of the Scheme and

(b) the amount of the liabilities arising in respect of such members

during the period covered by the certificate.

(9) The administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.

Report on the 31 March 2019 actuarial valuation

London Borough of Enfield Pension Fund

Prepared for: The London Borough of Enfield as Administering Authority of the London Borough of Enfield Pension Fund

Prepared by: Aon

Date: 31 March 2020

2019

QAS Institute and Faculty of Actuaries®
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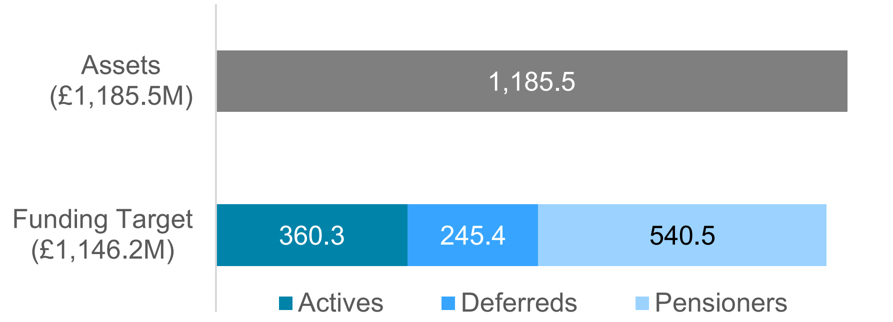
At a glance

Past Service Position

There was a surplus of £39.3M relative to the liabilities. The funding level was 103%.



Employer Contributions

% of Pensionable Pay	2019 valuation	2016 valuation
Primary rate	18.5%	17.7%
Secondary rate	1.5%	5.1%
Total rate	20.0%	22.8%
Recovery period	N/A	19 years from 1 April 2017

The contributions payable by each employer or group of employers may differ because they allow for each employer's or group's membership profile, funding target and funding level, recovery period and other parameters appropriate to their circumstances.

Shorthand

Funding level: the value of assets held by the Fund divided by the liabilities.

Funding target (liabilities): the level of assets determined by the Administering Authority as being appropriate to meet member benefits, assuming the Fund continues indefinitely.

Primary rate: the employer share of the cost of benefits being earned in future, expressed as a percentage of pensionable pay. The figure quoted is a weighted average of all employers' primary rates.

Pensionable pay: as defined in the Regulations in relation to post-2014 membership.

Recovery period: the period over which any surplus or shortfall is eliminated.

Secondary rate: any adjustment to the primary rate, expressed as a % of pensionable pay, needed to restore the funding level of the Fund as a whole to 100% over the recovery period, if the membership is broadly stable and pay increases and other assumptions are as assumed, together with an agreed further adjustment to reflect the legislative uncertainties outlined in Further Information section c.

Shortfall (deficit) or Surplus: the difference between the value of assets and the aggregate funding target (value of the liabilities) for the Fund as a whole, where the value of assets is less/higher than the funding target. Individual employers may have a surplus or shortfall, and the total of these will equal to the shortfall or surplus for the Fund as a whole.

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Introduction

This actuarial valuation report is required by Regulation 62 of the Regulations. It summarises the results of the funding valuation of the Fund at as 31 March 2019, including the Rates and Adjustments Certificate which sets out the contributions payable by employers from 1 April 2020 to 31 March 2023.

Next steps

This report concludes the formal valuation process and draws together other pieces of work and advice. As required by Regulation 66 this report must be published and made available to the Secretary of State, current and prospective employers who contribute, or may become liable to make payments to the Fund.

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The report concentrates on the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate. If you are reading this report sometime after the valuation date, the Fund's financial position could have changed significantly.

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Shorthand

Fund: London Borough of Enfield Pension Fund

Administering Authority: London Borough of Enfield, in its role as the Administering Authority of the Fund

Employers: London Borough of Enfield, and other employers with employees participating in the Fund

Regulations: The Local Government Pension Scheme Regulations 2013 (and other Regulations as referenced in the Glossary)

Additional information

Section a in the Further Information Section appended to this report sets out the legal framework within which the valuation has been completed.

The benefits valued are set out in the Regulations.

Throughout this report, assets and liabilities in respect of defined contribution additional voluntary contributions (or AVCs) have been excluded.

The funding targets, recovery periods and other parameters which apply to individual employers or groups of employers are set out in other advice papers.

Update since the previous valuation

Key results from the previous valuation as at 31 March 2016:

The Fund's assets were £916.3M and the past service liabilities were £1,048.2M, corresponding to a shortfall of £131.9M and a funding level of 87%.

The aggregate employer future service (primary) contribution rate was 17.7% of Pensionable Pay.

Employer contributions from 1 April 2017 were agreed to broadly restore the funding level to 100% over a period of up to 19 years as follows:

Year from 1 April	% of Pensionable Pay	Plus aggregate contribution amounts (£M)
2017	22.9	0.0
2018	23.4	0.0
2019	23.7	0.0

The recovery period shown was the maximum permitted. Individual employers may have a period less than this in line with the Funding Strategy Statement (FSS).

In addition, employers pay contributions to meet additional strains arising on early retirement due to redundancy or due to increases in benefits. Members also paid contributions as required by the Regulations.

Financial development

The table below compares the key financial assumptions made at the previous valuation with what actually happened and the corresponding assumptions for the 2019 valuation.

	2016 assumption	2016-2019 experience	2019 assumption
Investment returns	4.5% p.a.	8.8% p.a.	4.2% p.a.
CPI increases	2.0% p.a.	2.1% p.a.(2)	2.1% p.a.
Pay growth	3.5% p.a.(1)	2.6% p.a.	3.6% p.a.(1)

(1) plus a promotional pay scale

(2) average figure, actual increases were 1.0%, 3.0% and 2.4%

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Notable changes since the previous valuation

Changes affecting funding are briefly described below:

- **Benefits / membership**

  Responsibility for paying full CPI pension increases on GMPs passed to the Fund for members reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021.

  The Government was denied leave to appeal the McCloud/Sargeant judgement followed by the Ministerial Statement on 15 July 2019, which is expected to lead to an extension of the final salary underpin in the LGPS.

  Changes were made to the discount rate and longevity assumptions on which many of the Scheme-wide actuarial factors, including early and late retirement factors, are based.

- **Uncertainties over GMPs and benefit improvements**

  There are a number of uncertainties over the future benefit structure of the LGPS, including GMP equalisation and indexation after 5 April 2021, the cost management process, and the remedy that may be agreed in relation to the McCloud/Sargeant case. Further explanation of these uncertainties is set out in Section c of the Further Information Section.

Shorthand

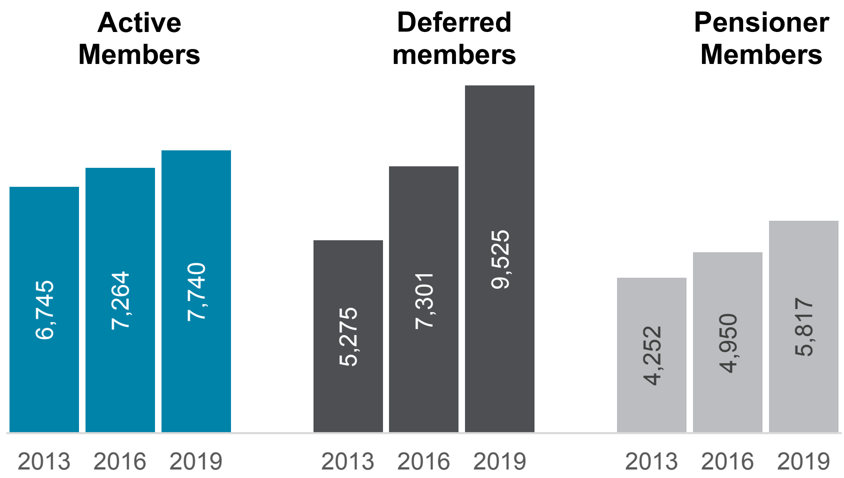
GMP: Guaranteed Minimum Pensions. These accrued to members between 1978 and 1997 due to the LGPS being contracted-out of the State Earnings Related Pension Scheme.

McCloud/Sargeant: Court cases involving the Judges' and Firefighters' Pension Schemes respectively which found that transitional protections granted to members within 10 years of pension age as part of the reforms to those schemes in 2015 constituted illegal age discrimination.

Cost management: The process of checking the cost of public sector schemes against a base cost, and making changes if the current assessed cost of the scheme is higher or lower than this base cost.

Membership data and benefits

Membership numbers are shown graphically below. Further details can be found in Section b of the Further Information section of this report.

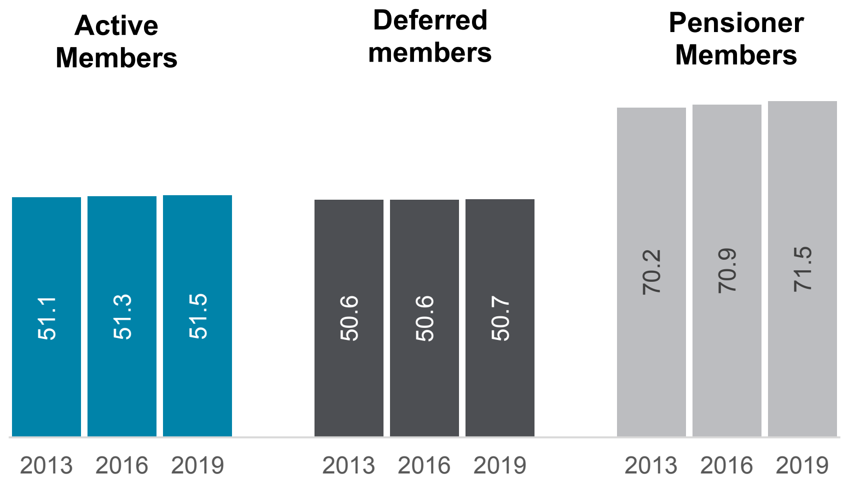


The deferred membership numbers include members who had yet to decide whether to take a refund of contributions.

We have carried out some general checks to satisfy ourselves that the information used for this valuation is broadly consistent compared with that used for the previous valuation and (where relevant) that shown in the Fund's Annual Report and Accounts.

However, the valuation results rely on the accuracy of the information supplied.

The value of liabilities is influenced by the average age of the members. The chart below shows average ages weighted by pension amounts.



Members' benefits are set out in the Regulations. Different benefits (and retirement ages) apply to membership before 1 April 2008, between 1 April 2008 and 31 March 2014, and after 31 March 2014.

Our valuation calculations make no allowance for:

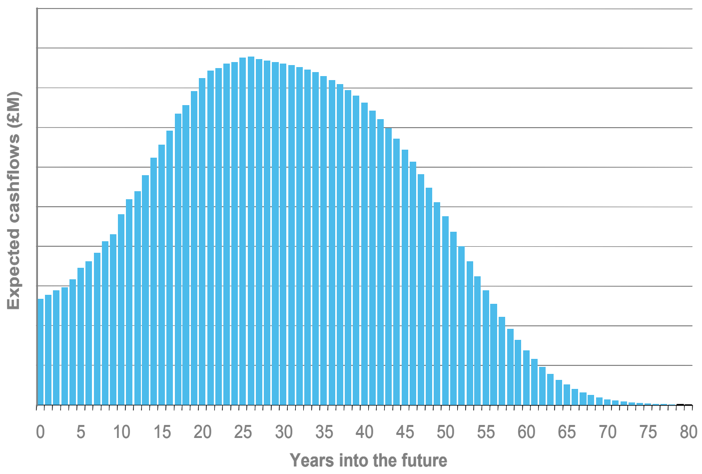
- indexation/equalisation of GMPs beyond the arrangements already in place
- any discretionary benefits
- any future changes to State Pension Age

Funding objectives

The Administering Authority's funding objective is to hold assets at least equal in value to the funding target (past service liabilities).

To calculate the past service liabilities and the cost to the employers of future benefit accrual, the benefits paid out by the Fund are estimated for each year into the future. The estimated benefit payments are then 'discounted back' to the valuation date using an agreed rate of interest known as the discount rate.

The chart below shows the cashflow pattern for a typical LGPS fund (based on past service benefits). Most cashflows are linked to future levels of salary growth and inflation.



Investment strategy

The Administering Authority's investment strategy is set out in its Investment Strategy Statement. The assets as at the valuation date are described in Section d of the Further Information Section of this report.

The discount rate

The Funding Strategy Statement describes the approach used to set the funding target and hence the discount rates. The Administering Authority adopts different discount rates depending on employers' circumstances including the likelihood of exit and what would happen to the liabilities on exit.

Prudence in the valuation is achieved through the use of discount rates which have a materially better than evens chance of being achieved by the Fund's assets. Information on the level of prudence (or risk) in the funding strategy is contained in the Fund's Funding Strategy Statement.

At the 2019 valuation there are 3 funding targets:

- the scheduled and subsumption bodies funding target, which assumes indefinite future investment in assets similar to the Fund's holdings at the valuation date (allowing for any known or planned changes to the long-term investment strategy as appropriate).
- the ongoing orphan funding target: for admission bodies whose liabilities would be orphan on exit, the discount rate has regard to the possibility that participation may cease and that the exit valuation would assume a low risk investment portfolio made up of long dated Government bonds (of appropriate nature and term) at cessation
- the low risk funding target, for "orphaned" liabilities that relate to employers which have already exited the Fund.

An explanation of scheduled bodies, orphan and subsumption bodies is given in the Glossary.

Summary of assumptions

The table below summarises the key assumptions agreed with the Administering Authority at this and the previous valuation. The assumptions are used to calculate the past service liabilities, cost of future benefit accrual and contributions for the recovery plan. Further details of all of the assumptions are set out in Section e of the Further Information Section of this report.

Assumptions	Previous valuation % p.a.	This valuation % p.a.
In-service discount rate		
Scheduled and subsumption body funding target	4.5%	4.2%
Ongoing orphan body funding target	4.1%	3.3%
Low risk funding target	2.1%	1.3%
Average in-service discount rate	4.5%	4.2%
Left-service discount rate		
Scheduled and subsumption body funding target	4.5%	4.2%
Orphan body funding target	2.5%	1.6%
Low risk funding target	2.1%	1.3%
Average left-service discount rate	4.5%	4.2%
Revaluation of pension accounts and pension increases (on pension in excess of GMPs)	2.0%	2.1%
Pensionable Pay Increases	3.5%	3.6%

Assumptions	Previous valuation	This valuation
Post-retirement mortality assumption – base table (for retirements in normal health)	S2P (Light) tables with best-estimate scaling factors derived from experience analysis	S2P tables with best-estimate scaling factors derived from postcode analysis
Post-retirement mortality assumption – future improvements	CMI 2014 core projections with long-term improvement rate of 1.5% p.a. for men and women	CMI 2018 projections with S_K=7.5, A=0.0 and long-term improvement rate of 1.5% p.a. for men and women

The longevity assumptions have been updated to reflect recent research using Aon's Demographic Horizons™ longevity model. We show below the assumed life expectancies resulting from these mortality assumptions:

Assumed life expectancy at age 65	Pensioner member aged 65		Active member aged 45	
	This valuation	Previous valuation	This valuation	Previous valuation
Men	22.3	24.3	22.9	26.3
Women	24.2	26.9	24.9	29.2

In our view these assumptions are appropriate for the purposes of the valuation and setting Employer contributions to the Fund.

Valuation method

As for the previous valuation, the past service liabilities have been calculated using the projected unit method. This method, with a one year control period, has also been used to calculate the cost of future benefits building up for most employers. The attained age method has been used, for the future service liabilities, for some employers who do not admit new employees to the Fund. The methods which apply to individual employers or groups of employers are set out in other advice papers.

Shared risks

Funding gains or losses arising from the following risks were pooled, over the period since the previous valuation, across all employers in the Fund:

Assumptions	Method
Cash sum on death in service	Shared in proportion to the payroll of active members

Past service results

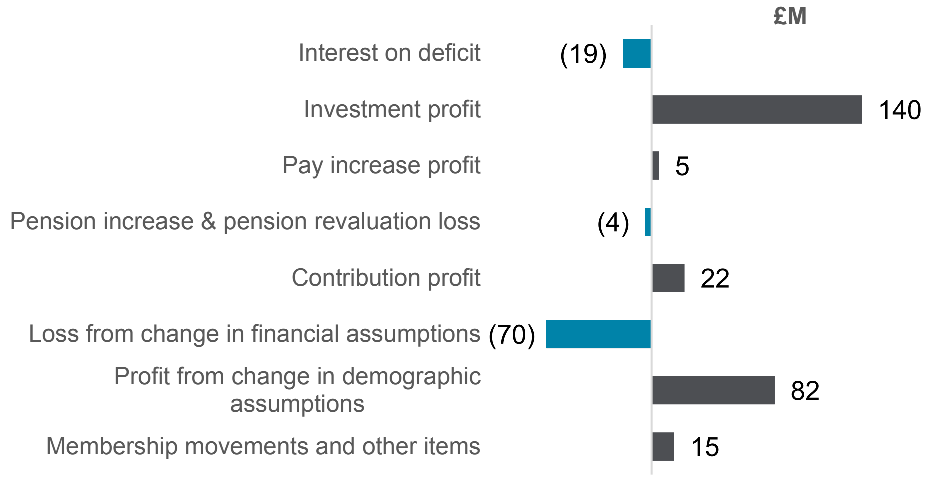
A comparison of the Fund's assets with the past service liabilities calculated using the assumptions described in the previous section is set out below.

	(£M)
Value of past service benefits for:	
Active members	360.3
Deferred members	245.4
Pensioner members	540.5
Value of liabilities	1,146.2
Value of assets	1,185.5
Past service surplus/(shortfall)	39.3
Funding Level	103%

The above results exclude any allowance for past service costs in respect of the McCloud judgement or cost management process.

The Fund has moved from a past service shortfall of £131.9M at 31 March 2016 to a past service surplus of £39.3M at 31 March 2019

The chart below shows the key reasons for the £M change in funding position, (the grey bars to the right of the chart are source of profit to the Fund and the blue bars to the left are source of loss).



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Allowing for the surplus

We have agreed with the Administering Authority that for individual employers any shortfall below a funding level of 100% or any surplus in excess of a 105% funding level will be removed by altering contributions payable by the employers over a range of different recovery periods not exceeding 16 years (in the case of a deficiency), or 19 years (in the case of a surplus).

The Fund as a whole has a funding level of 103% so if contributions were certified on an aggregate basis there would be no secondary contribution.

In practice, some employers are in surplus with a funding level above 105% and are certified secondary contributions to restore their funding level to 105% over an appropriate recovery period, and other employers are in deficit and are certified secondary contributions to restore their funding level to 100% over an appropriate recovery period. Contributions payable by each employer or group are set out in the Rates and Adjustments Certificate and reflect each employer's recovery period and funding position.

Secondary contributions allow for interest on the employer's surplus or shortfall between 31 March 2019 and 1 April 2020 as well as the difference between contributions payable and the cost of benefit accrual over 2019/20.

Shorthand

Pensionable pay: as defined in the Regulations in relation to post-2014 membership.

Recovery period: the period over which any or shortfall or surplus over a funding level of 105% is eliminated.

Secondary contribution: the adjustment to the primary rate, expressed as a % of pensionable pay or as a £ amount, needed to eliminate a deficit, or eliminate a surplus over 105%, provided the membership is broadly stable and pay increases are as assumed, together with an agreed further adjustment to reflect the legislative uncertainties outlined in Further Information section c.

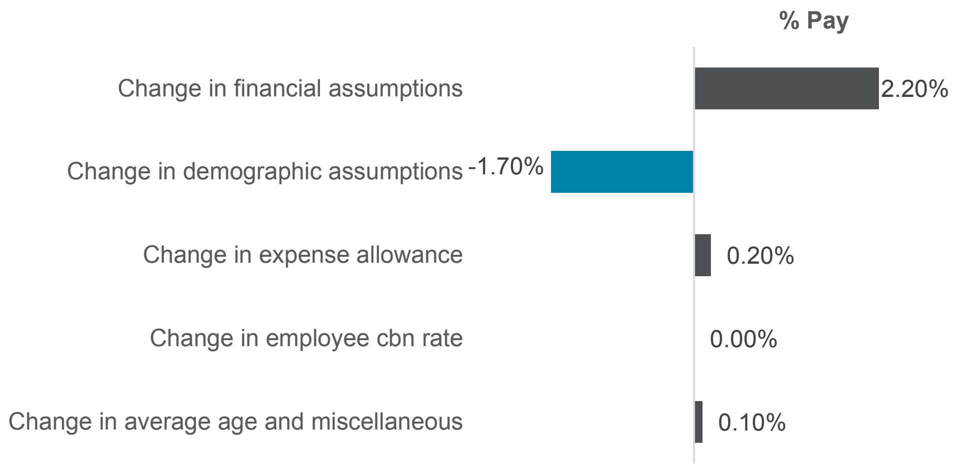
Future service results

The table below shows the aggregate cost to employers at the valuation date of benefits members will earn in future (the aggregate primary contribution rate) based on the funding assumptions. Contributions at the aggregate primary rate would be appropriate if the Fund had no surplus or shortfall.

	% Pensionable pay
Value of benefits building up (before McCloud/Cost Management)	24.2
Expected cost of death in service cash sum	0.2
Allowance for administration expenses	0.7
Less member contributions	(6.6)
2019 cost to employers (primary contribution rate)	18.5%

The primary contribution rate has increased from 17.7% of Pensionable Pay to 18.5% of Pensionable Pay.

The chart below shows the key reasons for the change in the primary contribution rate. The grey bars to the right are sources of increase in the primary rate and the blue bars to the left are sources of reduction.



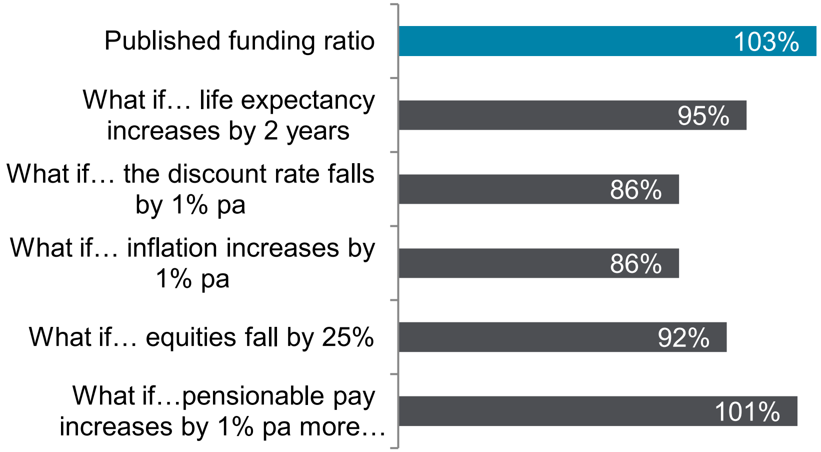
In addition, we have calculated an employer cost of 1.5% of pay for McCloud/Cost Management – see Section c of the Further Information Section.

Risks and uncertainties

Key risks which could affect the Fund's future cashflows and funding position, include:

- Funding risk – that the value placed on the past service liabilities is set too low and contributions paid into the Fund prove insufficient to meet the payments as they fall due.
- Employer risk – that an employer is no longer able to meet its liabilities in the Fund, e.g. due to insolvency
- Investment risks – that investment returns are lower than allowed for in the valuation, and also that the assets are volatile and move out of line with the liabilities, so the funding position is not stable.
- Longevity risk – that Fund members live for longer than expected and pensions are therefore paid for longer resulting in a higher cost for the Fund.
- Inflation risk – that inflation is higher than expected, resulting in higher pension increases (and payments to pensioners) than allowed for in the valuation.
- Options for members (or other parties) – the risk that members exercise options resulting in unanticipated extra costs. For example, members could exchange less of their pension for a cash lump sum than allowed for in the valuation.
- Legislative/Regulatory risk – that changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law result in an increased cost of administration, investment or funding for benefits. We have made explicit allowance for known uncertainties as set out in Section c of the Further Information.
- Covid-19 related risks – the current outbreak of the novel Coronavirus Covid-19 may impact adversely on the investments, on the ability of the Fund to realise future investment returns and on the Fund employers' covenant. (We have commented further on the impact of recent adverse market movements within the "Final comments" section of this report.)
- Other risks – issues relating to climate change and other environmental risks as well as long-term uncertainty around geopolitical, societal and technological shifts may also impact on the funding, investments and Fund employers' covenant.

The chart below shows the approximate impact of a number of one-off step changes on the Fund's funding position (all other elements of the valuation basis being unchanged):



These are not intended to be "worst case scenarios" and could occur in combination rather than in isolation. Conversely, in practice, some of these changes may be partially offset by other changes, e.g., a reduction in the expected investment return or inflation might lead to a compensating change in asset values, or a change in asset values might lead to a compensating change in expected investment returns.

The Funding Strategy Statement sets out the key actions taken by the Administering Authority to mitigate the above risks.

Employer contribution rates

Contributions are set for employers, or groups of employers that take into account a number of factors including:

- Regulation 62 – which requires the Fund Actuary to have regard to
  - The existing and prospective liabilities
  - The desirability of maintaining as nearly a constant a primary contribution rate as possible
  - The Administering Authority's Funding Strategy Statement, and
  - The requirement to secure the solvency of the Fund and the long-term cost efficiency of the Scheme, so far as relating to the Fund.
- The results of the valuation.
- Discussions between the Fund Actuary, the Administering Authority and employers, including the Administering Authority's view of the affordability of contributions, where relevant.
- The employer's (or group's) membership profile and funding level and, where relevant, assumptions and recovery periods specific to the employer's circumstances.

For certain employers which are in surplus, it has been agreed with the Administering Authority that the employer may use part of the surplus to support the payment of contributions to the Fund at a rate below the primary (future service) contribution rate.

Projections

We estimate that, by the next valuation, the funding level will have remained broadly the same, assuming the experience of the Fund between the two valuation dates is in line with the assumptions and the assumptions underlying the funding targets remain unchanged.

The aggregate Employer contributions certified for the 3 years from 1 April 2020 are as follows

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

- The % of Pensionable Pay contributions shown in the table are an average (weighted by Pensionable Pay) of the amounts certified for individual employers in each year.
- The annual contribution amounts are the aggregate of the additional contribution amounts certified for individual employers in each year.
- Payments to meet additional costs arising from early retirements and other increases in benefits are payable in addition.
- At the end of the period shown above, the annual contribution amounts for each employer or group are anticipated to increase by approximately 3.6% p.a. until the end of the relevant recovery period. Thereafter, aggregate contributions are anticipated to be in line with the future service contribution rate of that employer, subject to review at future actuarial valuations.

Final comments

Developments since the valuation date

- Market movements

  We estimate that over the period between the valuation date and the date of signature of this report, the Fund's assets are likely to have fallen in value, with almost all of this decline occurring within the last month due to the emerging Covid-19 crisis.

  It is not yet clear to what extent there may be a compensating fall in liabilities through changes to discount rates (net of assumed inflation) but our view is that discount rate increases are unlikely to fully offset the effect of asset falls for employers subject to the scheduled and subsumption body funding target, i.e. overall the funding level is likely to have reduced. Overall, we believe that market movements in the period since the valuation date will have led to a reduction in the funding level of the Fund as a whole and the impact on employers' future service (primary) contribution rate will vary between employers.

  All the above means that if we were carrying out the valuation based on current conditions rather than as at 31 March 2019 (and assuming an unchanged level of risk in the funding strategy) it is likely that we would be recommending somewhat higher employer contributions. However bearing in mind the overall level of prudence in the funding strategy, the long-term nature of the Fund and the fact that a high percentage of the liabilities are backed by employers with tax-raising powers or by employers in the academy sector where there is a Department for Education (DfE) guarantee, our opinion is that certifying contributions based on market conditions at the valuation date, as has been the practice at previous valuations, remains appropriate. As market conditions continue to evolve, consideration could be given to revisiting contributions for employers that the Administering Authority believes are likely to becoming an exiting employer under Regulation 64(4) in advance of the next valuation.

The key results from this valuation are:

The Fund's assets were £1,185.5M and the past service liabilities were£1,146.2M, corresponding to a surplus of £39.3M and a funding level of 103%.

The primary contribution rate for the Fund as a whole is 18.5% of Pensionable Pay.

If the surplus in excess of a 105% funding level is removed over 19 years from 1 April 2020, the aggregate total employer contributions needed would be equivalent to 18.5%* of Pensionable Pay. An addition of 1.5% of Pensionable Pay is also being included in the certified contribution rates to reflect the legislative uncertainties outlined in Further Information section c.

** if the membership remains broadly stable and pay increases in line with our assumptions.*

- Employers joining or exiting since the valuation date

  Contributions for employers joining after 1 April 2020 will be advised separately.

A revised Rates and Adjustments Certificate will have been prepared as necessary for employers exiting the Fund since 31 March 2019 where this has been requested by the Administering Authority. Where a revised Rates and Adjustments Certificate has not yet been produced for such employers, the employer has been included in the Rates and Adjustments Certificate amended to this report but with zero contributions in anticipation of the revised certificates being issued.

Monitoring the Fund

In the light of the volatility inherent in situations where investments do not match liabilities, the Administering Authority monitors the financial position on a regular basis. It will also consider monitoring the position of individual employers, particularly those subject to the ongoing orphan funding target and those which may exit the Fund before 1 April 2023. Where appropriate and permitted by the Regulations, contributions for those employers may be amended before the next valuation due as at 31 March 2022.

Further information

Legal framework

It is a legal requirement to carry out a full valuation as at 31 March 2019

This report was commissioned by and is produced solely for the use of the Administering Authority.

It is produced in compliance with:

- Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- The terms of the agreement between the Administering Authority and Aon Hewitt Limited, on the understanding that it is solely for the benefit of the addressee.

This report, and the work relating to it, complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work ('TAS 100') and Technical Actuarial Standard 300: Pensions ('TAS 300').

Unless prior written consent has been given by Aon Hewitt Limited, this report should not be disclosed to or discussed with anyone else unless they have a statutory right to see it.

We permit the Administering Authority to release copies of this report to the following parties only:

- Any employer which contributes to the Fund.
- The Ministry of Housing, Communities and Local Government.

We also permit the Ministry of Housing, Communities and Local Government to pass our report to the Government Actuary's Department in connection with their statutory duties. None of the above bodies has our permission to pass our report on to any other parties.

Notwithstanding such consent, Aon Hewitt Limited does not assume responsibility to anyone other than the addressee of this report.

Where, at the request of the Administering Authority, we have consented to their releasing a copy of this report to certain specified parties and/or via certain communication routes, we consent on the basis that there is no duty of care established toward, and Aon Hewitt Limited disclaims any responsibility or liability arising from, any person having access to the report either directly from the London Borough of Enfield, indirectly from a third party or through any other means.

No recipients of the report other than the Administering Authority are permitted to reproduce, distribute or communicate any part of this report to any other party. Any third party using this report does so entirely at its own risk and no third party is entitled to rely on this report for any purpose whatsoever.

No decisions should be taken on the basis of this report by any party other than our client, the London Borough of Enfield, and nothing in this report removes the need for readers to take proper advice in relation to their specific circumstances."

Membership data

The results in this report are based on membership data which is summarised below.

Active members		Number	Average age	Total pensionable pay (2014 definition) (£000 p.a.)	Total pre 2014 pension (£000 p.a.)	Total pre 2014 accrued lump sum (£000)	Total post 2014 pension (£000 p.a.)
2016	Male	1,672	44.2	41,997	5,586	8,851	1,537
	Female	5,592	46.3	94,000	11,445	16,246	3,485
	Total	**7,264**	**45.8**	**135,997**	**17,031**	**25,097**	**5,022**
2019	Male	1,743	45.3	48,896	3,857	5,774	3,527
	Female	5,997	46.9	111,884	7,991	10,500	8,074
	Total	**7,740**	**46.6**	**160,780**	**11,847**	**16,274**	**11,601**

Notes: *The average ages are unweighted.*

Pensionable pay is over the year to the valuation date and includes annualised pay for new entrants during the year. Actual part-time pay is included for part-timers.

Post 2014 pension figures include the April 2019 (2016: April 2016) revaluation.

Deferred members		Number	Average age	Total pension (£000 p.a.)	Total pre 2014 accrued lump sum (£000)
2016	Male	1,998	46.4	4,524	9,938
	Female	5,303	46.2	8,016	16,196
	Total	**7,301**	**46.3**	**12,540**	**26,134**
2019	Male	2,511	45.4	5,591	9,057
	Female	7,014	46.3	10,293	14,557
	Total	**9,525**	**46.1**	**15,884**	**23,614**

Notes: *The average ages are unweighted.*

The deferred pension amounts shown above are at the valuation date and include the April 2019 revaluation.

Included in the above, there were 3,127 (2016 : 645) members who are yet to decide whether to take a refund of contributions .

Pensioner members		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
2016	Male	1,530	72.1	14,138	9,241
	Female	2,724	71.0	12,941	4,751
	Dependants	696	73.5	2,011	2,889
	Total	**4,950**	**71.7**	**29,090**	**5,877**
2019	Male	1,681	72.4	16,472	9,799
	Female	3,384	71.1	17,189	5,079
	Dependants	752	71.9	2,277	3,028
	Total	**5,817**	**71.5**	**35,938**	**6,178**

Notes: The pension amounts shown above include the increase awarded in April of the appropriate year.

The average ages are unweighted.

The dependants data includes 52 (2016 : 40) members in receipt of a children's pension.

Section c below sets out the approach to dealing with current legislative uncertainties relating to members' benefits in this valuation.

Uncertainties

Allowance for McCloud, Cost Management and GMP equalisation/indexation

Background on McCloud/Sargeant

Following a review of public service pension schemes by the Independent Public Services Pensions Commission led by Lord Hutton (the Hutton Report) UK public service pension schemes were reformed with effect from 1 April 2015 (1 April 2014 for the LGPS in England and Wales), with the objective of reducing the overall cost to the taxpayer and putting schemes on a more sustainable footing.

Reforms common to all the main public service pension schemes included: later retirement ages (State Pension Age in most cases), benefits based on career average earnings (so no longer being linked to 'final pay' at retirement), and tiered member contribution rates. The reforms also included transitional protections for members within 10 years of their Normal Pension Age on 1 April 2012. Generally, this was implemented by allowing those members to retain membership of the 'pre-reformed' schemes, whilst all other members were moved into the new arrangements (for a number of the schemes this was subject to a “tapering” approach for members who were close to the 10-year cut-off).

In relation to the LGPS in England and Wales, all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

In December 2018 the Government lost a Court of Appeal case (the 'McCloud/Sargeant' judgement) which ruled that the transitional protection arrangements, put in place when the judges' and firefighters' pension schemes were reformed, amounted to illegal age discrimination. The Government was subsequently denied leave to appeal the Court of Appeal’s decision on 27 June 2019.

While the judgement was not in relation to the LGPS, the Government announced in a Written Ministerial Statement on 15 July 2019 "… as ‘transitional protection’ was offered to members of all the main public service pension schemes, the Government believes that the difference in treatment will need to be remedied across all those schemes". The remedy is likely to differ by scheme depending on the transitional protections adopted.

In line with guidance issued by the Scheme Advisory Board (SAB) of the LGPS in England and Wales, we have discussed and agreed with the Administering Authority the allowance which should be made in this valuation for possible additional liabilities arising from the McCloud case.

It should be noted that since we provided our advice to the Administering Authority on the allowance to be made in this valuation, case management discussions have commenced for both the judges' and firefighters' schemes, as well as police via a similar case – the Aarons case which had previously been stayed behind the McCloud/Sargeant judgement. However, as at the date of this report, we do not have confirmed details of any benefit changes for the LGPS.

Cost management and McCloud/Sargeant

The design of the new public service schemes also included a cost control mechanism which was intended to protect employers from rising pension costs due to demographic and other factors. This mechanism includes both a floor and a cap on employer contributions and requires that if the cost, assessed by GAD in line with assumptions set by HM Treasury, is more than 2% of pay above or below a defined target level, member contributions and/or benefits must be amended to bring the cost for employers back to the target level.

The LGPS in England and Wales has a separate, additional cost management process which considers total costs and may recommend action if the cost has changed. Most assumptions are the same as those adopted for the HM Treasury process but there are some differences. We believe that an informal arrangement is in place such that any changes agreed as part of the SAB cost management process could be allowed for in determining whether any action is required in relation to the HMT process.

The cost management process considered changes in the cost of the LGPS between those assessed when the new benefit designs were implemented and 31 March 2016, and as the floor was breached it was expected that improvements to benefits or member contributions would be implemented with effect from 1 April 2020, and taken into account in this valuation when setting employer contributions from 1 April 2020.

However, following the Court of Appeal judgement in the McCloud case, the cost management process was paused in January 2019. It is not yet clear what the effect on the liabilities will be, but we believe the outcome will be one or other of the following:

- The McCloud changes mean the cost management floor has no longer been breached (in which case the additional liabilities are simply those due under the McCloud remedy)

- After allowing for the McCloud changes the cost management floor has still been breached (in which case the additional liabilities will be a combination of those due under McCloud and those that would be agreed under the re-started cost management process)

The McCloud changes, and their effect on the cost management process, and hence on the benefits and cost of the LGPS, are currently uncertain. However, any change is likely to increase the benefits payable from the scheme, and therefore the cost of the scheme. We set out below the allowance made for potential increases in benefits at this valuation as set out in previous advice papers and summarised in the Funding Strategy Statement.

It should be noted that since our calculations were carried out, in December 2019 the Fire Brigades' Union announced that it was considering mounting a legal challenge to Government's decision to pause the cost management process and to press for any cost management changes to be in addition to any remedy for McCloud/Sargeant. Whilst this presents the possibility of additional costs falling on employers, given the uncertainty over whether such action will be taken and whether it will be successful we have not revisited the allowance made in this valuation for McCloud and cost management.

Allowance for McCloud/Cost Management

Our advice, given in October 2019, showed the results of our calculation of the proposed allowance for McCloud. This calculation was based on the scheduled body funding assumptions and the following additional assumptions:

- the final salary underpin is extended to all members who were active members as at 1 April 2014
- as for the existing underpin, the underpin applies only to members' benefits on retirement (i.e. not on withdrawal from service before retirement, and not to the benefits of spouses or dependants)
- the underpin continues to apply for service until at least 31 March 2023 (i.e. till the end of the period covered by the Rates and Adjustments Certificate) for affected members

The past service cost has been converted to a % of pay calculated across the Fund as a whole using the maximum recovery period of 19 years.

It should be noted that the calculated cost is particularly sensitive to the real salary increase assumption (and to a lesser extent the withdrawal assumption) which was previously advised on for funding purposes and not for the purpose of estimating the possible cost of the McCloud judgement.

In addition, we recommended that the minimum allowance made for McCloud and cost management should be an increase of 0.9% of pay in the employer contribution rate (the average increase to employer costs that had been expected to apply under the cost management process if no McCloud remedy had been required).

We allowed for the same adjustment to individual employer contributions as calculated for the Fund as a whole, expressed as a % of pay. The adjustment has been set to be 1.5% of pay.

Since our advice was given and the calculations carried out, the case management discussions which have taken place have led to the suggestion that for the LGPS the changes may mean:

- the application of the new underpin is restricted to fewer members than we have allowed for, i.e. only those who joined pre 2012 but of any age
- the application of the new underpin is time limited and may not apply to all membership until the end of the period covered by the Rates and Adjustments Certificate in 31 March 2023 (although the exact time period is subject to considerable uncertainty)
- the underpin is extended to benefits on withdrawal and to dependants, including possibly transfers out, which goes beyond what has been allowed for in the valuation
- there is a need to ensure the revised underpin is checked for all retirements since 2014 to avoid ”reverse discrimination”, again going beyond what has been allowed for in the valuation

As this information became available after the majority of contributions had been advised to employers, and there is still no certainty in relation to any benefit changes for the LGPS, we have not sought to review the allowance made. In general, if the underpin applies to pre 2012 joiners rather than pre 2014 joiners then this would reduce the cost, but extending the underpin to benefits on withdrawal, spouses and transfers would increase the cost, and it is not clear what the net effect would be. We will advise the Administering Authority of the expected effect of any changes once there is greater clarity on the precise details of those changes, and on whether contributions for employers should be revisited before the next formal valuation as at 31 March 2022, assuming this can be done within the regulatory provisions.

GMP indexation and equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 5 April 1997. The rate at which GMP was accrued, and the date it is payable, is different for men and women, meaning there is an inequality for male and female members who have GMP. This was a consequence of the State Pension itself being unequal at the time.

Prior to 6 April 2016 the LGPS was not required to pay any pension increases on GMPs accrued before April 1988 and was only required to pay limited increases on GMPs accrued after 1988 (CPI inflation capped at 3% p.a.). In return, the Additional Pension (AP) element of the State Pension included top-up payments to pensioners to give inflation protection on the GMP element where this was not provided by the LGPS. However, reforms were made to the State Pension system in April 2016 which scrapped AP and therefore removed the facility for central government to fully index the combined pension through AP.

In March 2016 the government introduced an 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 December 2018 to ensure members continued to receive full inflationary increases on their combined public service scheme and State pensions. This was allowed for in the 2016 valuation of the Fund. In January 2018 the interim solution was extended to individuals reaching SPA on or before 5 April 2021. Further, the Government has indicated that it is committed to continuing to compensate all members of public service pension schemes reaching SPA after 5 April 2021.

On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". HM Treasury has, however, gone on record since the Lloyds judgement to say, "Public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment". We understand that the Government is exploring various options, including conversion of GMPs to Scheme benefits so there is still some uncertainty over how equalisation for GMPs will be achieved in the LGPS.

Allowance for GMP indexation

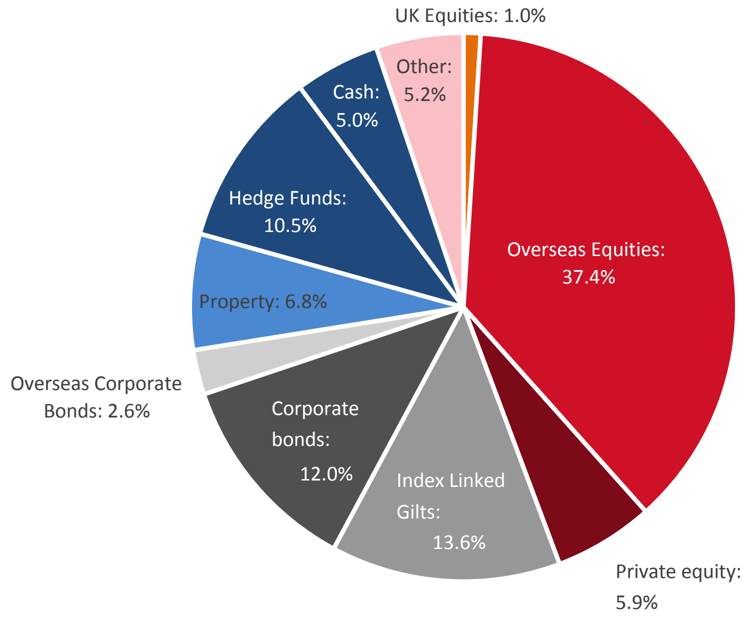
The results of this valuation allow for the extension of the interim solution to those reaching State Pension Age by 5 April 2021 as already required under legislation. However, they do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

Assets

The audited accounts for the Fund for the year ended 31 March 2019 show the assets were £1,185.5M.

The chart shows how the balance of the assets of £1,185.5M is broadly invested.

For the purpose of modelling the required probability of funding success and hence deriving the discount rate to be adopted for the secure scheduled bodies as at 31 March 2019 we have allowed for the target investment strategy as summarised in our paper titled "Actuarial valuation at 31 March 2019 – Assumptions Advice".



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Assumptions

Financial assumptions used to value the liabilities and assess contribution rate (% p.a.)	
In-service discount rate	
Scheduled and subsumption body funding target	4.2%
Ongoing orphan funding target	3.3%
Low risk funding target	1.3%
Left-service discount rate	
Scheduled and subsumption body funding target	4.2%
Ongoing orphan funding target	1.6%
Low risk funding target	1.3%
Rate of Pensionable Pay increases (service up to 31 March 2014 only) (in addition to promotional increases)	3.6%
Rate of CPI price inflation	2.1%
Rate of revaluation of pension accounts	2.1%
Rate of pension increases	
- on non GMPs and GMP for those reaching SPA between 6 April 2016 and 5 April 2021	2.1%
- on post 88 GMPs	1.9%
Administration expenses	0.7% of pensionable pay p.a.

Demographic assumptions used to value the liabilities and assess contribution rate	
Pre-retirement base mortality	Males: 45% of S2P tables Females: 20% of S2P tables

Demographic assumptions used to value the liabilities and assess contribution rate	
Post-retirement base mortality	Current actives who retire in normal and ill-health: Males: 110% of S2P tables Females: 110% of S2P tables Dependents of current actives: Males: 110% of S2P tables Females: 105% of S2P tables Current deferreds who retire in normal and ill-health: Males: 105% of S2P tables Females: 105% of S2P tables Dependents of current deferreds: Males: 105% of S2P tables Females: 100% of S2P tables Current pensioners who retired in normal and ill-health and current dependants Males: 95% of S2P tables Females: 95% of S2P tables Dependants of current pensioners: Males: 100% of S2P tables Females: 95% of S2P tables
Improvements to mortality	An allowance for improvements between 2007 and 2019 and for future improvements in line with the CMI 2018 Mortality Projections Model with s_k of 7.5 and parameter A of 0.0 assuming a long-term annual rate of improvement in mortality rates of 1.5% pa for men and women.
Promotional salary increases	Allowance has been made for age-related promotional increases based on analysis of actual experience of the fund (see sample rates below).

Withdrawals	Allowance has been made for withdrawals from service based on analysis of actual experience of the fund (see sample rates below). On withdrawal, members are assumed to retain a deferred pension in the Fund.	
Retirement age	Members were assumed to retire at the following ages:	
	Member group	**Assumed age at retirement**
	Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020) (Group 1 and 2 members)	Age 63
	Members who joined before 1 October 2006 and have a rule of 85 age of 60	Age 63
	Members who joined before 1 October 2006 and have a rule of 85 age of greater than 60, and members who joined before 1 April 2014 but after 1 October 2006	Age 65
	Members who joined after 31 March 2014	State Pension Age (or age 65 if higher)
	Any part of a member's pension payable from a later age than the assumed retirement age will be reduced.	
Retirement cash sum	Each member is assumed to surrender pension on retirement, such that the total cash received is 70% of the permitted maximum. This figure is based on analysis of actual levels of commutation of pension experienced by the fund.	
Family details	Each man was assumed to be three years older than his wife/partner. 80% of non-pensioners were assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death. 80% of pensioners were assumed to be married or have a partner at age 65. No allowance for children's pensions.	

Retirement due to ill-health	Allowance has been made for retirements due to ill-health based on actual experience of the fund (see below). Proportions assumed to fall into the different benefit tiers are: Tier 1 85% Tier 2 10% Tier 3 5%
Take up of 50:50 scheme	All members are assumed to remain in the scheme they are in at the date of the valuation.

The table below illustrates the proposed allowance for withdrawals from service, ill-health retirement and promotional pay increases at sample ages.

Current age	Percentage promotional pay increase over year	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage leaving the Fund each year as a result of Ill-health retirement
20	5.97%	8.30%	0.00%
25	4.60%	7.40%	0.00%
30	2.44%	6.40%	0.01%
35	1.45%	5.50%	0.02%
40	1.35%	4.60%	0.03%
45	1.27%	3.70%	0.06%
50	0.00%	2.80%	0.16%
55	0.00%	1.80%	0.32%
60	0.00%	0.90%	0.63%
65	0.00%	0.00%	0.93%

Membership experience

As required by the Regulations, we have compared the actual amount of pension ceasing due to death, ill-health retirement and other exits since the previous valuation with the amounts expected based on the assumptions used for the 2019 valuation:

Type of exit	Men (£000 of pension)	Women (£000 of pension)
Death after retirement in normal health		
Actual	882	612
Expected	944	769
Death after retirement in ill health		
Actual	146	120
Expected	116	74
Withdrawals (including refunds)		
Actual	1,141	1,716
Expected	736	1,551
Ill-health retirements		
Actual	46	41
Expected	54	115

Dashboard

Following the review by the Government Actuary's Department of all LGPS valuations as at 31 March 2016 under section 13 of the Public Service Pensions Act 2013, a standard "dashboard" has been added to the report on the valuation to aid comparison between valuation reports for different LGPS funds.

Past service funding position – local funding basis	
Funding level (assets/liabilities)	103%
Funding level (change since last valuation)	+16%
Asset value used at the valuation	£1,185.5m
Value of liabilities	£1,146.2m
Surplus (deficit)	£39.3m
Discount rate(s)	4.20% p.a.
Assumed pension increases (CPI)	2.10% p.a.
Method of derivation of discount rate, plus any changes since previous valuation	The Funding Strategy Statement describes the approach used to set the funding target and hence the discount rates. The Administering Authority adopts different discount rates depending on employers' circumstances including the likelihood of exit and what would happen to the liabilities on exit.
Assumed life expectancies at age 65:	
▪ Average life expectancy for current pensioners - men currently age 65	22.3 years
▪ Average life expectancy for current pensioners - women currently age 65	24.2 years
▪ Average life expectancy for future pensioners - men currently age 45	22.9 years
▪ Average life expectancy for future pensioners - women currently age 45	24.9 years

Past service funding position – SAB basis (for comparison purposes only)	
Market value of assets	£1,185.5m
Value of liabilities	£1,075.4m
Funding level on SAB basis (assets/liabilities)	110%
Funding level on SAB basis (change since last valuation)	+13%

Contribution rates payable	
Primary contribution rate	18.5% of pensionable pay
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance):	
▪ Secondary contribution rate 2020/21	£2.099m
▪ Secondary contribution rate 2021/22	£2.175m
▪ Secondary contribution rate 2022/23	£2.253m
Giving total expected contributions:	
▪ Total expected contributions 2020/21 (£ figure based on assumed payroll of £169.8m)	£33.555m
▪ Total expected contributions 2021/22 (£ figure based on assumed payroll of £176.0m)	£34.763m
▪ Total expected contributions 2022/23 (£ figure based on assumed payroll of £182.3m)	£36.015m
Average employee contribution rate (% of pensionable pay)	6.6% of pensionable pay
Employee contribution rate (£ figure based on assumed payroll of £169.8m)	£11.2m

Additional information	
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	0%
Percentage of total liabilities that are in respect of Tier 3 employers	1%

Rates and Adjustments Certificate

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the 2013 Regulations'), we certify that contributions should be paid by employers at the following rates for the period 1 April 2020 to 31 March 2023.

- Primary contribution rates for individual employers as shown below. The primary rate for the whole Fund, calculated as a weighted average of the employers' individual rates, is 18.5% p.a. of Pensionable Pay.
- Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produce the following minimum employer contribution rates.

Employer	Employer code(s)	Primary contribution rate (% Pensionable pay)	Secondary contributions (% Pensionable pay and £s) Year commencing 1 April			Total contributions (% Pensionable pay and £s) Year commencing 1 April		
			2020	2021	2022	2020	2021	2022
Adnan Jaffrey Trust	54	16.9%	0.5%	0.5%	0.5%	17.4%	17.4%	17.4%
Ark John Keats Academy	38	14.2%	1.1%	1.1%	1.1%	15.3%	15.3%	15.3%
Attigo Academy Trust	62	17.8%	1.5% plus £8,100	1.5% plus £8,400	1.5% plus £8,700	19.3% plus £8,100	19.3% plus £8,400	19.3% plus £8,700
Aylward Academy	27	19.6%	(0.2%)	(0.2%)	(0.2%)	19.4%	19.4%	19.4%
Birkin Services - Nightingale	51	26.7%	(6.5%)	(6.5%)	(6.5%)	20.2%	20.2%	20.2%
Capel Manor College	9	17.1%	0.2%	0.2%	0.2%	17.3%	17.3%	17.3%
Cedars Learning Trust	58	17.6%	3.2%	3.2%	3.2%	20.8%	20.8%	20.8%
Cuckoo Hall Academies Trust	24, 33, 35, 36, 37	16.5%	1.4%	1.4%	1.4%	17.9%	17.9%	17.9%
Edmonton County Academy	47	18.2%	0.6%	0.6%	0.6%	18.8%	18.8%	18.8%
Edwards and Blake (St Ignatius School Catering)	56	22.0%	(1.8%)	(1.8%)	(1.8%)	20.2%	20.2%	20.2%

Employer	Employer code(s)	Primary contribution rate (% Pensionable pay)	Secondary contributions (% Pensionable pay and £s) Year commencing 1 April			Total contributions (% Pensionable pay and £s) Year commencing 1 April		
			2020	2021	2022	2020	2021	2022
Elior UK	44	24.9%	(4.7%)	(4.7%)	(4.7%)	20.2%	20.2%	20.2%
Enfield Grammar Academy	7	21.4%	(0.4%)	(0.4%)	(0.4%)	21.0%	21.0%	21.0%
Enfield Learning Trust	48	19.8%	(0.1%)	(0.1%)	(0.1%)	19.7%	19.7%	19.7%
Enfield Voluntary Action	13	18.7%	1.5%	1.5%	1.5%	20.2%	20.2%	20.2%
Fusion Lifestyle	26	23.8%	(23.8%)	(23.8%)	(23.8%)	0.0%	0.0%	0.0%
Independence and Wellbeing	49	21.3%	(1.1%)	(1.1%)	(1.1%)	20.2%	20.2%	20.2%
Ivy Learning Trust	55	17.7%	1.8%	1.8%	1.8%	19.5%	19.5%	19.5%
Jewish Community Academy Trust	64	20.9%	1.6%	1.6%	1.6%	22.5%	22.5%	22.5%
Kingsmead School	29	18.8%	(0.2%)	(0.2%)	(0.2%)	18.6%	18.6%	18.6%
London Borough of Enfield	See below*	18.7%	1.5%	1.5%	1.5%	20.2%	20.2%	20.2%
Meridian Angel Primary School	39	16.6%	0.7%	0.7%	0.7%	17.3%	17.3%	17.3%
Nightingale Academy	28	19.5%	(3.8%)	(3.8%)	(3.8%)	15.7%	15.7%	15.7%
Norse Commercial Services	23	25.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%
North London Home Care	57	27.7%	(7.5%)	(7.5%)	(7.5%)	20.2%	20.2%	20.2%
Oasis Community Learning	17, 21	15.8%	1.4%	1.4%	1.4%	17.2%	17.2%	17.2%
Olive Dining - Aylward	41	25.0%	(4.8%)	(4.8%)	(4.8%)	20.2%	20.2%	20.2%
Olive Dining - Nightingale	40	27.5%	(7.3%)	(7.3%)	(7.3%)	20.2%	20.2%	20.2%
Outward Housing	34	34.6%	(34.6%)	(34.6%)	(34.6%)	0.0%	0.0%	0.0%
Purgo Supply Services	60	28.1%	(7.9%)	(7.9%)	(7.9%)	20.2%	20.2%	20.2%

Employer	Employer code(s)	Primary contribution rate (% Pensionable pay)	Secondary contributions (% Pensionable pay and £s) Year commencing 1 April			Total contributions (% Pensionable pay and £s) Year commencing 1 April		
			2020	2021	2022	2020	2021	2022
Reed Momenta	45	22.9%	(2.7%)	(2.7%)	(2.7%)	20.2%	20.2%	20.2%
Sodexo	32	24.1%	(3.9%)	(3.9%)	(3.9%)	20.2%	20.2%	20.2%
Southgate School Academy	46	17.6%	0.1%	0.1%	0.1%	17.7%	17.7%	17.7%
Total		18.5%	1.3% plus £8,100	1.3% plus £8,400	1.3% plus £8,700	19.8% plus £8,100	19.8% plus £8,400	19.8% plus £8,700

In addition, Children First Academy Trust commenced on 1 April 2019. In line with the Fund's policy on new academies during the intervaluation period, the employer will pay a contribution rate of 20.2% of Pensionable Pay in line with the total contribution rate for the London Borough of Enfield.

* The employer codes attributable to the London Borough of Enfield are: 1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 14, 15, 16, 18, 19, 22, 25, 31, 40, 41, 42, 43, 50, 51, 52, 53, 56, 57, 59, 60, 61, and 63.

The contributions shown above represent the minimum contributions to be paid by each employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an employer are expressed as monetary amounts, the amounts payable by that employer may be adjusted to take account of any amounts payable, in respect of a surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant employer.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any employers which have ceased to participate in the Fund since 31 March 2019 and these will be certified separately.

Contribution rates for Employers commencing participation in the Fund after 31 March 2019 will be advised separately.

Regulation 62(8) requires a statement to be made of the assumptions on which the certificate is given as regards the number of members, and the associated amount of liabilities arising, who will become entitled to payment of pensions under the LGPS regulations during the period covered by the certificate. These assumptions can be found in section e of the Further Information section of the formal report on the valuation as at 31 March 2019. They include assumptions relating to the members who are expected to become entitled to payment of pensions via normal retirement and ill health retirement. In practice members will also become entitled to payment of pensions via early retirement for reasons of redundancy or efficiency reasons as well as on voluntary early retirement, for which no assumption has been made.

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Dated: 31 March 2020

Glossary

Active member	A person who is employed by an employer participating in the Fund and is paying (or is treated as paying) contributions to the Fund (includes certain members temporarily absent, eg due to family leave or sickness).
Admission body	An employer admitted to the Fund under an admission agreement.
Attained age method	This is one of the methods used by actuaries to calculate a contribution rate to the Fund. This method calculates the present value of the benefits expected to accrue to members over their expected remaining membership of the Fund expressed as a percentage of their expected future pensionable pay. It allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the Fund. If there are no new members, this method would be expected to result in a stable contribution rate, once surpluses or shortfalls are taken into account, and if all the other assumptions are borne out. However, if more members join the Fund to replace older leavers, the contribution rate can be expected to fall.
Consumer prices index (CPI)	This is the price inflation index that increases to pensions and deferred pensions paid by the Fund are currently based on. It is published every month by the Office of National Statistics.
Deferred member	A former employee who has left active membership but has not yet received any benefits from the Fund and is prospectively entitled to receive a deferred pension from his/her normal pension age.
Discount rate	Expected future investment returns calculated with reference to an assumed investment strategy and level of prudence. The discount rate is used to translate the estimated future benefit payments from the Fund into a single figure which represents the amount needed to be held today to provide them.

Fund actuary	The actuary to the Fund, who provides actuarial advice to the Administering Authority including carrying out the actuarial valuation contained in this report.
Funding level (or funding ratio)	This is the ratio of the value of assets to the Funding Target.
Funding objective	To hold sufficient and appropriate assets to cover the Funding Target.
Funding Strategy Statement	A document prepared by the Administering Authority in accordance with the Regulations which sets out the funding strategy adopted for the Fund. The Fund Actuary must have regard to this statement in preparing this actuarial valuation.
Funding target	An assessment of the present value of the benefits that will be paid from the Fund in the future, normally based on pensionable service prior to the valuation date. Under the current Funding Strategy Statement, the funding target is equal to the past service liabilities calculated using a prudent set of assumptions.
Future service contribution rate	The contribution rate (expressed as a percentage of Pensionable Pay) required to meet the cost of benefits which will accrue to members in future. This is also known as the primary contribution rate.
Guaranteed minimum pensions (GMPs)	Most Funds that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the Fund not been contracted out. GMPs ceased to accrue on 6 April 1997 when the legislation changed.
Long-term cost efficiency	This is not defined in the Regulations, but further explanation can be found in the Cipfa guidance 'Preparing and Maintaining a Funding Strategy Statement', dated September 2016: The notes to the Public Service Pensions Act 2013 state: Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or shortfall in the fund.

In assessing whether the above condition is met, the Government Actuary's Department (GAD) may have regard to the following considerations:

- the implied average shortfall recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no shortfall, the extent to which contributions payable are likely to lead to a shortfall arising in the future

the extent to which the required investment return above is less than the administering authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate

Low risk funding target	Funding target used for already orphaned liabilities in the Fund. The discount rate is based on the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities.
(Ongoing) Orphan employer	This is an employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions from that employer for the employer's liabilities in the Fund once any liability on exit has been paid. On exit the employer's liabilities will become 'orphan liabilities' in the Fund.
Ongoing orphan funding target	For active employers whose liabilities are expected to be orphaned on exit, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the ongoing orphan funding target.

	Typically, employers which will ultimately give rise to Orphan liabilities will have a discount rate which is based on the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption (typically this addition will be different when applied to liabilities in relation to members still in service and to those who have left service). The addition for the left service discount rate reflects market expectations of the possible future increase in the gilt yield curve over the next five years.
Orphan/orphaned liabilities	Liabilities in the fund for which no currently contributing employer has responsibility.
Past service liabilities	This is the present value of the benefits to which members are entitled based on benefits accrued to the valuation date, assessed using the assumptions agreed for each employer between a Fund's Administering Authority and the Fund Actuary. It generally allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service.
Pensioner member	An individual who is receiving a pension from the fund, including dependants of former active, deferred or pensioner members.
Present value	Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 4% a year and if we had to pay a cash sum of £1,040 in one year's time the present value would be £1,000.
Primary rate of employer's contribution	This is not defined in the Regulations, but further explanation can be found in the Cipfa guidance Preparing and Maintaining a Funding Strategy Statement, dated September 2016: The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or shortfall but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk-sharing arrangements operated by the administering authority), the actuarial method chosen and/or the employer's covenant.

	The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.
Projected unit method	One of the common methods used by actuaries to calculate a contribution rate to a Fund. This method calculates the present value of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The present value is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age will increase, and the contribution rate can be expected to rise.
Prudent	Prudent assumptions are such that the actual outcome is considered to be more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.
Rates and adjustments certificate	A certificate required at each actuarial valuation by the Regulations, setting out the contributions payable by employers for the 3 years from the 1 April following the valuation date.
Recovery period	The period over which any surplus or shortfall is to be eliminated.
Recovery plan	Where a valuation shows a funding shortfall against the past service liabilities, a recovery plan sets out how the Administering Authority intends to meet the funding objective.
Regulations	The statutory regulations setting out the contributions payable to, and the benefits payable from, the Local Government Pension Scheme and how the Funds are to be administered. They currently include the following sets of regulations: ▪ 1997 Regulations - Local Government Pension Scheme Regulations 1997 ▪ Administration Regulations - Local Government Pension Scheme (Administration) Regulations 2008

- Benefits Regulations - Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007
- Transitional Regulations - Local Government Pension Scheme (Transitional provisions) 1997
- 2013 Regulations - Local Government Pension Scheme Regulations 2013
- 2014 Transitional Regulations - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

Scheduled body	Bodies which participate in the Fund under Schedule 2 of the 2013 Regulations.
Scheduled and subsumption body funding target	For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.
Secondary rate of the employers' contribution	This is not defined in the Regulations, but further explanation can be found in the Cipfa guidance 'Preparing and Maintaining a Funding Strategy Statement', dated September 2016: The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates. The Fund Actuary is required to also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Shortfall	Where the assets are less than the Funding Target, the shortfall is the Funding Target less the value of assets.
Shortfall contributions	Additional contributions payable by employers to remove the shortfall by the end of the recovery period.
Solvency	This is not defined in the Regulations, but further explanation can be found in the Cipfa guidance Preparing and Maintaining a Funding Strategy Statement, dated September 2016: The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if: ▪ the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either ▪ employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or ▪ there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed. If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.
State pension age (SPA)	Age at which State pensions are payable. Current legislation specifies the following ages: ▪ Currently age 65 for men; transitioning to age 65 for women by 2018. ▪ Current legislation transitions State Pension Age for both men and women to age 68 by 2046, as follows:

	- to age 66 by 2020 - to age 67 by 2028 - to age 68 by 2046
Strains	These represent the cost of additional benefits granted to members under a discretion of the employer or the Administering Authority. They include the cost of providing enhanced benefits on retirement or redundancy.
Subsumption and subsumption body	An employer which is not a secure long term Scheduled Body and where the Administering Authority has obtained an undertaking from a related employer that, if and when the employer exits the Fund, they will be a source of future funding should any funding shortfalls emerge on the original employer's liabilities after exit. In this document the process of taking on the responsibility for future funding at the point of exit is known as 'subsumption' of an employer's liabilities. The employer whose liabilities will be (or are being) subsumed is referred to as a subsumption body.
Surplus	Where the assets are more than the Funding Target, the surplus is the value of assets less the Funding Target.
Transfer value	Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in a fund, and a sum of money (called the transfer value) is paid into another approved pension fund. This is used to provide pension benefits on the terms offered in that fund.

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: Review of CMA Strategic Objectives for Investment Consultant – Aon

Cabinet Member: **Cllr Maguire**

Executive Director: **Fay Hammond**

Key Decision: **[ ]**

Purpose of Report

1. The report sets out the requirements of the order, an analysis of actions over the last year in respect of the objectives set for its investment consultant under Remedy 7 of the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Proposal(s)

2. Pension Policy and Investments Committee are recommended to

a) To note the submission of the statement at Appendix 1 to the CMA in line with requirements;

b) Note and comments on the strategic objectives approved March 2021, attached as Appendix 2; and

c) Note and comments on Aon's Investment Consultant response in assessing their performance against the objectives set and approved March 2021 as set out in Appendix 3.

Reason for Proposal(s)

3. For effective and efficient management of the Fund.

4. There is a requirement for the Committee to be kept up to date with current issues and legislative developments to support and effect the effective discharging of their role.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Background

9. In September 2017, the Financial Conduct Authority (FCA) requested that the Competition and Markets Authority (CMA) carry out a market investigation of the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK. The CMA published its report (Investment Consultants Market Investigation Final Report) on the matter in December 2018.

10. In the report, the CMA found that both the investment consultancy and fiduciary markets had features that restricted or distorted competition and that the CMA ought to take action to remedy, mitigate or prevent these issues. A draft order was issued in early 2019 with the final order being issued in June 2019. The Order placed new obligations on service providers and pension schemes with regard to fiduciary management and investment consultancy Services.

11. On 15th October 2019, the LGPS Scheme Advisory Board published an update on the CMA order stating that, following clarification from the DWP and MHCLG, amendments to MHCLG's Investment Strategy Statement statutory guidance would eventually implement remedy 7 (obligation to set strategic objectives for Investment Consultants).

12. The requirements of remedy 7 are set out in Part 7 of the Order which came into force from 10th December 2019. These stated that unless LGPS authorities set strategic objectives for their investment consultants they must not “enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider.”

13. LGPS authorities will be obliged to implement strategic objectives once the revised statutory guidance is in force. This is still awaited but the Scheme Advisory Board recommends that funds should be aware that they may be subject to challenge under Part 7 of the Order from 10th December 2019.

14. The Committee approved Strategic Objectives for the Fund Investment Consultant at its March 2021 meeting. The fund is required to certify that it has complied with the order on an annual basis by submitting a compliance statement to the CMA. Such statement submitted by officers in January 2022 is attached as Appendix 1 for the noting of this Committee.

15. The report also includes an assessment of the performance of the investment consultants, Aon, against the objectives set. Officers have reviewed this evidence and are content that it properly reflects the work undertaken. This assessment is included at Appendix 3 for the Committee’s consideration and comment.

Safeguarding Implications

16. None.

Public Health Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

20. It is important to keep abreast on current issues to facilitate the rigorous and robust management of the Pension Fund for a better, quicker and more effective decision-making process which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.

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

21. Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

22. The CMA Order is intended to help address competition issues within the investment consultancy and fiduciary management markets. Although the Fund does not currently make use of a fiduciary manager, it does use an investment consultant to fulfil its obligation under the LGPS (Management and Investment of Funds) Regulations 2016 to obtain proper advice.

23. The Fund should benefit from the CMA Order either directly, through clarifying and strengthening the requirements for its investment consultant, and indirectly via improved competition within the investment consultancy market and lower possibly lower fees.

24. This report sets out an analysis of the work undertaken by the Investment Consultants over the last year in relation to the objectives set for them in November 2019.

25. There are no immediate financial implications arising from this report

Legal Implications

26. LGPS administering authorities must set strategic objectives for investment consultants according to the CMA Order published in June 2019. The Committee agreed an interim set of objectives in November 2019 and approved a final set of objectives in March 2021. There is a requirement to confirm on an annual basis that it has complied with the requirements of the Order. The statutory deadline for the submission of the annual statement is 7th January.

27. The Pension Policy and Investment Committee's Terms of Reference state that one of the Committee's functions is 'To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements. Given this role in appointing and reviewing the Fund's investment consultant, the setting of objectives for the consultant and subsequent monitoring against them would appear to properly fall within the Pension Policy and Investment Committee's remit.

Workforce Implications

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

Options Considered

29. No alternative options considered.

Conclusion

30. The Pension Policy and investments Committee is recommended to approve the strategic objectives set for Aon as investment consultants for the Fund and note the updates provided in the report.

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Date of report 14th March 2022

Appendices
Appendix 1 - Strategic Objectives Investment Consultant
Appendix 2 - Compliance Statement Submission
Appendix 3 – Assessment of Performance against objectives

Background Papers

None

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