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PENSION POLICY & INVESTMENT COMMITTEE
Wednesday, 5 October 2022 at 10.00 am
Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Contact: Robyn Mclintock
Governance Secretary
Direct: 020 8132 1915
Tel: 020 8379 1000

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

PENSION POLICY & INVESTMENT COMMITTEE

Wednesday, 5th October, 2022 at 10.00 am in the Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors: (Chair) Doug Taylor, Tim Leaver (Cabinet Member for Finance and Procurement), Gina Needs (Cabinet Member for Community Safety and Cohesion), Sabri Ozaydin (Chief Whip), David Skelton and Edward Smith

AGENDA – PART 1

1. WELCOME AND APOLOGIES

2. DECLARATIONS OF INTEREST

3. MINUTES OF PREVIOUS MEETING - 27 JULY 2022 (Pages 1 - 4)

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

4. CHAIRS UPDATE

To receive an update from the Chair.

5. PENSION BOARD MEETING 15 SEPTEMBER 2022

To receive feedback from the last Local Pension Board Meeting held on 15 September 2022.

6. INITIAL TRIENNIAL VALUATION RESULTS 2022 AND REVIEW OF FUNDING STRATEGY STATEMENT FOR ENFIELD PENSION FUND (Pages 5 - 60)

Members are recommended to:

a) Note the contents of this report.

b) Note, consider and agree the initial results of 31st March 2022 triennial actuarial valuation attached to this report as Appendix 1;

c) Note and comment on the draft Funding Strategy Statement (FSS) of the Enfield Pension Fund attached to this report as Appendix 2; and

d) Agree to circulate the Funding Strategy Statement to all participating employers of the Fund for their comments.

7. LONDON CIV QUARTERLY UPDATE FOR JUNE 2022 AND COST SAVINGS FOR 2021-22 (Pages 61 - 164)

The Pension Policy and Investment Committee are recommended to note the content of this report.

8. ECONOMIC, MARKET AND INVESTMENT OUTLOOK (Pages 165 - 180)

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

9. ENFIELD PF INVESTMENTS & ASSET MANAGERS UPDATE JUNE 2022 AND AON’S VIEW ON THE STRATEGY AND ASSET ALLOCATION (Pages 181 - 218)

Pension Policy and Investments Committee are recommended to note the contents of Aon’s reports set as Appendix 1 and 2 to this report.

10. QUARTERLY INVESTMENT PERFORMANCE MONITORING REPORT FOR JUNE 2022 (Pages 219 - 312)

Pension Policy and Investments Committee are recommended to:

i) note the contents of this report;

ii) consider investing 5% of the Fund total assets in London CIV Renewable Fund and or agree for the Fund’s investment consultant and officers of the Fund to work closely to start a search to identify suitable strategy/ies for the implementation of the 10% allocation to (Renewable) Infrastructure pooled funds in which to undertake investments.

11. TREASURY MANAGEMENT STRATEGY FOR ENFIELD PENSION FUND FOR 2022-25 (Pages 313 - 324)

Pension Policy and Investments Committee is recommended to:
a) agree the Treasury Management Strategy for the Pension Fund for 2022/23 to 2024/25
b) delegate responsibility for Pension Fund treasury management to the Executive Director of Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as necessary inline with the Council's own creditworthiness policy.

12. DRAFT ENFIELD PENSION FUND ANNUAL REPORT AND ACCOUNTS 2021/22 (Pages 325 - 524)

Members are recommended to:
a) Note the contents of this report;
b) Note the Pension Fund Accounts for 2021/22, set at Section 2 of the Pension Fund Annual Report attached as Appendix A to this report;
c) Consider and approve the draft Enfield Pension Fund Annual Report and Accounts for 2021/22 attached as Appendix A to this report;
d) 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 2021/22, set in section 31 to 34 and Appendix B of this report.
e) Delegate completion, approval, the publication and distribution of the annual report to interested parties once the audit process is complete to the Executive Director of Resources in consultation with Chair and Vice Chair.

13. ENFIELD PENSION FUND RESPONSIBLE INVESTMENT POLICY AND CARBON INTENSITY AUDIT REPORT (Pages 525 - 586)

Pension Policy and Investments Committee are recommended to:

i) Note, review and comment on the Responsible Investment Policy attached as Appendix 1 and Trucost Carbon Audit Report for Enfield Pension Fund using 31 March 2022 Fund Valuation attached as Appendix 2.

ii) Note the reduction in exposure to future CO_2 emissions by 83.3% over 2 years, which places the Fund well over halfway to its target of 50% over 5 years.

iii) Agree that the strategy setting process will consider how the Fund can make a positive contribution to the transition to a low carbon economy, through investment in renewable infrastructure and other suitable asset classes.

14. ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT (Pages 587 - 594)

Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1 as of 30 June 2022.

15. LGPS LATEST DEVELOPMENTS AND UPDATE (Pages 595 - 604)

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

16. ENFIELD PENSION FUND PROCUREMENT UPDATE AND PLANS 2022/23 (Pages 605 - 614)

Pension Policy and Investments Committee are recommended to note, consider and agree the contents of this report.

17. DATES OF FUTURE MEETINGS

The dates of the future meetings are as follows:

Thursday 15 December 2022
Wednesday 15 March 2023

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON WEDNESDAY, 27 JULY 2022

COUNCILLORS

PRESENT Doug Taylor, Tim Leaver (Cabinet Member for Finance and Procurement), Gina Needs (Cabinet Member for Community Safety and Cohesion), Sabri Ozaydin, David Skelton and Edward Smith

OFFICERS: Bola Tobun (Finance Manager (Pensions and Treasury) Clare Cade (Secretary)

Also Attending: Carolan Dobson (Independent Advisor), Daniel Carpenter (Aon), and Joe Peach (Aon), Tapan Datta (Aon)

1 WELCOME AND APOLOGIES

The Chairman welcomed everyone to the meeting.

There were no apologies given.

2 APPOINTMENT OF VICE CHAIR

The Committee appointed Councillor Leaver as the Vice Chair.

3 DECLARATIONS OF INTEREST

Carolan Dobson reminded the Committee of the following interests:

- Independent Non-Executive Director, M and G Securities Ltd
- Independent, Non-Executive Director, Abrdn Fund Managers Ltd.
- Chair,Blackrock Latin America Investment Trust,
- Chair, Bruner Investment and Baillie Gifford UK Growth Trust
- Independent advisor to a number of Local Government Pension Schemes.

4 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 14 April 2022 were agreed subject to the following amendments:

<u>Item 5</u>

The Committee requested this to be an item at a future meeting so the background of the agreement could be discussed.

Item 8
£850m should be amended to £8,000.

Item 10
Correction to the spelling of Baillie Gifford UK.

Item 12
The draft result will come to the October meeting of the Committee.

5
GOVERNANCE POLICY & COMPLIANCE STATEMENT REVIEW

Bola Tobun (Finance Manager, Pensions & Treasury) introduced the item explaining the Governance Policy & Compliance Statement as considered like a “bible” to members of the Board. The Local Pensions Board scrutinise the work of this Committee. Appendix A of the report sets out where each functions of the Committee and Board are carried out.

It was highlighted that tasks can be delegated to officers but functions of the Committee cannot.

ACTIONS:

1. On page 16 of the document the membership of the Pension’s Board needs updating - **Bola Tobun (Finance Manager, Pensions & Treasury).**
2. The Local Pensions Board Minutes to be included as a standard agenda item for this Committee – **Robyn Mclintock, Governance Officer.**
3. Page 13 refers to the Strategy not the principles - **Bola Tobun (Finance Manager, Pensions & Treasury).**
4. It was agreed this item would be brought back to the October 2022 meeting for discussion - **Bola Tobun (Finance Manager, Pensions & Treasury) and Robyn Mclintock, Governance Officer.**

The Committee noted the report.

6
QUARTERLY INVESTMENT PERFORMANCE MONITORING REPORT MARCH 2022

Bola Tobun (Finance Manager, Pensions & Treasury) stated the report highlights the performance of the Pensions Fund for the Quarter ending March 2022. Paragraph 22 of the report sets out the asset allocations for the funds. The report sets out the managers for each fund. Overall, the value of the fund reduced by £23m in the last quarter.

Concerns were raised over Northern Trust using the reason of not having enough staff to complete the investment transfer.

The Committee discussed the probability of the Government requiring local authorities to pooled funds which would give the Council limited options to respond.

ACTIONS:

1. To formally write to the LCIV on the failings of Northern Trust to comply with their legal obligations to the fund - **Bola Tobun (Finance Manager, Pensions & Treasury)**
2. The LCIV to be invited to the next meeting of the Committee - **Bola Tobun (Finance Manager, Pensions & Treasury) / Robyn McLintock, Governance Officer**

The Committee noted the report.

7
PART 2

The Committee agreed to passing a resolution under Section 100A(4) of the Local Government Act 1972, excluding the press and public from the meeting for any items of business listed on part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

8
AON - INVESTMENTS & ASSET MANAGERS UPDATE MARCH 2022

Following the Part 2 discussion the report was NOTED.

9
AON MARKET OUTLOOK AND KEY DEVELOPMENTS UPDATE JULY 2022

Following the Part 2 discussion the report was NOTED.

10
ENFIELD PF RESPONSIBLE INVESTMENT POLICY

Due to timings during the meeting this Item was deferred to the next meeting.

11
FOSSIL FUEL EXPOSURE REPORT AS OF 31ST MARCH 2022

Due to timings during the meeting this Item was deferred to the next meeting.

12

DATES OF FUTURE MEETINGS

The dates of future meetings were NOTED as set out below:

- Wednesday 05 October 2022
- Wednesday 23 November 2022
- Wednesday 18 January 2023
- Wednesday 29 March 2023

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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Initial Triennial Valuation Results For 2022 and Review of Funding Strategy Statement for Enfield Pension Fund**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

This report provides the Pension Policy and Investment Committee with an update on the Fund's 2022 triennial actuarial valuation. It sets out the initial results of the valuation and presents a draft Funding Strategy Statement for review by the Committee prior to consultation with employers. The Fund actuary will be attending the Pension Policy & Investment Committee meeting to provide training and discuss the results in more detail.

Over the three year valuation cycle to 31 March 2022 the funding level has increased to 104%	The Fund is still in surplus from surplus position of £39.3m as at 31st March 2019 with a gain of £13.2m to a surplus position of £52.5m as at 31st March 2022.
The Fund's asset has increased over the period, by £339m, and liabilities increased by £324m	The Fund's assets were £1,185m and the value of the liabilities was £1,146m, which created a surplus position of £39.3m, and a funding ratio of 103% in 2019. In 2022, Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generated a surplus of £53m over the period with a funding ratio of 104%.
The key elements of gain or loss leading to this change in funding level are investment profit and loss from change in financial assumptions	The main changes to the assumptions are: i) Investment returns above the discount rate adopted at the 2019 valuation, given rise to a gain of about £169m ii) The fall in the real discount rate relative to inflation given rise to £192m loss (which on its own worsened the funding position).

Aggregate Employers contribution rate change from 20% to 18.9%	Employee's contributions are set by the Government, so employers must pay the balance of any cost in delivering the benefits to members. The cost of future benefits on the 2022 valuation result has decreased moderately.
The actuary expectation at this meeting and next step to their process are outlined as follows	i) Discuss their initial results and agree initial funding target ii) Agree contributions for London Borough of Enfield Pension Fund iii) Present initial results (on agreed funding target) to employers at Employers' Meeting January 2023 iv) Consultation on Funding Strategy Statement (from 6th October to 5th December 2022) v) Finalise all employer results – October 2022 to January 2023 vi) Sign off valuation report and Rates & Adjustments Certificate – by 31 March 2023

Proposal(s)

1. Members are recommended to:

a) Note the contents of this report;

b) Note the Fund Actuary will be presenting updates at this meeting as part of the training section for members;

c) Note, consider, comment and agree the initial results of 31st March 2022 triennial actuarial valuation attached to this report as Appendix 1;

d) Note and comment on the draft Funding Strategy Statement (FSS) of the Enfield Pension Fund attached to this report as Appendix 2; and

e) Agree to circulate the Funding Strategy Statement to all participating employers of the Fund for their comments.

Reason for Proposal(s)

2. 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.

3. Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) together with the guidance issued by CIPFA provides the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

4. Following consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy with all relevant interested parties involved with the fund – for example, local authority employers, admitted bodies, scheduled/resolution bodies.

5. The administering authority will prepare and publish its funding strategy by having have regard to: -

   i) the guidance issued by CIPFA for this purpose; and

   ii) the Investment Strategy Statement (ISS), whichever is appropriate.

6. The FSS will be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the statement of investment principles or investment strategy statement.

7. The revised FSS should be completed and approved by the Pension Policy & Investment Committee (or equivalent) prior to the completion of each valuation.

8. The Fund actuary must have regard to the FSS as part of the fund valuation process.

Relevance to the Council's Corporate Plan

9. Good homes in well-connected neighbourhoods.

10. Build our Economy to create a thriving place.

11. Sustain Strong and healthy Communities.

Background

12. The 2022 initial valuation results demonstrated the funding position of the **Fund as a whole** has moderately improved.

13. The valuation report is set out in Appendix 1. The highlights are, since the last valuation was carried out as at 31st March 2019:

    i) The funding level has improved from 103% to 104%.

    ii) In monetary terms the Fund is still in surplus from surplus position of £39.3m at 31st March 2019 and has improved slightly by £13.2m to a surplus position of £52.5m at 31st March 2022.

    iii) The Fund's assets were £1,185.5m and the value of the liabilities was £1,146.2m, which created a surplus of £39.3m, with a funding ratio of 103% in 2019. For 2022, Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generates a surplus of £53m and a funding ratio of 104% in 2022 as shown below.

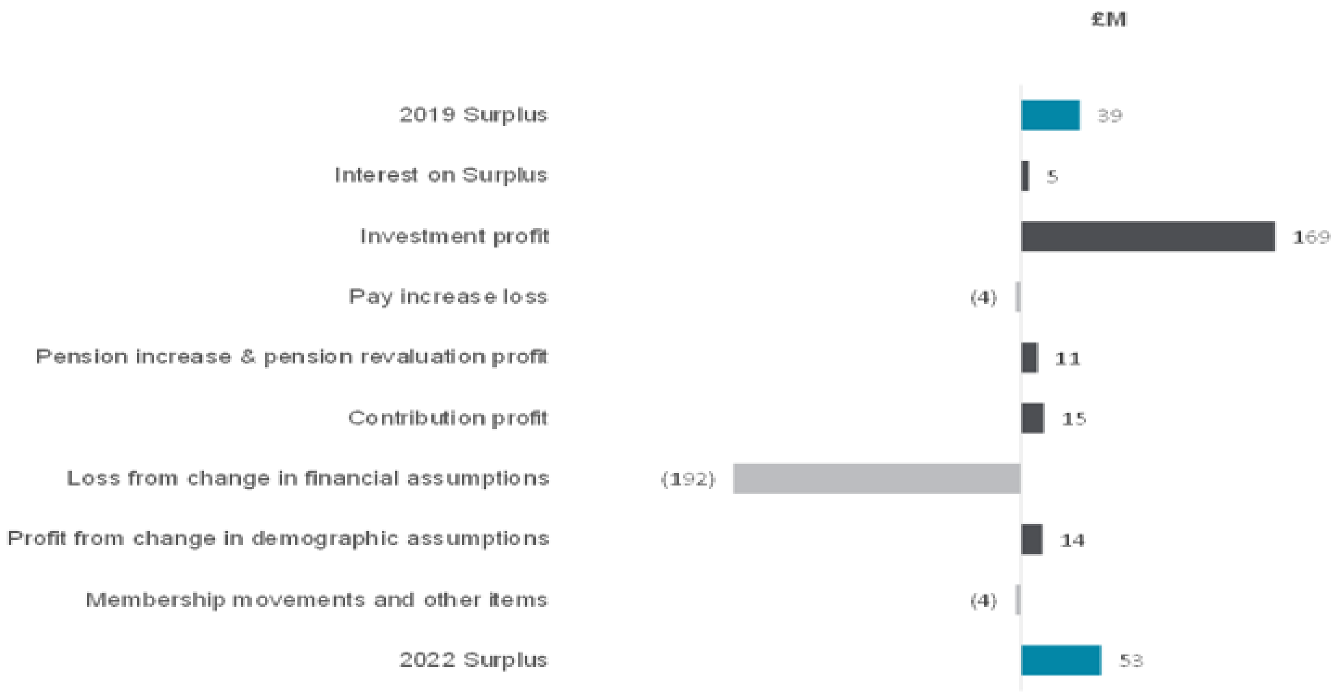
The initial results calculated using the different bases are shown below alongside the results from the previous valuation.

£M	31 March 2019 2019 valuation results	Initial valuation results at 31 March 2022 5% loading for inflation risk	 10% loading for inflation risk	31 March 2022 Low risk / exit basis
Probability of Funding Success (PoFS)	80%	80%	80%	N/A
Assets	1,185.5	1,522.8	1,522.8	1,522.8
Past service liabilities	1,146.2	1,406.8	1,470.3	2,543.9
Split as: Actives	*360.3*	*472.0*	*493.0*	*1,005.2*
Deferreds	*245.4*	*284.6*	*297.5*	*628.7*
Pensioners	*540.5*	*650.2*	*679.8*	*910.0*
Past service surplus / (deficit)	39.3	116.0	52.5	(1,021.1)
Funding ratio	103%	108%	104%	60%

14. The table shown below analyse the change of surplus. The main reason for the for Fund to be in surplus are as follows:

    i) Investment returns above the discount rate adopted at the 2019 valuation, giving rise to a gain of approximately £169m

    ii) The fall in the real discount rate (with additional 10% margin of inflation risk) causing a £192m loss (which on its own worsened the funding position).



15. It is noticeable from the chart above, that the elements of the valuation assumptions that are controllable by the Council (investment returns, retirements & salary increases) has positively impacted the results; whereas the assumptions that are outside the Council's control (gilt yields and inflation during the valuation period) have had a negative impact on the results.

Contribution Rates

16. The contribution rates carried out by the Fund Actuary (AON) at the valuation, are made up of two elements:

i) the estimated cost of future benefits being accrued, ***(the "Primary Rate")*** – this is the cost of an officer earning an extra year of pension benefit; plus

ii) an adjustment for the funding position of the benefits accrued in the past – usually where there is a deficit in the pension fund***, (the "Secondary Rate")***. If there is a deficit/surplus there will be an increase/decrease in the employer's contribution rate, with the surplus or deficit spread over an appropriate period.

17. **Individual *Employer Contribution Rates*** - While the fund is managed as a whole, it is effectively a number of sub funds for each individual employer. This means that each employer contributes according to a contribution rate that specifically reflects the individual employer's membership profile. Under guidance from the actuary, we have continued to set deficit recovery as a percentage of pensionable pay. Employee contributions are payable in addition to the employer contributions.

18. The cost of benefits that members will earn in the Fund in future are shown below, alongside the results from the previous valuation.

	2019 valuation results	Initial valuation results
Value of benefits accruing	24.4%	24.9%
Expenses	0.7%	0.8%
Less member contributions	(6.6%)	(6.8%)
Net employer cost (Primary Rate)	18.5%	18.9%
Allowance for regulatory uncertainties	1.5%	n/a
Employer rate as % Pay	20.0%	18.9%

19. The results of the previous valuation as at 31 March 2019 were as follows:

i) The Fund's assets were £1,185m and the value of the liabilities was £1,146.2m, which corresponds to a surplus of £39.3m and a funding ratio of 103%.

ii) The assessed employer cost of future service benefits was 18.5% of pay across the Fund as a whole and 1.5% (in money terms £10.6m) to be added as an allowance for possible cost of McCloud / Cost cap for past service liability over 19 years.

iii) No additional contribution is required as the Fund is fully funded for the next 19 years provided the primary rate is maintained.

20. The results of 31 March 2022 valuation are as follows:

i) The Fund's assets were £1,523m and the value of the liabilities was £1,470m, which created a surplus of £53m and a funding ratio of 104%.

ii) ***Primary rate*** - the assessed employer cost of future service benefits was 18.9% of pay across the Fund as a whole.

iii) ***Secondary rate*** - no additional contribution is required as the Fund is fully funded for the next 19 years provided the primary rate is maintained.

Membership

21. The Fund Actuary has conducted high level checks on the membership data provided and are satisfied with its adequacy for the purpose of this actuarial valuation.

22. The results are based on membership data as at 31 March 2022:

i) Original membership data provided by the Administering Authority on 30 June 2022

ii) Additional data provided by the Administering Authority on 22 July 2022 in response to our data queries, which we substituted into the original data

iii) We estimated some data as set out in reports dated 23 September 2022

23. A summary of the final data used is set out below. Average ages are unweighted, and pensions include the April 2022 revaluation/pension increase.

Active members

	Number	Average age	Total pensionable salaries (2014 scheme definition) (£000 pa)	Total pre 2014 pension (£000 pa)	Total pre 2014 accrued lump sum (£000)	Total post 2014 pension (£000pa)
Male	1,989	46.2	63,319	3,415	4,858	5,811
Female	6,357	47.5	137,265	6,660	8,340	13,034
Total	8,346	47.2	200,584	10,075	13,199	18,845
Total 2019 (for comparison)	*7,740*	*46.6*	*160,780*	*11,847*	*16,274*	*11,601*

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.

24. The Actuary has not yet reconciled the valuation results for every employer in the Fund. As part of the reconciliation, it may be necessary to update the data. The membership shown in the final valuation report may therefore differ from that shown above.

Uncertainties

25. There are a number of uncertainties regarding the benefits payable to LGPS members which may affect the valuation results. The actuary has made an approximate allowance for these uncertainties in this result, at a whole of Fund level only. These uncertainties relate to:

i) GMP equalisation and indexation after 5 April 2021

ii) The cost management process

iii) The remedy which may be agreed in relation to the McCloud/Sargeant case

26. The actuary's final valuation report is set out in Appendix 1. The Pension Fund is required by statute to publish a Funding Strategy Statement (FSS), to keep the Statement under review and to revise it whenever there is a material change in the policy set out within it.

McCloud remedy

27. The LGPS Regulations covering the McCloud remedy have not yet been laid, however there has been a ministerial statement following the July 2020 consultation which confirmed the key elements of the expected changes. The Fund Actuary has therefore valued these key elements in the 2022 valuation.

28. As the full membership data to value the proposed remedy was not available, the Fund Actuary had used approximate methods. The liabilities have been initially calculated based on the current Scheme benefits. And then calculated an additional liability to cover members where the value of members benefits earned between 1 April 2014 and 31 March 2022 is expected to be greater under the previous final salary scheme provisions than the post-reform career average provisions.

Cost management

29. Since the 2019 valuation the 2016 LGPS (E&W) cost management valuations have concluded by the Government Actuary's Department, one commissioned by the LGPS Scheme Advisory Board in accordance with the LGPS Regulations and the other commissioned by HMT in accordance with the Public Service Pensions Act 2013. Both found the costs of the scheme to be within the relevant limits such that no changes to the scheme provisions were required. However, the way in which the McCloud remedy was allowed for in the cost management process is currently subject to Judicial Review and there is a possibility that this process will need to be revisited and ultimately, additional employer costs may arise. It is possible that the outcome will not be known until after the valuation has been concluded.

30. The Fund Actuary has made no allowance within their calculations for the risk of additional costs falling on the Fund (and ultimately employers) as a result of the Judicial review process.

GMP indexation and equalisation

31. Following legislative change in 2021, the LGPS is now required to pay full CPI increases on GMPs for members whose State Pension Age is after April 2016. Separately to this, the High Court ruled in two Lloyds Banking Group cases (2018 and 2020) that schemes are required to equalise male and female benefits for the effect of unequal GMPs, and these requirements extend to members who have died and transferred out.

32. In relation to public service schemes, the Fund Actuary understand the Government believes payment of full indexation of GMPs as set out above will equalise payment terms for the vast majority of members, but some uncertainty remains for a small minority of members. The Actuary is awaiting a Government response in relation to equalisation requirements for historic deaths and transfers.

33. The Fund Actuary has valued pension increases in line with the indexation requirements. However, they have not estimated a potential cost of equalising payment terms for members whose benefits remain unequal after full indexation, nor for historic deaths or transfers.

Goodwin

34. A recent 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. A ministerial statement on 20 July 2020 announced that changes would be required to other public service pension schemes with similar arrangements. In the LGPS this will create an additional liability for post-2005 widowers where the original member had pre-1988 service.

35. The Government is yet to reflect this ruling within LGPS Regulations. The Fund Actuary therefore made no allowance for the Goodwin ruling in the 2022 valuation results. Although the Actuary expect the additional liability to be small.

Funding Strategy Statement (FSS)

36. The Funding Strategy Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

37. The FSS set out in Appendix 2 has been drawn up by the Fund’s actuary, in conjunction with Officers of the Council. The Pension Fund previously published

a FSS following the 2019 valuation and this has been updated to reflect changes made for the 2022 valuation.

38. In accordance with Regulation 58(3), all employers participating within the London Borough of Enfield Pension Fund would be consulted on the contents of this Statement and their views would be taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole

39. As set out in the FSS the objectives of the statement are to:

a) ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;

b) ensure that employer contribution rates are reasonably stable where appropriate;

c) minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB., this will also minimise the costs to be borne by Council Tax payers);

d) reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

e) 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.

40. In addition to the objectives set out above, the FSS also sets out the different treatments for different types of employers ranging from tax raising bodies such as the Council and other scheduled bodies such as Academies to Community and Transferee Admission Bodies. Various factors are considered during the contribution setting process, including the funding target (the assets required to pay member benefits), the time horizon and the probability of reaching the funding target over that time horizon. Each of these factors may be varied according to employer type, as this will influence the level of risk posed by each employer.

41. The FSS also covers the links to investment strategy which are set out in Investment Strategy Statement. The investment strategy for the Pension Fund is set for the longer term. The investment strategy is an important and time consuming activity that the Committee needs to devote its time to. This may include dedicated strategy meetings to consider the longer term investment strategy for the Fund as well as looking at options for risk reduction over the longer term, should the funding level improve.

42. The FSS includes a number of detailed appendices covering key points around responsibilities, risks and regulations.

43. The main policy changes are set out in the updated FSS as follows:

i) Section 3.9.2: Interim reviews of contribution rates

ii) Section 3.9.8: Spreading exit debs (and at the end of this section we comment that you will not enter deferred debt arrangements)

44. In both cases wording has been added to cover off the requirements of MHCLG's statutory guidance dated 2 March 2021 and also had regard to the Scheme Advisory Board's guidance.

Other changes since 2019 are:

45. **New Passthrough policy (section 3.8.3) -** The new policy allows small admission body employers to be pooled with the letting authority so they pay the same contribution rate (in most cases this will be Enfield Council, but also academies who outsource their catering and cleaning contracts). This reduces the administration and actuarial costs of setting up these small, numerous and often short-term employers, and it helps facilitate the procurement process for these contracts too. This is adding detail to an existing policy where admission bodies with 10 or fewer members could pay the same contribution rate as Enfield Council. This includes confirming that assets and liabilities will be pooled; extending the policy to be clear this also covers situations where academies are outsourcing services; making it clear how secondary contributions will be shared when these are certified as monetary amounts, and to confirm that where a passthrough arrangement is in place the employer will not be required to pay an exit debt or receive an exit credit when they leave the Fund. Further details on this policy are included within the Employer Policy which has been updated and I suggest is consulted on alongside the updated FSS.

46. **New exit credit policy (Section 3.9.7) -** The LGPS Amendment Regulations 2018 provided for exit credits to be paid from the Fund, and your current FSS already sets out your policy for paying exit credits. However the LGPS Amendment Regulations 2020 put the onus on administering authorities to determine the amount of the exit credit, having regard to the amount of surplus that has arisen from the employer contributions paid, any representations by the employer or connected employers, and any other relevant factors. This policy has been updated to set this out.

47. Allowing for regulatory uncertainties in actuarial calculations (Section 3.7). This section has been added to be transparent that the actuary will allow for regulatory uncertainties such as the McCloud judgement when setting funding requirements.

The main changes (since the August 2021 version) are as follows:

48. Updating the wording for ill health and death in service dependants' pension risk sharing to say this will not apply from April 2022 (page 14).

49. Updated wording for regulatory/benefit risks (pages 11 and 12)

50. Addition of climate change risk (page 35).

51. Updating references of MHCLG to DLUCH.

52. The FSS will be circulated in draft to all employers who participate in the Enfield Pension Fund to allow comments to be made prior to its finalisation. Employers would be invited to respond with any comments by Monday 7th November 2022.

53. Following the consultation, the FSS will be considered and approved by the Committee at its November 2022. Comments received from consultation will be brought to the attention of the Committee.

54. The Committee are asked to consider and agree the draft Funding Strategy Statement for consultation with other employers in the Fund.

Safeguarding Implications

55. 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

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

Equalities Impact of the Proposal

57. 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

58. 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

59. All material, financial and business issues and possibility of risks have been considered and addressed within the report and its appendices, and that the actuarial report and funding strategy statement will provide the Pension Fund with a solid framework in which to achieve a full funding status over the long term.

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

60. The Funding Strategy Statement forms part of the broader framework for funding and management of the Enfield Pension Fund. It sets out how the Fund will approach the future funding of its liabilities and the recovery periods for recovering any deficit.

Financial Implications

61. Most of the Fund's benefits are increased annually both before retirement (revaluation) and after retirement (pension increases), by reference to the change in the Consumer Price Index (CPI)

62. Aon recommends the CPI inflation assumption of 2.3% which is the long term (30 year) best estimates based on Aon's Capital Markets Assumptions (CMAs), with further adjustment for short term inflationary pressures applying at this valuation

63. So, at this valuation Aon propose to increase past service liabilities for funding targets that are not gilt based by 5% to allow for the 6 months of high inflation not reflected in the CMAs, and to reduce the impact of adverse inflation experience on the liabilities at the next valuation

64. Broadly it is equivalent to assuming CPI will be in the region of 5% for Year 1, followed by 2.2% p.a., thereafter. When combined with the recommended 5% uplift covering high inflation for the 6 months to 31 March 2022 this is equivalent to allowing for a pension increase of around 10% in April 2023, then 2.2% p.a. thereafter

65. But CPI inflation was 7% p.a. (year to March 2022). Aon's assumptions are based on CMAs as at 31 March 2022, however the April 2023 pension increase will be based on the full year CPI from September 2021, and in the 6 months since September 2021, CPI inflation has been 4.2% (an annual rate of 8.5%).

66. Hence officers opted for a prudent option, which include a 10% risk margin rather than the recommended 5% inflation uplift margin. The opted option is alternative result 1 as officers envisage the risk of inflation being higher than the Fund Actuary assumption, and as a consequence this will increase the pensions that need to be paid during the valuation period.

Strategy	Balance Sheet at This Valuation (£M)		Current Contributions			Theoretical Contributions 2023/24					
	Surplus / (Shortfall)	Funding Level	Current Rate	Current Additional Monetary Amount £s	Equivalent Total Rate (based on current pay)	Recovery Period (years)	Primary Contribution Rate	Secondary Contribution Additional Amount £s	Secondary Contribution Reduction % pay	Equivalent Total Rate (based on current pay)	Change in total rate
Initial valuation result: 5% inflation risk loading, 105% surplus buffer	95.542	107.6%	20.2%	0	20.2%	19	19.1%		(1.3%)	17.8%	-2.4%
Alternative result 1: 10% inflation risk loading, 105% surplus buffer	38.652	102.9%	20.2%	0	20.2%	19	19.1%			19.1%	-1.1%
Alternative result 2: 5% inflation risk loading, 110% surplus buffer	95.542	107.6%	20.2%	0	20.2%	19	19.1%			19.1%	-1.1%

67. Alternative result 1 indicates the funding level for London Borough of Enfield (as a single employer) stands at 103%, improved slightly from 102% from 2019 valuation outcome as shown in the table above.

68. The employers' contribution rate for the London Borough of Enfield (as a single employer) is currently set at 20.2% for 2022/23. The slight improvement to the funding level of the Fund has brought about a reduced contribution rate of 19.1%.

69. There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.

Legal Implications

70. The Constitution delegates to the Pension Policy & Investment Committee the function of setting the overall strategic objectives for the Pension Fund.

71. Regulation 58 of the Local Government Pension Scheme Regulations 2013 requires the Council as an administering authority to publish and maintain a funding strategy statement.

72. When preparing, maintaining or publishing the funding strategy statement, the Council is required to make such revisions as it considers appropriate following material change to the policy set out in the statement; any revisions must be made following consultation with such persons as the Authority considers appropriate.

73. When reviewing the funding strategy statement, the Council is required to have regards to:
    i) the CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement; and

ii) the Council's statement of investment principles/Investment Strategy Statement.

74. The review of the funding strategy statement has been undertaken by the Fund Actuary and Fund officers with reference to a and b above as required.

75. When performing its functions as administrator of the LB 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

76. 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

77. None

Options Considered

78. There is no alternative because the requirements to carry out the triennial revaluation and prepare a Funding Strategy Statement are prescribed in regulations

Conclusions

79. Aon's best estimate CPI inflation assumption of 2.3% p.a. was based on Aon's Capital Markets Assumptions (30 year assumption) at 31 March 2022 allows for a short term inflation spike followed by longer term trend back towards the Bank of England target.

80. Short term inflation expectations have increased so the additional +5% uplift to liabilities to allow for inflation between 1 October 2021 and 31 March 2022 being higher than 2.3% p.a., which will feed into the April 2023 pension increase (noting 2.3% p.a. is forward-looking from 31 March 2022 but the April 2023 pension increase is likely to be based on inflation in the year to 30 September 2022 although this cannot be guaranteed.

81. So, there is around a 15% chance inflation over the next three years will be 5% higher than the assumptions that the Fund actuary have used in their initial valuation result. The impact of this on benefit payments in isolation would worsen the funding ratio, although this may be partly offset by lower medium term inflation.

82. Hence officers opted for a prudent option, which include a 10% inflation risk margin rather than the 5% inflation uplift margin recommended by the Fund

Actuary. The opted option is alternative result 1 as officers envisage the risk of inflation being higher than the Fund Actuary assumption, and as a consequence this will increase the pensions that need to be paid during the valuation period.

83. The Fund's asset increased over the three years period by £339m, and liabilities increased by £324m.

84. The Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generated a surplus of £53m over the period with a funding ratio of 104%.

85. The main changes to the assumptions are:

i) Investment returns were above the discount rate of 4.2% per annum adopted at the 2019 valuation, given rise to a gain of about £169m.

ii) The fall in the real discount rate relative to inflation given rise to £192m loss (which on its own worsened the funding position).

86. The aggregate Employers contribution rate change from 20% to 18.9%

87. The Fund Actuary expectation at this meeting and next step to their process are outlined as follows:
i) Discuss their initial results and agree initial funding target
ii) Agree contributions for London Borough of Enfield Pension Fund
iii) Consultation on Funding Strategy Statement (from 6th October to 7th November 2022)
iv) Finalise all employer results – October 2022 to December 2022
v) Present initial results (on agreed funding target) to employers at Employers' Meeting January 2023
vi) Sign off valuation report and Rates & Adjustments Certificate – by 31 March 2023

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

Date of report 20th September 2022

Appendices
Appendix 1 – Initial Triennial Actuarial Valuation Results For 2022 (Confidential)
Appendix 2 – Funding Strategy Statement (September 2022)

Background Papers - None

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**London Collective Investment Vehicle (CIV) Quarterly Update as of June 2022 and Cost Savings for 2021/22**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report provides a summary of London Collective Investment Vehicle (CIV) updates on investment, new products and governance arrangements.

Proposal(s)

2. The Pension Policy and Investment Committee are recommended to note the content of this report.

Reason for Proposal(s)

3. This report introduces an update on LCIV governance arrangements, Fund launches, ESG and Enfield investments with London CIV.

4. For effective and efficient management of the Fund as regular engagement with the London CIV is crucial to the Fund, to ensure that the Pool makes available the strategies and services that Enfield Pension Fund and other London funds require. Successful delivery of these objectives will be crucial in ensuring that the anticipated longer term investment manager fee savings can be delivered.

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. London CIV was established in 2015 as a collaborative vehicle to pool LGPS pension fund assets for a more effective investment and value adding

operation. The purpose of the company is ***"to be the LGPS pool for London to enable the London Local Authorities (LLAs) to achieve their pooling requirements".***

9. Pool members are both shareholders and investors. Beyond the practical purpose to deliver pooling, LCIV aspires to be "***a best in class asset pool delivering value for Londoners through long term sustainable investment strategies."*** This statement has been updated to emphasise their commitment to responsible investment and stewardship.

10. The attached appendices have the current update for London CIV as of end of August 2022, the London CIV - Enfield Quarterly Investment Report for June 2022 and the cost savings report for Enfield Pension Fund for 2021/22.

11. The attached Appendix 3 has the breakdown of total cost savings from investing with London CIV for financial year 2021/22, which was £514,587 as shown below:

Fund Value	£301,643,519.00
Northern Trust Fees	£61,512.00
Investor Advisor Fees	£976,239.00
Professional Fees	£20,932.00
LCIV Management Fees	£68,489.00
Fees paid within underlying pooled fund	£194,205.00
Sub-Total	£1,321,377.00
Estimate of management fees to be paid if invested directly outside of LCIV	£1,719,951.00
Estimate of other fees to be paid if invested directly outside of LCIV	£116,013.00
Sub-Total	£1,835,964.00
Indicative Saving	£514,587.00

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

Date of report 16th September 2022

Appendices
Appendix 1 – London CIV Business Update **(Confidential & exempt Report)**
Appendix 2 – London CIV - Enfield Quarterly Investment Report June 2022 **(Confidential & exempt Report)**
Appendix 3 – London CIV Cost Savings Report for Enfield Pension Fund For 2020/21 **(Confidential & exempt Report)**

Background Papers - None

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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	Economic, Market and Investment Outlook
Cabinet Member:	Cllr Leaver
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

This report introduces Aon report on Economic, Market and Investment Outlook attached to this report as Appendix 1.

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 content 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.

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

Date of report 14th September 2022

Appendices
Appendix 1 – AON Market and Investment Outlook **(Confidential – Exempt Report)**

Background Papers
None

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE (PPIC)

Meeting Date: 5 October 2022

Subject:	Enfield PF Investments & Asset Managers Dashboard for June 2022 plus Aon's View on the Strategy and Asset Allocation considering the Current Economic Climate
Cabinet Member:	Cllr Leaver
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

This report introduces two Aon's reports:

a) Quarterly Investment Dashboard and Report on Enfield Pension Fund Investments & Asset Managers, attached to this report as Appendix 1.

b) Investment Strategy Next Steps - Implementing the agreed investment strategy for the London Borough of Enfield Pension Fund attached to this report as Appendix 2.

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 reports set as Appendix 1 and 2 to this report.

Reason for Proposal(s)

4. The first 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. The second report is for discussion at this meeting to explain the soundness of implementing the various stages required as outlined in the Fund's revised investment strategy.

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 report attached as Appendix 2 drafted to provide an overview of the various stages required to implement the Fund's revised investment strategy. The Investment Consultant focus on the Fund's equity portfolio and also options for the allocations to alternative fixed income and infrastructure. They also provide an update in relation to the redemption terms for the Fund's hedge fund portfolio.

10. Equities: they 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. Aon recommends 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.

11. Fixed Income: the paper also comments 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.

12. Infrastructure: also provide views on the two infrastructure funds available through the LCIV and how the Funds could be used to increase the Fund's allocation to infrastructure.

13. The Investment Consultant report also provide a suggested timeline for implementing the various stages of the Fund's revised investment strategy.

14. The Investment consultant only considered options that are available to the Fund through the LCIV, as the move towards pooling the Fund's assets continues.

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

16. 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.

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

18. 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.

19. 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:

    i) Davidson Kempner: Quarterly redemptions, with 60 days notice; and

    ii) CFM Stratus: Monthly redemptions, with 60 days notice.

20. The combined holdings in these two hedge funds was c.£60m as at 30 June 2021 and c.£66m as at 30 June 2022. 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.

21. 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.

22. The implementation of the Fund's revised investment strategy will continue in 2022.

Workforce Implications

23. 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

24. None

Other Implications

25. None

Options Considered

26. There are no alternative options.

Conclusion

27. The second report was drafted back in September 2021 to provide an overview of the various stages required to implement the Fund's revised investment strategy. Aon focuses on the Fund's equity portfolio and also options for the allocations to alternative fixed income and infrastructure. Aon also provides an update in relation to the redemption terms for the Fund's hedge fund portfolio.

28. The recommended next steps, subject to the agreement of the Committee, include the consideration for the LCIV Renewables Fund

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

Date of report 14th September 2022

Appendices
Appendix 1 - Quarterly Investment Dashboard and Report to 30 June 2022 **(Confidential – Exempt Report)**
Appendix 2 - Investment Strategy Next Steps - Implementing the agreed investment strategy **(Confidential – Exempt Report)**

Background Papers - None

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject: Quarterly Investment Performance Monitoring Report for June 2022

Cabinet Member: Cllr Leaver

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 2022/23.

Over the quarter to 30 June 2022 the Fund posted a negative return of c.5.06%	Global equities continued to perform poorly in response to increased risk of recession and the aggressive action to curb inflation. The Fund underperformed its benchmark by 0.99%. Fund valuation at the end of this reporting quarter was £1.455bn, a decrease of £73m over the quarter.
For the quarter eleven mandates matched/achieved benchmark return	For this quarter, eleven out of twenty-one mandates delivered returns matching or achieving returns above the benchmark set. The ten mandates lagging their set benchmark for this quarter are: LCIV BG Global Alpha, LCIV JP Morgan, Aon Liquid Credits, Insight Bonds, LCIV CQS MAC, Western Bonds, M&G Inflation, Davidson Kempner, Blackrock Property and Brockton.
The Fund's investments outperformed its benchmark over the 12-month period	Over the twelve-month period to 30 June 2022, the Fund underperformed its benchmark by 1.18%. For the year to 30 June 2022, ten out of twenty-one 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 0.12% per annum above its benchmark return and for over five years, the Fund posted a return of 5.71% outperforming the benchmark return of 5.32% by 0.39% 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

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;

   ii) consider investing 5% of the Fund total assets in London CIV Renewable Fund and or agree for the Fund's investment consultant and officers of the Fund to work closely to start a search to identify suitable strategy/ies for the implementation of the 10% allocation to (Renewable) Infrastructure pooled funds in which to undertake investments.

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

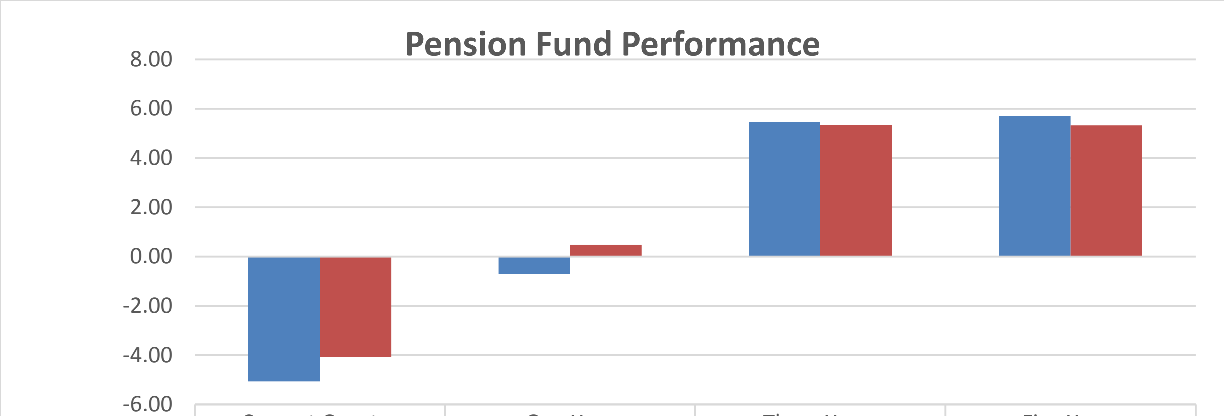
INVESTMENT PERFORMANCE

9. The overall value of the Fund on 30 June 2022 stood at £1,455m, a decrease of £73m from £1,528m as of 31 March 2022 quarter end value.

10. The Fund underperformed the benchmark this reporting quarter by posting a return of -5.06% against benchmark return of 4.08%. The twelve-month period sees the fund lagging its benchmark by -1.18%.

11. Looking at the longer-term performance, the three years return for the Fund was 5.46%, which was 0.12% per annum ahead its benchmark return. For over

five years period, the Fund posted a return of 5.71% outperforming the benchmark return of 5.32% by 0.39% per annum, as shown in the graph below.



	Current Quarter	One Year	Three Years	Five Years
Fund	-5.06	-0.70	5.46	5.71
Benchmark	-4.08	0.48	5.34	5.32

12. For June quarter end, two out of the five Fund's active equity mandates underperformed their respective benchmarks. Eleven out of twenty-one mandates delivered returns, matching or achieving returns above the set benchmark.

13. For the 12 months to June 2022, ten out of twenty-one 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, Insight, LCIV MAC, Western Bonds, M&G Inflation, Davidson Kempner, Brockton 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. Any excess cash from the Fund's bank accounts is invested in accordance with the Council's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

16. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in March 2022, which is delegated to the Executive Director of Resources to manage on a day to day basis within the agreed parameters. Officers monitor the credit risk of the Fund by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

17. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk 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.

18. The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

19. A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

20. A majority of the assets of the Fund are held by the Fund's custodian, Northern Trust Company. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with HSBC Bank.

21. The cash balance as of 30 June 2022, was £82.033m in short term deposits and money market funds. £42.433m Northern Trust with and £39.6m with Goldman Sachs.

Currency Analysis

22. Sterling is close to multi-decade lows against the US Dollar and has lost ground against all major currencies except the Japanese Yen in the last 8 months.

23. The depreciation of sterling versus the US dollar over the quarter increased the value of dollar denominated holdings. The Fund has exposure to the euro, US dollar, yen and other currencies within its portfolio.

24. The active equity managers have exposures to various currencies as they are all global mandates, and we have approximated the currency exposures based on the geographical split of the underlying investments.

25. Adams Street, York and Davidson Kempner are US dollar denominated whilst Antin is euro denominated. CFM, BlackRock, CBRE, Western, M&G Inflation Opportunities, Legal & General, Brockton, Insight, London CIV MAC, Aon Diversified Liquid Credit, and IPPL mandates are assumed to have no direct exposure to foreign currencies as they are either hedged to sterling or are sterling share classes.

Currency	**%**	**£m**
Sterling	50.6	735.9

US Dollar	37.0	538.8
Euro	5.2	76.2
Yen	1.5	21.9
Other	5.6	82.0
Total	**100.0**	**1,454.8**

26. Manager exposures are based on geographical exposures and not currency exposures. US dollar exposure is the largest foreign currency risk for the Fund.

27. Following a 1% foreign currency appreciation (depreciation), the value of the Funds' US dollar denominated assets will increase (decrease) approximately by £5.4m, euro denominated assets will increase (decrease) by £0.8m and yen denominated assets will increase (decrease) by £0.2m.

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

29. The Fund has $54.5m as cash balance as of 20 August 2022. was £82.033m in short term deposits and money market funds. $28.7m Northern Trust with and $25.8m with Goldman Sachs.

ASSET ALLOCATION

30. The current strategic weight of asset distribution and the Fund’s assets position as of 30 June 2022 are set out below:

Asset Class	Strategic asset allocation as at June 2021 (%)	Fund Position as at 30 Jun. 2022 (%)	Difference as at 30 Jun. 2022 (%)	Difference as at 30 Jun. 2022 (£m)
Equities	35.0	41.0	6.0	86.7
Private Equities	5.0	8.3	3.3	48.6
Total Equities	**40.0**	**49.3**	**9.3**	**135.3**
Hedge Funds	0.0	4.9	4.9	70.7
Property	5.0	6.7	1.7	24.0
Infrastructure	16.0	5.0	(11.0)	(160.3)
Alternative Fixed Income	5.0	0.0	(5.0)	(72.8)
Bonds	24.0	20.6	(3.4)	(49.2)
Inflation protection illiquid	10.0	8.0	(2.1)	(29.8)
Cash	0.0	5.6	5.6	82.1
Total	**100.0**	**100.0**		

31. The Fund has 11% underweighted position to Infrastructure, 8.4% underweighted position to Bonds, alternative fixed income and indexed linked gilts, 2.1% underweight in Inflation Protection. And the Fund has 5.6% overweighted position to cash, 9.3% overweight position to total equities and 1.7% overweight position in Property.

32. 41% of the Equity portfolio which is 15.7% of the total Fund assets is being managed passively by BlackRock. The remainder (25.4%) is being managed on an active basis, with the largest share of 9.8% with MFS, followed by 6.9% with LCIV Baillie Gifford, 6.6% with LCIV Longview and 2.1% in LCIV Emerging Markets.

33. As of 30 June 2022, the MSCI All Country World Index had a 11.7% exposure to Emerging Markets and in aggregate, the Fund's public equity portfolio was £595.8m and £41m was invested in Emerging market.

34. At the reporting quarter end, c.2.8% of the Fund's total assets were invested in Emerging Markets which equates to 6.9% of the Fund's public equity portfolio as shown in the table below.

Asset Manager	**Valuation of Assets as of June 2022 (£m)**	**Emerging Market Allocation (%)**	**Emerging Market Allocation (£m)**
Blackrock	228.1	0.0	0.0
MFS	141.9	1.0	1.4
Baillie Gifford	95.4	19.5	18.6
JP Morgan	29.9	70.0	20.
Longview	99.7	0.0	0.0
Total Public Equities	**595.8**	**6.9**	**41.0**

35. 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.

36. 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.

Investments Considerations

37. Given that the Committee recently allocated 10% to infrastructure as an asset class and the Fund's responsible investment commitment of aligning the Fund to a low carbon economy. The Fund currently has £82m in cash with the Fund Custodian and GSAM MMF and also £47.6m in short term bonds compounded with the current economy climate.

38. The Fund Investment Consultant advised in a paper drafted September 2021 that 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 they are supportive of the Committee making a commitment to this fund.

39. Officers are therefore recommending to the Committee to pursue investing in London CIV renewable infrastructure and if the Committee deemed to find this product still unsuitable due to underperformance or perceived inadequate governance arrangement of the London CIV, the Committee can choose to collaborate with other LGPS funds to do a search for a suitable strategy for the Fund.

40. As making direct investments into pooled funds enables the Pension Fund to make investment decisions and invest directly in funds without the requirements to undertake the lengthy OJEU process, however, the same level of due diligence when choosing funds is still undertaken to ensure that the investments are appropriate for the Fund. The costs of making such investments taking into account, consultancy and officer time is immaterial in the context of £50m investments being made.

41. 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:

i) Davidson Kempner: Quarterly redemptions, with 60 days notice; and

ii) CFM Stratus: Monthly redemptions, with 60 days notice.

42. The combined holdings in these two hedge funds were c.£66m as of 30 June 2022. 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.

43. 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.

Safeguarding Implications

44. 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

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

Equalities Impact of the Proposal

46. 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

47. 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

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

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

50. 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

51. 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

52. 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

53. 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.

54. 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.

55. 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.

56. 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.

57. 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

58. 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

59. None

Other Implications

60. None

Options Considered

61. There are no alternative options.

Conclusions

62. The overall value of the Fund on 30 June 2022 stood at £1,455m, a reduction of £73m from its value of £1,528m at March 2022 quarter end.

63. The fund underperformed the benchmark this reporting quarter by posting a return of -5.06% against benchmark return of -4.08%. The twelve-month period sees the fund lagging its benchmark by -1.18%.

64. Looking at the longer-term performance, the three years return for the Fund was 5.46%, which was 0.12% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 5.71% outperforming the benchmark return of 5.32% by 0.39% per annum.

65. For June quarter end, two out of the five Fund's active equity mandates underperformed their respective benchmarks. eleven out of twenty-one mandates delivered returns, matching or achieving returns above the set benchmark.

66. For the 12 months to June 2022, ten out of twenty-one 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, Insight, LCIV MAC, Western Bonds, M&G Inflation, Davidson Kempner, Brockton and Blackrock Property.

67. 41% of the Equity portfolio which is 15.7% of the total Fund assets is being managed passively by BlackRock. The remainder (25.4%) is being managed on an active basis, with the largest share of 9.8% with MFS, followed by 6.9% with LCIV Baillie Gifford, 6.6% with LCIV Longview and 2.1% in LCIV Emerging Markets.

68. As of 30 June 2022, the MSCI All Country World Index had a 11.7% exposure to Emerging Markets and in aggregate, the Enfield Pension Fund's public equity portfolio was £595.8m and in aggregate £41m was invested in Emerging market.

69. 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.

70. Officers are recommending to the Committee to pursue appropriate strategy in line with the Fund commitment of making positive contribution to the transition to a low carbon economy, through investment in renewable infrastructure and any other suitable asset classes.

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

Date of report 19th September 2022

Appendices

Appendix 1 – Northern Trust Report for Enfield PF Asset Class Performance June 2022
Appendix 2 – London CIV - Enfield Quarterly Investment Report for June 2022

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NORTHERN TRUST

London Borough of Enfield

Investment Risk & Analytical Services

June 30, 2022

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SECTION 1

London Borough of Enfield

Investment Risk & Analytical Services

June 30, 2022

Investment Hierarchy

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
London Borough of Enfield	**1,454,712,704**	**100.00**	**-2.90**	**-5.06**	**-6.47**	**-0.70**	**5.46**	**5.71**	**8.29**	**31/03/1987**
Enfield Strategic BM			*-2.21*	*-4.08*	*-4.83*	*0.48*	*5.34*	*5.32*	*-*	*31/03/1987*
Excess Return			*-0.69*	*-0.99*	*-1.64*	*-1.18*	*0.12*	*0.39*	*-*	*31/03/1987*
Total Equities	**595,830,640**	**40.96**	**-4.81**	**-9.31**	**-13.37**	**-7.93**	**6.71**	**7.86**	**9.24**	**31/03/1987**
Enfield Equities BM			*-5.14*	*-9.27*	*-11.67*	*-4.59*	*7.67*	*8.39*	*-*	*31/03/1987*
Excess Return			*0.33*	*-0.04*	*-1.70*	*-3.34*	*-0.96*	*-0.53*	*-*	*31/03/1987*
Blackrock Low Carbon	**228,067,565**	**15.68**	**-5.64**	**-10.97**	**-13.23**	**-3.68**	**8.84**	**9.16**	**12.83**	**31/03/2009**
LEFD02 Blackrock Blended BM			*-5.64*	*-10.97*	*-13.23*	*-3.68*	*8.57*	*8.76*	*12.00*	*31/03/2009*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*0.27*	*0.40*	*0.83*	*31/03/2009*
LCIV - JP Morgan (EM)	**29,896,144**	**2.06**	**-3.19**	**-7.31**	**-12.95**	**-19.38**	**0.18**	**-**	**3.42**	**24/10/2018**
LEFD05018 MSCI EM Mrkts ND			*-3.12*	*-4.00*	*-8.13*	*-15.01*	*2.15*	*-*	*5.45*	*24/10/2018*
Excess Return			*-0.07*	*-3.31*	*-4.82*	*-4.37*	*-1.97*	*-*	*-2.03*	*24/10/2018*
LCIV - Longview (FOCUS GE)	**99,725,563**	**6.86**	**-3.64**	**-4.87**	**-4.28**	**3.08**	**7.56**	**-**	**9.13**	**24/10/2018**
LEFD05019 MSCI ACWI ND			*-4.97*	*-8.56*	*-10.98*	*-4.17*	*7.88*	*-*	*9.94*	*24/10/2018*
Excess Return			*1.34*	*3.69*	*6.70*	*7.25*	*-0.33*	*-*	*-0.81*	*24/10/2018*
LCIV-Baillie Gifford(ALPHA GE)	**95,417,985**	**6.56**	**-3.82**	**-12.08**	**-22.97**	**-23.36**	**5.55**	**8.29**	**10.06**	**30/09/2016**
LEFD05016 MSCI ACWI ND			*-4.97*	*-8.56*	*-10.98*	*-4.17*	*7.88*	*8.45*	*9.58*	*30/09/2016*
Excess Return			*1.15*	*-3.51*	*-11.99*	*-19.19*	*-2.33*	*-0.16*	*0.48*	*30/09/2016*
MFS Global Equity	**141,888,515**	**9.75**	**-5.31**	**-8.11**	**-12.25**	**-6.17**	**5.82**	**7.36**	**12.24**	**31/07/2010**
LEFD05005 MSCI ACWI ND			*-4.97*	*-8.56*	*-10.98*	*-4.17*	*7.88*	*8.45*	*10.70*	*31/07/2010*
Excess Return			*-0.34*	*0.45*	*-1.27*	*-2.01*	*-2.07*	*-1.09*	*1.54*	*31/07/2010*
Transition Account For Enfield	**15,418**	**0.00**	**3.40**	**4.24**	**6.31**	**2.96**	**-**	**-**	**-10.26**	**05/03/2021**
Trilogy	**819,450**	**0.06**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30/09/2007**
LEFD04 MSCI ACWI ND			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2007*
Excess Return			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2007*
Total Bonds and Index Linked	**299,949,379**	**20.62**	**-3.35**	**-7.88**	**-12.03**	**-10.73**	**-1.24**	**0.51**	**4.81**	**30/06/2005**
Enfield Bonds & IL BM			*-1.73*	*-5.67*	*-9.26*	*-8.09*	*-0.59*	*1.15*	*-*	*30/06/2005*
Excess Return			*-1.62*	*-2.21*	*-2.77*	*-2.64*	*-0.65*	*-0.64*	*-*	*30/06/2005*
AON Diversified Liquid Credit	**47,555,917**	**3.27**	**-1.23**	**-2.11**	**-4.28**	**-**	**-**	**-**	**-4.28**	**06/12/2021**
LEFD07003 1 month SONIA + 1.5%			*0.22*	*0.62*	*1.11*	*-*	*-*	*-*	*1.23*	*06/12/2021*
Excess Return			*-1.45*	*-2.73*	*-5.39*	*-*	*-*	*-*	*-5.51*	*06/12/2021*
Blackrock IL Gilts	**85,426,397**	**5.87**	**-1.99**	**-7.55**	**-10.37**	**-8.22**	**-1.68**	**-0.04**	**4.23**	**30/09/2005**
LEFD01 Blended Benchmark			*-2.08*	*-7.72*	*-10.54*	*-8.33*	*-1.78*	*-0.12*	*6.07*	*30/09/2005*
Excess Return			*0.10*	*0.16*	*0.17*	*0.10*	*0.10*	*0.08*	*-1.85*	*30/09/2005*

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	**31,388,141**	**2.16**	**-3.28**	**-3.11**	**-1.63**	**-1.90**	**0.73**	**-0.67**	**0.45**	**31/12/2013**
LEFD05006 SONIA 3 Month GBP+4%			*0.44*	*1.28*	*2.44*	*4.51*	*4.53*	*4.64*	*3.42*	*31/12/2013*
Excess Return			*-3.72*	*-4.39*	*-4.08*	*-6.41*	*-3.80*	*-5.31*	*-2.97*	*31/12/2013*
LCIV - CQS (MAC)	**51,631,234**	**3.55**	**-5.05**	**-7.59**	**-9.46**	**-7.45**	**-0.07**	**-**	**0.82**	**30/11/2018**
LEFD05020 3 Month GBP SONIA			*0.12*	*0.30*	*0.46*	*0.50*	*0.53*	*-*	*0.63*	*30/11/2018*
Excess Return			*-5.17*	*-7.89*	*-9.93*	*-7.96*	*-0.60*	*-*	*0.19*	*30/11/2018*
Western	**83,947,689**	**5.77**	**-4.84**	**-12.88**	**-21.58**	**-21.33**	**-3.81**	**-0.50**	**4.93**	**31/03/2003**
LEFD03 ML Stg Non-Gilts 10+			*-4.39*	*-12.62*	*-21.37*	*-21.30*	*-4.06*	*-0.63*	*-*	*31/03/2003*
Excess Return			*-0.44*	*-0.26*	*-0.21*	*-0.03*	*0.25*	*0.12*	*-*	*31/03/2003*
Inflation Protection Illiquids	**115,702,535**	**7.95**	**-4.72**	**-4.94**	**-4.66**	**1.46**	**2.34**	**-**	**3.33**	**30/11/2018**
Enfield Inflation Iliquids BM			*0.72*	*4.07*	*7.52*	*12.86*	*6.69*	*-*	*6.43*	*30/11/2018*
Excess Return			*-5.43*	*-9.01*	*-12.17*	*-11.41*	*-4.35*	*-*	*-3.10*	*30/11/2018*
CBRE Long Income Fund	**38,439,600**	**2.64**	**0.00**	**0.63**	**5.94**	**9.47**	**2.86**	**-**	**2.42**	**17/12/2018**
LEFD06007 BMK			*0.00*	*0.63*	*5.94*	*9.47*	*2.86*	*-*	*2.42*	*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	**77,262,936**	**5.31**	**-6.90**	**-7.50**	**-9.19**	**-2.23**	**1.59**	**3.92**	**5.39**	**30/04/2013**
LEFD05010 UK RPI +2.5%			*1.05*	*5.68*	*8.26*	*14.39*	*8.02*	*7.05*	*5.94*	*30/04/2013*
Excess Return			*-7.95*	*-13.17*	*-17.45*	*-16.62*	*-6.42*	*-3.14*	*-0.56*	*30/04/2013*
Total Hedge Funds	**70,719,199**	**4.86**	**1.76**	**6.26**	**13.08**	**13.84**	**1.20**	**-0.17**	**4.36**	**31/07/2007**
Enfield Hedge Funds BM			*2.15*	*4.79*	*6.54*	*7.74*	*1.60*	*1.54*	*-*	*31/07/2007*
Excess Return			*-0.38*	*1.47*	*6.54*	*6.10*	*-0.40*	*-1.71*	*-*	*31/07/2007*
CFM Stratus	**32,536,309**	**2.24**	**-0.16**	**4.04**	**12.61**	**11.28**	**6.35**	**4.58**	**1.98**	**31/12/2015**
LEFD06004 SONIA 3 Month GBP			*0.12*	*0.30*	*0.46*	*0.50*	*0.53*	*0.64*	*0.62*	*31/12/2015*
Excess Return			*-0.27*	*3.74*	*12.14*	*10.78*	*5.82*	*3.94*	*1.36*	*31/12/2015*
Davidson Kemper	**34,628,663**	**2.38**	**2.23**	**6.68**	**10.09**	**12.16**	**6.51**	**5.81**	**5.89**	**30/11/2014**
LEFD05004 Libor 3 Month USD			*3.94*	*8.83*	*12.09*	*14.44*	*2.67*	*2.99*	*2.60*	*30/11/2014*
Excess Return			*-1.71*	*-2.15*	*-2.01*	*-2.28*	*3.84*	*2.83*	*3.29*	*30/11/2014*
York Capital	**3,554,227**	**0.24**	**17.15**	**25.92**	**61.00**	**69.77**	**-7.21**	**-3.34**	**2.21**	**31/12/2009**
LEFD05011 Libor 3 Mnth USD			*3.94*	*8.83*	*12.09*	*14.44*	*2.67*	*2.99*	*2.78*	*31/12/2009*
Excess Return			*13.21*	*17.09*	*48.91*	*55.33*	*-9.87*	*-6.32*	*-0.57*	*31/12/2009*
Private Equity	**121,261,485**	**8.34**	**0.01**	**4.48**	**14.90**	**44.67**	**31.44**	**25.52**	**15.51**	**31/03/2007**
Enfield PE BM			*-4.97*	*-8.56*	*-10.98*	*-4.17*	*7.88*	*8.45*	*-*	*31/03/2007*
Excess Return			*4.98*	*13.04*	*25.88*	*48.83*	*23.56*	*17.07*	*-*	*31/03/2007*
Adams Street	**121,261,485**	**8.34**	**0.01**	**4.48**	**14.90**	**44.67**	**31.44**	**25.52**	**13.94**	**31/12/2004**
LEFD06005 MSCI ACWI ND			*-4.97*	*-8.56*	*-10.98*	*-4.17*	*7.88*	*8.45*	*7.43*	*31/12/2004*
Excess Return			*4.98*	*13.04*	*25.88*	*48.83*	*23.56*	*17.07*	*6.52*	*31/12/2004*

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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
Infrastructure	**72,488,319**	**4.98**	**-0.98**	**-0.47**	**3.30**	**8.22**	**9.72**	**6.32**	**5.04**	**30/06/2016**
Enfield Infrastructure BM			*-2.15*	*-3.75*	*-2.05*	*1.95*	*7.51*	*4.65*	*4.89*	*30/06/2016*
Excess Return			*1.17*	*3.28*	*5.36*	*6.26*	*2.21*	*1.67*	*0.16*	*30/06/2016*
Antin Infrastructure	**25,450,741**	**1.75**	**1.28**	**6.36**	**15.28**	**22.36**	**14.22**	**-**	**11.71**	**31/12/2017**
INPP	**47,037,578**	**3.23**	**-2.15**	**-3.75**	**-2.05**	**1.95**	**7.51**	**4.65**	**7.92**	**31/12/2008**
LEFD05015 Fund returns			*-2.15*	*-3.75*	*-2.05*	*1.95*	*7.51*	*4.65*	*3.85*	*31/12/2008*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*-0.00*	*0.00*	*4.07*	*31/12/2008*
Property	**96,728,262**	**6.65**	**0.86**	**3.10**	**7.95**	**20.01**	**8.48**	**7.05**	**9.09**	**31/03/1987**
Enfield Property BM			*0.95*	*3.90*	*9.72*	*23.25*	*9.22*	*8.14*	*-*	*31/03/1987*
Excess Return			*-0.09*	*-0.80*	*-1.77*	*-3.25*	*-0.74*	*-1.09*	*-*	*31/03/1987*
Blackrock UK FD	**43,140,273**	**2.97**	**0.89**	**2.67**	**9.63**	**21.37**	**8.43**	**6.63**	**4.30**	**31/07/2002**
LEFD05012 IPD All Balncd Prpty			*0.95*	*3.90*	*9.72*	*23.25*	*9.22*	*8.14*	*7.08*	*31/07/2002*
Excess Return			*-0.06*	*-1.23*	*-0.09*	*-1.89*	*-0.79*	*-1.51*	*-2.78*	*31/07/2002*
Brockton Capital Fund	**9,410,679**	**0.65**	**0.00**	**0.00**	**-2.85**	**-1.65**	**4.60**	**7.01**	**5.73**	**30/11/2014**
LEFD06001 IPD All Balncd Prpty			*0.95*	*3.90*	*9.72*	*23.25*	*9.22*	*8.14*	*6.11*	*30/11/2014*
Excess Return			*-0.95*	*-3.90*	*-12.57*	*-24.91*	*-4.62*	*-1.14*	*-0.37*	*30/11/2014*
Legal & General Property	**44,177,310**	**3.04**	**1.01**	**4.22**	**8.88**	**24.23**	**9.48**	**7.89**	**7.75**	**31/01/2010**
LEFD05013 IPD All Balncd Prpty			*0.95*	*3.90*	*9.72*	*23.25*	*9.22*	*8.14*	*8.19*	*31/01/2010*
Excess Return			*0.06*	*0.32*	*-0.83*	*0.98*	*0.26*	*-0.25*	*-0.44*	*31/01/2010*
Cash	**82,032,885**	**5.64**	**2.12**	**4.79**	**6.39**	**7.37**	**1.34**	**1.94**	**1.86**	**30/06/2016**
Cash & Other Assets	**314,416**	**0.02**	**0.01**	**0.02**	**0.02**	**0.02**	**0.01**	**-0.61**	**-6.93**	**30/06/2016**
Cash & Other Transition Assets	**202**	**0.00**	**-1.76**	**-3.19**	**-5.54**	**-7.15**	**-16.27**	**-**	**-8.70**	**30/11/2018**
Goldman Sachs Funds	**39,608,927**	**2.72**	**2.28**	**5.01**	**6.73**	**7.98**	**1.18**	**2.10**	**1.85**	**30/06/2016**
LEFD07001 SONIA 7 Day			*0.08*	*0.21*	*0.31*	*-*	*-*	*-*	*-*	*30/06/2016*
Excess Return			*2.20*	*4.79*	*6.43*	*-*	*-*	*-*	*-*	*30/06/2016*
PE Cash & Other Assets	**25,794,925**	**1.77**	**2.98**	**6.53**	**8.80**	**10.58**	**0.93**	**0.74**	**1.05**	**30/06/2016**
LEFD06002 SONIA 7 Day			*0.08*	*0.21*	*0.31*	*0.27*	*0.20*	*0.29*	*0.26*	*30/06/2016*
Excess Return			*2.90*	*6.31*	*8.49*	*10.31*	*0.73*	*0.45*	*0.79*	*30/06/2016*
UT Cash & Other Assets	**16,314,416**	**1.12**	**0.55**	**1.86**	**2.26**	**2.81**	**1.54**	**6.63**	**6.26**	**30/06/2016**
LEFD05002 SONIA 7 Day			*0.08*	*0.21*	*0.31*	*0.27*	*0.20*	*0.29*	*0.26*	*30/06/2016*
Excess Return			*0.47*	*1.65*	*1.95*	*2.55*	*1.35*	*6.35*	*6.00*	*30/06/2016*

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Market Value Summary - One Month

Account/Group	31/05/2022 Market Value	Net Contribution*	Income	Fees	Appreciation	30/06/2022 Market Value
London Borough of Enfield	**1,494,177,454**	**3,866,133**	**436,087**	**-66,133**	**-43,766,969**	**1,454,712,704**
Total Equities	**625,878,010**	**66,133**	**4,679**	**0**	**-30,118,182**	**595,830,640**
Blackrock Low Carbon	241,690,424	0	25	0	-13,622,884	228,067,565
LCIV - JP Morgan (EM)	30,882,402	0	0	0	-986,258	29,896,144
LCIV - Longview (FOCUS GE)	103,488,792	0	0	0	-3,763,229	99,725,563
LCIV-Baillie Gifford(ALPHA GE)	99,208,173	0	0	0	-3,790,188	95,417,985
MFS Global Equity	149,781,911	66,133	0	0	-7,959,528	141,888,515
Transition Account For Enfield	14,912	-0	507	0	0	15,418
Trilogy	811,398	-0	4,147	0	3,905	819,450
Total Bonds and Index Linked	**310,349,517**	**0**	**272,870**	**0**	**-10,673,008**	**299,949,379**
AON Diversified Liquid Credit	48,147,479	0	0	0	-591,562	47,555,917
Blackrock IL Gilts	87,157,400	0	0	0	-1,731,003	85,426,397
Insight Bonds	32,451,665	0	0	0	-1,063,523	31,388,141
LCIV - CQS (MAC)	54,379,563	0	0	0	-2,748,329	51,631,234
Western	88,213,409	0	272,870	0	-4,538,590	83,947,689
Inflation Protection Illiquids	**121,430,521**	**0**	**0**	**0**	**-5,727,985**	**115,702,535**
CBRE Long Income Fund	38,439,600	0	0	0	0	38,439,600
M&G Inflation Opportunities Fd	82,990,921	0	0	0	-5,727,985	77,262,936
Total Hedge Funds	**69,492,658**	**0**	**0**	**0**	**1,226,541**	**70,719,199**
CFM Stratus	32,586,879	0	0	0	-50,570	32,536,309
Davidson Kemper	33,871,956	0	0	0	756,707	34,628,663
York Capital	3,033,823	0	0	0	520,404	3,554,227
Private Equity	**123,795,232**	**-2,542,415**	**0**	**0**	**8,668**	**121,261,485**
Adams Street	123,795,232	-2,542,415	0	0	8,668	121,261,485
Infrastructure	**74,297,047**	**-1,089,261**	**0**	**0**	**-719,468**	**72,488,319**
Antin Infrastructure	25,130,066	0	0	0	320,675	25,450,741
INPP	49,166,982	-1,089,261	0	0	-1,040,143	47,037,578
Property	**96,002,993**	**-96,250**	**122,728**	**0**	**698,791**	**96,728,262**
Blackrock UK FD	42,855,793	-96,250	122,728	0	258,002	43,140,273
Brockton Capital Fund	9,410,679	0	0	0	0	9,410,679
Legal & General Property	43,736,521	0	0	0	440,789	44,177,310
Cash	**72,931,477**	**7,527,925**	**35,810**	**-66,133**	**1,537,673**	**82,032,885**
Cash & Other Assets	314,385	0	31	0	0	314,416
Cash & Other Transition Assets	205	0	-4	0	-0	202
Goldman Sachs Funds	35,007,278	3,800,000	30,782	0	770,868	39,608,927

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

Market Value Summary - One Month

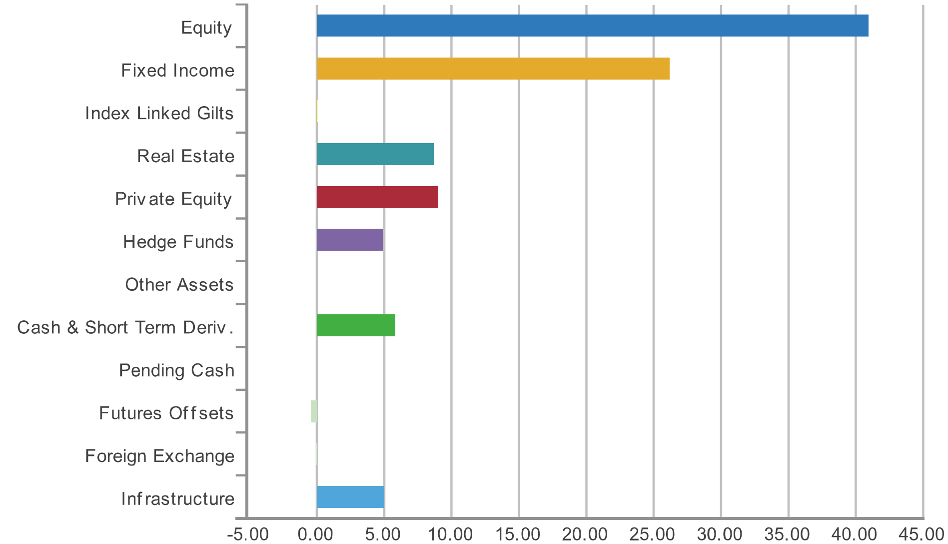
Account/Group	31/05/2022 Market Value	Net Contribution*	Income	Fees	Appreciation	30/06/2022 Market Value
PE Cash & Other Assets	22,568,927	2,542,415	3,256	0	680,327	25,794,925
UT Cash & Other Assets	15,040,682	1,185,510	1,744	-66,133	86,479	16,314,416

**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

Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	1,494,177
Net Contribution	3,866
Income	436
Fees	-66
Appreciation	-43,767
Ending Market Value	1,454,713

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**595,336,964**	**40.92**	**-4.82**	**-9.32**	**-13.38**	**-7.94**	**6.72**	**7.89**	
Common Stock	595,336,964	40.92	-4.82	-9.32	-13.38	-7.94	6.72	7.93	
Fixed Income	**380,825,430**	**26.18**	**-4.00**	**-7.60**	**-11.18**	**-8.66**	**-0.57**	**0.90**	
Marketable Bonds	133,499,151	9.18	-4.86	-10.71	-17.04	-16.28	-2.35	-0.27	
Inflation Linked Bonds	77,262,936	5.31	-6.90	-7.50	-9.19	-2.23	1.59	3.92	
Other Fixed Income	164,370,455	11.30	-2.02	-5.20	-7.08	-5.07	-0.52	0.12	
Fixed Derivatives	5,692,888	0.39	-0.13	-2.25	-5.83	-3.01	1.34	1.05	
Index Linked Gilts	**520,981**	**0.04**	**-3.58**	**-14.58**	**-25.85**				
Real Estate	**125,757,182**	**8.64**	**0.66**	**2.57**	**8.22**	**18.42**	**7.08**	**6.10**	
Private Equity	**130,672,165**	**8.98**	**0.01**	**4.15**	**13.44**	**40.42**	**29.20**	**23.94**	
Hedge Funds	**70,719,199**	**4.86**	**1.76**	**6.26**	**13.08**	**13.84**	**1.20**	**-0.17**	
Other Assets	**0**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**			
Cash & Short Term Deriv.	**84,349,663**	**5.80**	**2.07**	**4.69**	**6.22**	**7.13**	**1.34**	**2.25**	
Pending Cash	**0**	**0.00**	-	-	-	-	-	-	-
Futures Offsets	**-5,914,244**	**-0.41**	-	-	-	-	-	-	-
Foreign Exchange	**-42,953**	**-0.00**	-	-	-	-	-	-	-
Infrastructure	**72,488,319**	**4.98**	**-0.98**	**-0.47**	**3.30**	**8.22**	**9.72**	**6.32**	
Total Fund Gross of Fees	**1,454,712,704**	**100.00**	**-2.90**	**-5.06**	**-6.47**	**-0.70**	**5.46**	**5.71**	**8.29**

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ENFIELD Council

London CIV

London CIV Quarterly ACS Investment Report

30 June 2022

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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 30 June 2022.

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 30 June 2022 and how these have changed during the quarter.

ACS	31 March 2022	Net Subscriptions / (Redemptions)	Cash Distributions Paid	Net Market Move	30 June 2022
Active Investments	£	£	£	£	£
Global Equities					
LCIV Global Alpha Growth Fund	108,523,134	-	-	(13,105,149)	95,417,985
LCIV Global Equity Focus Fund	104,834,309	-	-	(5,108,746)	99,725,563
LCIV Emerging Market Equity Fund	32,252,179	-	-	(2,356,035)	29,896,144
Fixed Income					
LCIV MAC Fund	56,033,897	-	-	(4,402,663)	51,631,234
Total	**301,643,519**	**-**	**-**	**(24,972,593)**	**276,670,926**

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.

	31 March 2022	30 June 2022
Passive Investments †	£	£
Blackrock	348,552,686	313,464,380

† 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	**(12.09)**	**(23.40)**	**5.58**	**8.34**	**10.18**	**30/09/2016**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%	*(8.40)*	*(2.17)*	*10.37*	*11.15*	*12.26*	
Relative to Investment Objective	**(3.69)**	**(21.23)**	**(4.79)**	**(2.81)**	**(2.08)**	
Benchmark: MSCI All Country World Gross Index (in GBP)	*(8.85)*	*(4.09)*	*8.20*	*8.96*	*10.06*	
Relative to Benchmark	**(3.24)**	**(19.31)**	**(2.62)**	**(0.62)**	**0.12**	
LCIV Global Equity Focus Fund	**(4.91)**	**3.06**	**7.61**	**n/a**	**9.18**	**24/10/2018**
Target: MSCI World (GBP)(TRNet)+2.5%	*(8.57)*	*(0.12)*	*11.40*	*n/a*	*13.34*	
Relative to Target	**3.66**	**3.18**	**(3.79)**	**n/a**	**(4.16)**	
Benchmark: MSCI World (GBP)(TRNet)	*(9.13)*	*(2.56)*	*8.68*	*n/a*	*10.57*	
Relative to Benchmark	**4.22**	**5.62**	**(1.07)**	**n/a**	**(1.39)**	
LCIV Emerging Market Equity Fund	**(7.01)**	**(19.25)**	**0.13**	**n/a**	**3.40**	**24/10/2018**
Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%	*(3.40)*	*(12.89)*	*4.71*	*n/a*	*8.09*	
Relative to Investment Objective	**(3.61)**	**(6.36)**	**(4.58)**	**n/a**	**(4.69)**	
Benchmark: MSCI Emerging Market Index (TR) Net	*(4.00)*	*(15.01)*	*2.15*	*n/a*	*5.45*	
Relative to Benchmark	**(3.01)**	**(4.24)**	**(2.02)**	**n/a**	**(2.05)**	
LCIV MAC Fund	**(7.83)**	**(7.51)**	**0.04**	**n/a**	**0.90**	**30/11/2018**
Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January	*1.33*	*4.89*	*4.87*	*n/a*	*4.95*	
Relative to Investment Objective	**(9.16)**	**(12.40)**	**(4.83)**	**n/a**	**(4.05)**	

Quarterly Update - Client Relations Team Report

Welcome to the Quarterly Investment Report for the period ending 30th June 2022. In this edition we will report on the current position of the Assets Under Management (AuM), reporting on Fund activity in both the Public and Private Markets, the current monitoring status of the Sub-funds we have appointed, the engagement we have had with stakeholders in your pool, and the Pooling position of each of the Client Funds as of the 31 March 2022 though London CIV Funds are reported as of the 30th June. We then move onto the London CIV's investment performance report providing how we perceive the economic outlook and our views on the public markets.

We began the second quarter with Mike O'Donnell announcing that he will be stepping down from his role as CEO in April 2023. Mike has intentionally given the London CIV Board a full year notice to allow time for a well-planned transition. Mike stated that he is committed to leaving an incoming Chief Executive Officer with a solid and improving starting point. The recruitment process for his replacement is under way and we will keep you informed on progress on his replacement.

Current Position

As of 30 June 2022, the total assets deemed pooled by our Client Funds stood at £24.7 billion, of which £13 billion are in funds managed by the London CIV. Assets under management in our ACS stood at £12 billion and assets in private market funds stood at £840.6 million on 31 March 2022. Over the second quarter, we had £85 million of additional commitment to the LCIV Private Debt Fund, bringing a total of assets raised by our private market funds as of 30 June 2022 to £2.3 billion. The value of 'pooled' passive assets was £11.7 billion, with £8.3 billion managed by Legal and General Investment Management and £3.4 billion managed by BlackRock.

Fund Activity

Public Market Funds

During Q2 2022 we had net flows into the London CIV's ACS funds. The most notable transactions were investments into LCIV MAC Fund, LCIV Emerging Market Equity Fund and LCIV Passive Equity Progressive Passive Paris-Aligned (PEPPA) Fund.

Most of these contributions were offset by disinvestments out of the LCIV Global Alpha Growth Fund and LCIV Absolute Return Fund to pay for contributions into London CIV Funds or cover capital calls from off-pool commitments to private markets investments

Private Market Funds

Our private market funds continue to deploy capital steadily. Over the second quarter we've had a total of £133 million in capital calls. The table below summarises where our private market funds stand in terms of commitments:

London CIV – Private Market Funds as of 31 March 2022	Investor Commitments (£m)	Committed Investments (%)	Invested (%)
LCIV Infrastructure Fund	399	83	50
LCIV Inflation Plus Fund	213	100	100
The London Fund	195	52	22
LCIV Renewable Infrastructure Fund	854	72	24
LCIV Private Debt Fund	625	96	43

Discussions with Stepstone on the LCIV Infrastructure Fund have centred around the mandate design, specifically on the unallocated commitments. Key considerations involved the exposures approaching permissible limits, such as the limit to invest up to 70% in Europe and UK (currently at 65%), and the maximum of 20% in greenfield (currently at 11%). A potential secondary investment being considered in the pipeline could be a good complement to the existing portfolio.

LCIV Inflation Plus Fund - Summary

- £195.4m Portfolio Valuation
- Average of BBB Credit Rating
- 14 Assets
- 19.8 years WAULT
- 100% Occupancy Rate
- 4.1% Portfolio Net Initial Yield

The commitments to the LCIV Inflation Plus Fund are now fully funded. Aviva has supported the pending student accommodation asset in Canterbury. This required the LCIV Inflation Plus Fund to access a revolving credit facility. This facility allows for the efficient control of the pipeline and will enable the Fund to draw capital to pursue new investments more opportunistically and thereby allowing for a faster deployment of capital while new client commitments are being secured.

During the second quarter, the building contractor at the Hartpury University development asset in Gloucester went into administration. The developer has now assumed the duties of the contractor and is responsible for ensuring practical completion, which was scheduled for May 2022, which is now delayed until at least September 2022 or into the start of the academic year. Upon practical completion, the rent will be guaranteed by the University.

These developments do not impact the Fund's expected cashflows or return because the impact of delays and cost overruns are borne by the developer who is paying accrued interest to compensate the Fund for delays and remains incentivised to complete the project as it remains profitable. They will also have the benefit of operating the asset from when it is completed.

The London Fund is 52% deployed across three investments; in Door (26%); Yoo Capital Fund II (15%) and; Project Thomas (12%). Door targets 12,000 homes in the Private Rented Sector (PRS) and affordable housing, Yoo Capital II focuses on redeveloping and repositioning existing assets to create space for supply starved strategic growth sectors. Project Thomas is a co-investment in a joint venture with Goldman Sachs Asset Management (GSAM) and their partner EDGE to develop a world class sustainable office building by London Bridge. Once capital is fully deployed The London Fund will have c.70% exposure to real estate. The joint investment committee is formed by an equal number of members from LPPI and London CIV and continue to evaluate investment opportunities across real estate and infrastructure. The pipeline of opportunities for the next 12 months includes the conversion of retail warehouse units to residential which consists of affordable units and community space, and growth capital co-investment fund focusing on investing at scale in seed stage businesses.

The investment managers appointed for the LCIV Renewable Infrastructure Fund continue to deploy capital at good pace. We currently have 72% of the capital committed (c.£615 million). The top three largest sector exposures are currently solar PV, onshore and offshore wind in the UK and Europe. There is also capital already committed for EV charging, synchronous condenser, battery optimisation, and storage.

The LCIV Private Debt Fund had its third close at the second quarter end with a further £85m of new commitments, thus totalling assets raised by this Fund to £625m. As a result, the London CIV is using this opportunity to appoint a mid-market European lender who will be the third investment manager to further diversify and re-balance this Fund.

Engagement

We have hosted eleven group meetings and 38 specific meetings/calls with individual Client Funds over the first quarter. The table below shows the type of meetings held:

Group Meeting Types	Quantity	Specific Meeting Types	Quantity
Seed Investment Group (SIG)	5	Catch-up calls	8
Business Update (BU)	3	Specific Opportunity	5
Investment Consultant Update	2	Preparation Meeting	2
Independent Advisors Update	1	Pension Committee	5
Meet the Manager (MTM)	3	Introduction	1
Shareholder Meeting	-	Relationship Building	1
Specific Opportunity	1	Pension Pooling Strategy	1

In May 2022 Gustave Loriot, our expert in Climate Analytics, hosted a discussion on what is beyond setting a net zero target and how the London CIV can assist our Client Funds in shaping their Pathway to Net-Zero. He talked about the different frameworks for Paris-Aligned investing, the progress we have achieved with our own Funds in decarbonising as per Scope 1, 2 and 3 emissions, by 4.5% in the year ended March 2022, and how we can reinforce climate data analytics and stewardship activities when designing new investment solutions and upgrading existing funds.

After publishing a paper on our multi-asset funds, Rob Treich, our Head of Public Markets, hosted an online discussion on 8 June 2022 with our Client Funds. The purpose of this discussion was to help Client Funds remember the reasons why Client Funds have appointed multi-asset managers in the first place. Rob noted how the investment managers of the London CIV multi asset funds respond to the changing investment regime. While some stick to their “knitting” and “hibernate” from a risk perspective, keeping higher levels of cash to reinvest when forecast rates of return are viewed as adequate in relation to risk, others have expanded their search for new ideas and ways to express views and adjusted exposure more dynamically. More broadly, we have observed that multi-asset investment managers are using more complex derivatives as well as other alternative forms of risk, such as bitcoin, carbon prices and volatility itself. We focus on ensuring that we monitor funds and investment managers closely and effectively, in terms of assessing risks and explaining them to Client Funds. One of the matters that Rob worries most about in the context of multi asset funds, is making sure that investment managers don’t overstretch themselves in terms of both investment and operational perspectives.

On 17 June 2022, we hosted a Meet the Manager event to share with Client Funds and their investment consultants, more detailed information on our LCIV PEPPA Fund. Our Senior Equity Portfolio Manager Yiannis Vairamis chaired a conversation with Ben Leale-Green of S&P/Trucost and the portfolio managers of the Sub-fund, StateStreet (SSgA). The LCIV PEPPA Fund was designed to use ESG tools that bring greater transparency to potential climate risks and opportunities that tracks a Paris-Aligned ESG Index to help our Client Funds chart their path to net zero.

From left: John Anderson (Imperial College), Nicola Mathers (Future of London), Lloyd Lee (Yoo Capital), Christopher Osborne (London CIV), Louise Warden (LPPI), and Igor Ostrowski (Goldman Sachs).

On 29 June 2022, we hosted an in-person on-site Meet the Manager meeting to showcase the positive social outcomes of The London Fund, which aims to deliver risk-adjusted returns (CPI + 3%). The speakers discussed how London is a truly global city that combines educational, professional and lifestyle opportunities that attracts global talent and businesses, legal, financial, and alongside a cultural powerhouse that contains international courts, leads global insurance and is at the forefront of music, film, TV, and theatre. Its leadership as a centre of globalisation creates opportunities to deploy investments in real estate and infrastructure strategies that look to take advantage of fundamental supply-demand imbalances in London.

Over the period we hosted two Seed Investor Group (SIG) discussions on the LCIV UK Housing Fund which we are intending to launch in Q4 2022 or early Q1 2023. We are proposing an open-ended structure and multi-manager strategy that will contribute to solutions that address the UK housing challenges aiming at delivering an internal rate of return, net of fees, of 5% to 7% and targeting a yield of 3% to 4%. This product will focus on strategies that fall into three categories: 1) housing for people who cannot afford to rent or buy on the open market; 2) housing for people with specific long term care requirements; and 3) housing for people that are vulnerable or in crisis. We will be looking to select managers who can demonstrate that they: 1) can raise capital at scale, 2) generate competitive risk-adjusted returns, 3) deepen affordability, 4) deliver local community impact, 5) have a credible track-record, and 5) align to net zero commitments.

We continue to progress our manager selection to launch the LCIV Sterling Credit Fund and we hosted a SIG discussion on 11 July 2022.

Participation to our Monthly Business Update and Quarterly Meet the Manager events continue to be high. We generally record these virtual events and make them available via our Portal. If you do not have access to them and are interested in one of our recordings, please contact your designated Client Relations Manager at clientservice@londonciv.og.uk and we will be delighted to share a link to these recordings with you.

We are now taking registrations for Annual Conference on 5th and 6th of September 2022. Our principal guest speaker on the Monday evening will be Baroness Tanni Grey-Thompson. With our theme this year focussing on ‘People and Diversity,’ Tanni is one of UK’s most successful Paralympian athletes, and she is also an active cross bencher in the House of Lords and works tirelessly in the areas of disability rights, welfare, and sport. If you have not seen our invitation in your inbox, please contact your designated Client Relations Manager at clientservice@londonciv.org.uk.

Pooling Position

As of 31 March 2022, the total assets for London LGPS stood at £48 billion. Our target is to pool 71% of these assets by 2025. For the financial year ended March 2022 the pooling ratio increased by 4%, from 53% to 57%. Assets pooled in London CIV Funds stood at 30% of total London LGPS assets and the remainder is invested in passive funds with LGIM and Blackrock, which are also considered pooled. The chart below provides a breakdown of the pooling ratio per Client Fund.

Source: London CIV, BlackRock and LGIM. Data as of 31 March 2022. The above does not include the unfunded commitments London CIV private market funds, which stood at £1.4 billion on 31 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	**£1,890m**	**(12.09)**	**(23.40)**	**5.58**	**8.34**	**12.70**	**11/04/2016**	**9**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%		(8.40)	(2.17)	10.37	11.15	14.50		
Performance Against Investment Objective		**(3.69)**	**(21.23)**	**(4.79)**	**(2.81)**	**(1.80)**		
Benchmark: MSCI All Country World Gross Index (in GBP)		(8.85)	(4.09)	8.20	8.96	12.25		
Performance Against Benchmark		**(3.24)**	**(19.31)**	**(2.62)**	**(0.62)**	**0.45**		
LCIV Global Alpha Growth Paris Aligned Fund	**£1,033m**	**(12.04)**	**(25.48)**	**n/a**	**n/a**	**(19.53)**	**13/04/2021**	**6**
Investment Objective: MSCI All Country World Gross Index (in GBP)+2%		(8.40)	(2.17)	n/a	n/a	1.38		
Performance Against Investment Objective		**(3.64)**	**(23.31)**	**n/a**	**n/a**	**(20.91)**		
Benchmark: MSCI All Country World Gross Index (in GBP)		(8.85)	(4.09)	n/a	n/a	(0.61)		
Performance Against Benchmark		**(3.19)**	**(21.39)**	**n/a**	**n/a**	**(18.92)**		
LCIV Global Equity Fund	**£684m**	**(8.57)**	**(4.82)**	**8.27**	**9.08**	**9.00**	**22/05/2017**	**3**
Investment Objective: MSCI All Country World Index Total Return (Gross)+1.5%		(8.08)	(2.28)	10.02	10.63	10.67		
Performance Against Investment Objective		**(0.49)**	**(2.54)**	**(1.75)**	**(1.55)**	**(1.67)**		
Benchmark: MSCI All Country World Index Total Return (Gross)		(8.42)	(3.73)	8.39	8.99	9.03		
Performance Against Benchmark		**(0.15)**	**(1.09)**	**(0.12)**	**0.09**	**(0.03)**		
LCIV Global Equity Core Fund	**£529m**	**(5.92)**	**(1.58)**	**n/a**	**n/a**	**4.16**	**21/08/2020**	**2**
Benchmark: MSCI All Country World Index (with net dividends reinvested)		(9.00)	(4.52)	n/a	n/a	8.11		
Performance Against Benchmark		**3.08**	**2.94**	**n/a**	**n/a**	**(3.95)**		
LCIV Global Equity Focus Fund	**£849m**	**(4.91)**	**3.06**	**7.61**	**n/a**	**8.71**	**17/07/2017**	**5**
Target: MSCI World (GBP)(TRNet)+2.5%		(8.57)	(0.12)	11.40	n/a	11.70		
Performance Against Target		**3.66**	**3.18**	**(3.79)**	**n/a**	**(2.99)**		
Benchmark: MSCI World (GBP)(TRNet)		(9.13)	(2.56)	8.68	n/a	8.98		
Performance Against Benchmark		**4.22**	**5.62**	**(1.07)**	**n/a**	**(0.27)**		
LCIV Emerging Market Equity Fund	**£547m**	**(7.01)**	**(19.25)**	**0.13**	**n/a**	**(0.62)**	**11/01/2018**	**8**
Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%		(3.40)	(12.89)	4.71	n/a	3.32		
Performance Against Investment Objective		**(3.61)**	**(6.36)**	**(4.58)**	**n/a**	**(3.94)**		
Benchmark: MSCI Emerging Market Index (TR) Net		(4.00)	(15.01)	2.15	n/a	0.80		
Performance Against Benchmark		**(3.01)**	**(4.24)**	**(2.02)**	**n/a**	**(1.42)**		

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	**£1,226m**	**(8.80)**	**(8.71)**	**9.01**	**n/a**	**11.28**	**18/04/2018**	**8**
Investment Objective: MSCI World Index Total Return (Net) in GBP+2%		(8.68)	(0.61)	10.86	n/a	12.52		
Performance Against Investment Objective		**(0.12)**	**(8.10)**	**(1.85)**	**n/a**	**(1.24)**		
Benchmark: MSCI World (GBP)(TRNet)		(9.13)	(2.56)	8.68	n/a	10.31		
Performance Against Benchmark		**0.33**	**(6.15)**	**0.33**	**n/a**	**0.97**		
LCIV Sustainable Equity Exclusion Fund	**£400m**	**(8.55)**	**(7.89)**	**n/a**	**n/a**	**22.19**	**11/03/2020**	**3**
Investment Objective: MSCI World Index Total Return (Net) in GBP+2%		(8.68)	(0.61)	n/a	n/a	18.78		
Performance Against Investment Objective		**0.13**	**(7.28)**	**n/a**	**n/a**	**3.41**		
Benchmark: MSCI World (GBP)(TRNet)		(9.13)	(2.56)	n/a	n/a	16.45		
Performance Against Benchmark		**0.58**	**(5.33)**	**n/a**	**n/a**	**5.74**		
LCIV Passive Equity Progressive Paris Aligned Fund	**£501m**	**(10.12)**	**n/a**	**n/a**	**n/a**	**(12.79)**	**01/12/2021**	**2**
Index: S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (GBP)		(10.24)	n/a	n/a	n/a	(13.00)		
Performance Against Index		**0.12**	**n/a**	**n/a**	**n/a**	**0.21**		
Multi Asset								
LCIV Global Total Return Fund	**£223m**	**(0.78)**	**2.27**	**2.85**	**2.04**	**3.18**	**17/06/2016**	**3**
Target: RPI + 5%		6.57	16.43	10.46	9.58	9.47		
Performance Against Target		**(7.35)**	**(14.16)**	**(7.61)**	**(7.54)**	**(6.29)**		
LCIV Diversified Growth Fund	**£841m**	**(8.76)**	**(10.08)**	**0.15**	**0.92**	**3.19**	**15/02/2016**	**9**
Target: UK Base Rate +3.5%		1.10	3.92	3.86	3.94	3.92		
Performance Against Target		**(9.86)**	**(14.00)**	**(3.71)**	**(3.02)**	**(0.73)**		
LCIV Absolute Return Fund	**£1,124m**	**(4.18)**	**2.11**	**8.06**	**4.95**	**5.89**	**21/06/2016**	**10**
Target: SONIA (30 day compounded) +3% (from 1 January 2022, previously 1m LIBOR +3%)		0.96	3.36	3.32	3.42	3.40		
Performance Against Target		**(5.14)**	**(1.25)**	**4.74**	**1.53**	**2.49**		
LCIV Real Return Fund	**£176m**	**(2.11)**	**(3.00)**	**3.60**	**3.76**	**4.23**	**16/12/2016**	**2**
Investment Objective: SONIA (30 day compounded) + 3% (from 1 October 2021, previously 1m LIBOR +3%)		0.96	3.36	3.32	3.42	3.40		
Performance Against Investment Objective		**(3.07)**	**(6.36)**	**0.28**	**0.34**	**0.83**		

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 Global Bond Fund	**£590m**	**(7.65)**	**(14.31)**	**(2.40)**	**n/a**	**0.42**	**30/11/2018**	**7**
Benchmark: Bloomberg Global Aggregate Credit Index – GBP Hedged		(6.63)	(13.21)	(2.02)	n/a	0.51		
Performance Against Benchmark		**(1.02)**	**(1.10)**	**(0.38)**	**n/a**	**(0.09)**		
LCIV MAC Fund	**£1,153m**	**(7.83)**	**(7.51)**	**0.04**	**n/a**	**0.93**	**31/05/2018**	**12**
Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)		1.33	4.89	4.87	n/a	4.99		
Performance Against Investment Objective		**(9.16)**	**(12.40)**	**(4.83)**	**n/a**	**(4.06)**		
LCIV Alternative Credit Fund	**£360m**	**(8.01)**	**n/a**	**n/a**	**n/a**	**(9.13)**	**31/01/2022**	**3**
Investment Objective: SONIA (30 day compounded) +4.5%		1.33	n/a	n/a	n/a	2.13		
Performance Against Investment Objective		**(9.34)**	**n/a**	**n/a**	**n/a**	**(11.26)**		
Total LCIV ACS Assets Under Management	**£12,126m**							

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 31 March 2022 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	31 March 2022 Total Commitment	Called to Date	Undrawn Commitments	31 March 2022 Fund Value	Inception Date	No. of Investors
EUUT	**£'000**	**£'000**	**£'000**	**£'000**		
LCIV Infrastructure Fund	**399,000**	**168,261**	**230,739**	**183,934**	**31/10/2019**	**6**
LCIV Inflation Plus Fund	**213,000**	**206,262**	**6,738**	**202,070**	**11/06/2020**	**3**
LCIV Renewable Infrastructure Fund	**853,500**	**188,822**	**664,678**	**199,536**	**29/03/2021**	**13**
LCIV Private Debt Fund	**540,000**	**219,726**	**320,274**	**230,764**	**29/03/2021**	**7**
SLP	**£'000**	**£'000**	**£'000**	**£'000**		
The London Fund	**195,000**	**24,983**	**170,017**	**24,268**	**15/12/2020**	**2**
	2,200,500	**808,053**	**1,392,447**	**840,572**		

*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 Q2 2022

Equities continued to perform poorly in Q2, with high levels of volatility. This reflects the increased risk of recession because of more aggressive action to curb inflation, concerns over the pace of growth in China and risks to global supply chains. 'Long duration' growth stocks have borne the brunt of selling, although we note that the gap between value and growth stocks narrowed in June. The performance of all London CIV funds can be found in the table on page 8 of your QIR.

The relative performance of London CIV equity funds improved in the second quarter, although the LCIV Global Alpha Growth Fund and LCIV Global Alpha Growth Paris Aligned Fund lagged the MSCI All Country World Index again. These funds have big shortfalls to recover to get their performance records back on track. LCIV Sustainable Equity Fund and the LCIV Sustainable Equity Exclusion Fund have been more resilient, in the context of their 'growth' style of investing, and they outperformed slightly during the quarter.

The 'value' characteristics of LCIV Global Equity Focus Fund have served the Sub-fund well this year, but this Sub-fund lost almost 5% in absolute terms in Q2. The Sub-fund is still in positive territory over one year, with a gain of 3.1%, about 5.6% ahead of the MSCI World Index.

The 'quality' features of LCIV Global Equity Core Fund came to the fore in Q2 and the fund is almost 3% ahead of its benchmark index over one year. LCIV Emerging Market Equity Fund also invests in companies presenting 'quality' and "growth" characteristics, but the lack of exposure to the strong performing energy and mining companies has been a significant headwind. The Sub-fund is down more 19% in the last 12 months, 4.2% worse than the MSCI Emerging Markets Index.

Volatility has also been a feature of the bond markets, with the release of data on inflation and growth punctuated by sharp swings in yields. One more recent development is the deterioration in the performance of credit, with an acceleration in the widening of spreads in the investment grade and high yield markets.

The combination of rising yields on government bonds and widening spreads is reflected in the 7.6% loss incurred by LCIV Global Bond Fund in Q2. The widening of spreads in the high yield market pushed the loss incurred by the LCIV MAC Fund and LCIV Alternative Credit Fund to 7.8% and 8% respectively. These losses are attributed to mark to market adjustments – to this point the investment managers have not reported a significant increase in impairments.

The pattern for multi-asset funds was similar to the first quarter of the year, although LCIV Global Total Return Fund could not avoid a small loss in Q2 despite an exceptionally defensive position. LCIV Absolute Return Fund was profitable until the second half of June, when the sharp reversal of inflation expectations caused losses on the inflation indexed bonds which account for a substantial part of the Sub-fund. LCIV Diversified Growth Fund (DGF) and LCIV Real Return Fund are more geared to the performance of stocks and other growth assets and have continued to lose money. DGF has lost more than 10% in the twelve months to the end of June.

London CIV conducted in-depth reviews of the LCIV Global Alpha Growth Fund, LCIV Global Alpha Growth Paris Aligned Fund and LCIV Diversified Growth Fund in early July. We will report back on our findings in the coming weeks.

Investment Manager Monitoring

All London CIV funds were on ‘Normal Monitoring,’ at the quarter end except for the LCIV Global Equity Focus Fund managed by Longview. In May 2022 we upgraded Longview from ‘On Watch” to “Enhanced Monitoring”. During our June 2022 Business Update, Yiannis Vairamis, Senior Portfolio Manager, explained that we have observed sufficient improvement on three of the eight elements of our scoring framework: performance, resourcing, and business risk. Performance has not consistently aligned to our expectations yet. Concerns remain about aspects of Longview’s investment process including the investment manager’s approach to valuing companies, an absence of a lead portfolio manager and the equal weighting of positions. Integration of responsible investment into decision making has strengthened. We believe there is further room for improvement on this aspect. The strategy is cost transparent, but it has not consistently added value net of costs. This enabled London CIV to negotiate a fee reduction with Longview, which will benefit investors.

During the second quarter, the London CIV carried out in-depth annual reviews of the LCIV Sustainable Equity Fund and LCIV Sustainable Equity Exclusion Fund - (RBC Global Asset Management), LCIV Global Total Return Fund - (Pyrford), LCIV Absolute Return Fund - (Ruffer), LCIV Global Bond Fund -(PIMCO), LCIV Global Alpha Growth Fund (Baillie Gifford) and LCIV Global Alpha Growth Paris-Aligned Fund - (Baillie Gifford). The outcome of these annual reviews will be shared with Client Funds in a future Monthly Business Update. All the investment managers employed by London CIV are investing as expected and we have not observed any anomalies in the risk profile of Funds, the composition of portfolios or trading activity.

Economies and markets

The narrative in capital markets shifted over the course of the second quarter. Inflation is certainly still a key issue, as evidenced by the 9.1% year on year increase in UK inflation in May, but the risk of recession is now central to the conversation. Growth is anemic, at best, and sentiment indicators have turned down across the world.

Looking at the evidence, we can see that consensus growth forecasts for the G8 economies have been revised down sharply, from 3.8% and 2.3% for 2022 and 2023 respectively at the beginning of this year, to a range around 1.5% now. Inflation, based on CPI, is now expected to average 7.3% in 2022, compared to 3.8% at the start of the year, although economists think central bank action will drive inflation back down in 2023 and 2024.

Table 1: G8 consensus economic forecasts

Indicator	2015	2016	2017	2018	2019	2020	2021	2022	2023 (f)	2024 (f)
Economic Activity										
Real GDP (YoY%)	2.0	1.5	2.2	2.2	1.7	-4.7	5.0	1.8	1.4	1.7
CPI (YoY%)	0.9	1.0	1.8	2.1	1.6	0.9	3.6	7.3	3.4	2.2
Unemployment (%)	5.9	5.6	5.1	4.7	4.4	7.0	5.5	4.4	4.5	4.5
Fiscal Balance										
Budget (% of GDP)	-2.5	-2.7	-2.6	-2.6	-3.0	-11.8	-8.5	-4.6	-3.7	-3.7

Source: Bloomberg 18 July 2022

Central banks are in the difficult position of having to combat rampant price increases in a period of economic fragility. This is a delicate balancing act, especially given the weak fiscal positions of most large economies. We expect swings in sentiment and heightened volatility to feature in the currency, interest rate, credit, equity and commodity markets in the coming quarters as investors adjust their views on inflation and the potential depth and severity of recessions.

Equities performed badly in the second quarter, so much so that the S&P 500 Index had its worst half-year period since 1962, posting a loss of more than 20% in U.S. Dollar terms, truly a multi-generational correction! The tone improved late in the period, albeit briefly, after the US Federal Reserve increased its reference rate by 0.75% to a range of 1.5% to 1.75%. Based on the MSCI World Index, global stocks lost 16.6% in U.S. Dollars in Q2 and just over 9% in Sterling terms, reflecting the continued poor performance of Sterling.

Emerging market stocks outperformed developed market stocks in the quarter. The most positive feature of Q2 was the recovery of Chinese stocks after an extended period in the doldrums. The reopening of key Chinese cities is a big development. If new lockdowns can be avoided, this will restore, at least partly, an important engine of growth for the global economy, and it should help reduce friction in global supply chains.

Equity investors are divided on whether central banks can find the right balance between combating inflation and averting a sharp slowdown. Stocks displaying value characteristics outperformed growth stocks by almost 16% in the first half of this year, but they are perceived to be relatively highly geared to economic activity and their performance has weakened as the risks of recession have increased, and oil and metals prices have softened.

Growth stocks are less aggressively mispriced than they were at the end of 2021, and there are pockets of exposure in that segment to companies which will be expected to be relatively resilient in a downturn. However, although investors appear to be starting to warm up to growth stocks, the tide can turn quickly – companies are punished severely for even small ‘misses’ in revenues or earnings.

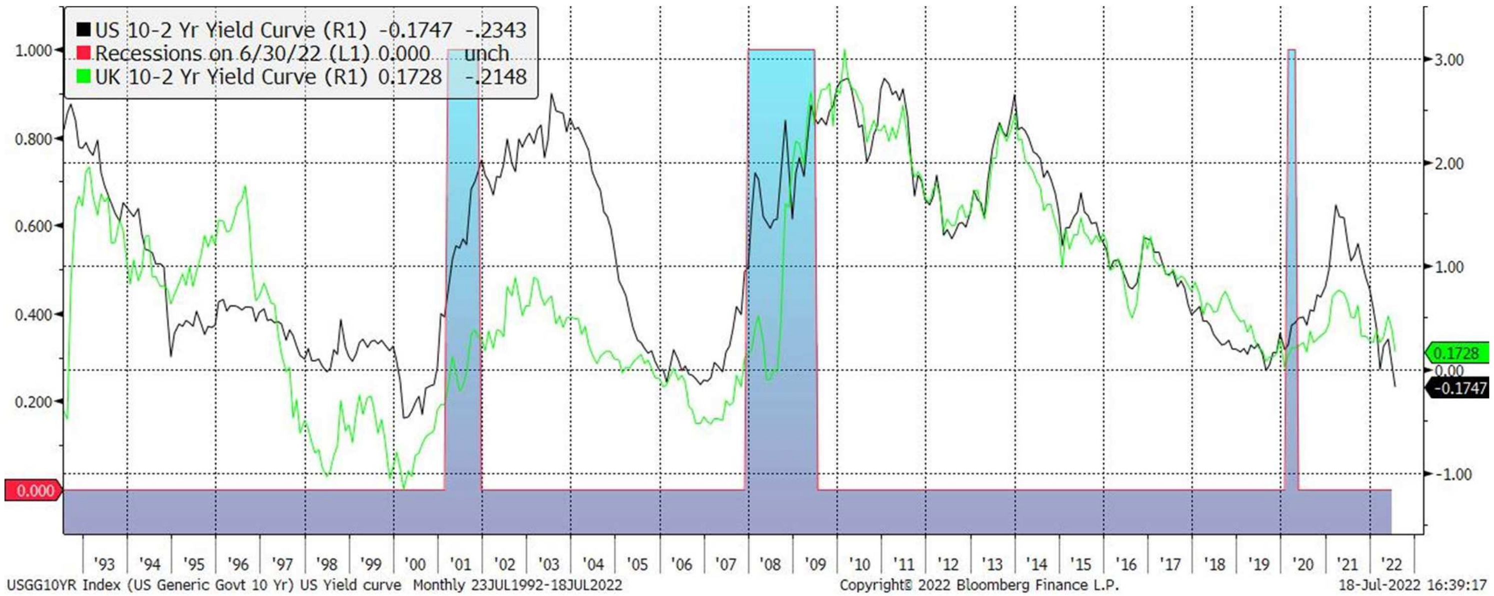
Table 2: Returns on Equity Styles

Global equities and equity styles	*3 months*	*YTD*	*1 year*
MSCI World TR Net Index GBP	-9.1%	-11.3%	-2.6%
MSCI World Value Index GBP	-12.2%	-13.3%	-8.8%
MSCI World Growth Index GBP	-21.4%	-29.1%	-22.9%

Source: Bloomberg 30 June 2022

Volatility in interest rate markets is unusually high, with bond yields moving sharply as new data points become available. Yields on Gilts maturing in 10 years swung in a range of 1.5% to more than 2.6% before falling back to 2.3% at the end of the quarter. The yield on 10 year U.S. Treasury bonds, which started the year at 1.5%, spiked from 2.7% in late May to almost 3.5% in mid-June before dropping back to the end the quarter just above 3%. The biggest increases in yields have been in near-dated bonds, bringing us close to a point of inversion of the U.S. yield curve which is considered a good barometer of recession risk.

Chart 1: Yield curves and recessions



Source: Bloomberg, data as 18 July 2022

The decline in yields from peak levels towards the end of the second quarter was accompanied by a sharp fall in inflation expectations reflected in the prices of inflation-linked bonds. Taken together, the moves in the nominal and inflation-linked markets suggest that bond investors have decided that the withdrawal of liquidity by central banks will help tame inflation, but at the expense of a hard landing.

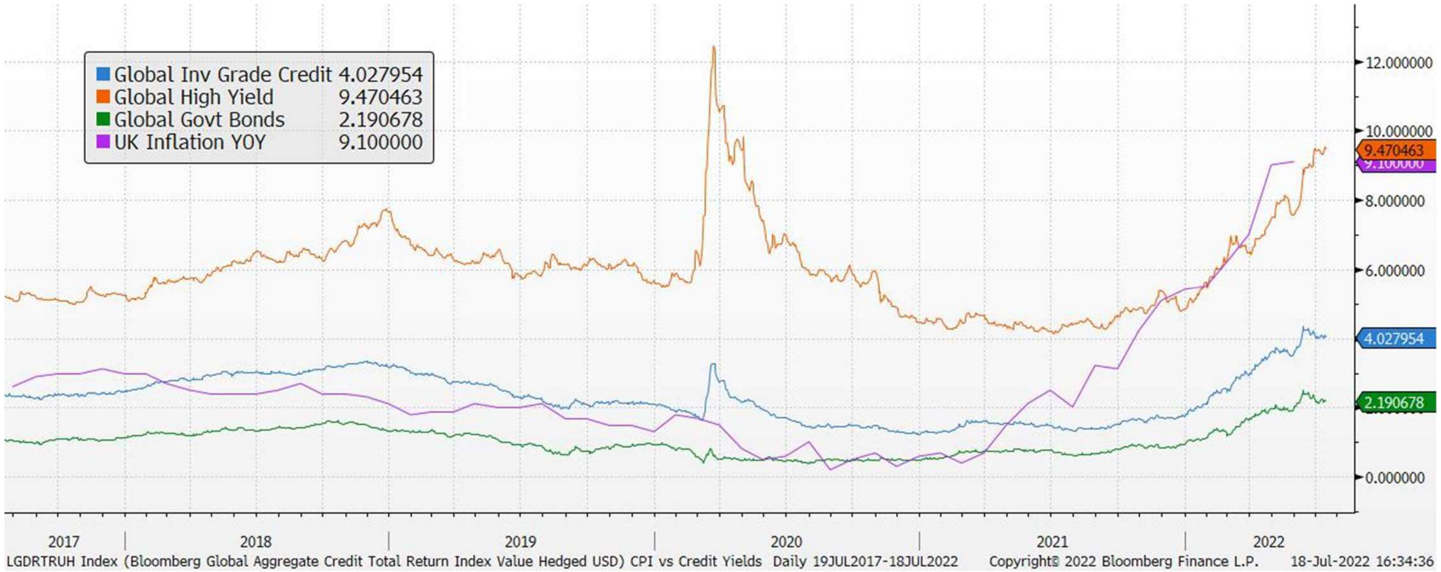
One worrying development in Q2 was the deterioration in the performance of credit, with an acceleration in the widening of spreads in the investment grade and high yield markets. The cost of protection against the risk of default of sub-investment grade bonds has risen sharply - credit investors see greater risk that defaults will increase in the coming quarters.

Table 3: Fixed income performance

Global fixed income indices (TR=total return)	*3 months*	*YTD*	*1 year*
Bloomberg Global Aggregate Bond Index TR hedged to GBP	-4.5%	-9.3%	-9.3%
Bloomberg Global Aggregate Credit Index TR hedged to GBP	-6.6%	-13.2%	-13.2%
Bloomberg Global High Yield Index TR hedged to GBP	-11.0%	-15.7%	-16.0%

The yield on investment grade debt, based on the Bloomberg Global Aggregate – Credit Index, has moved above 4%. The Bloomberg Global High Yield Index yields more than 9%. Sub-investment grade specialists point out that the yield now discounts a surge in defaults, over a five-year horizon, to levels above those experienced during the Global Financial Crisis.

Chart 2: Credit yields and inflation



Source: Bloomberg, data as 18 July 2022

Outlook

So where are the pockets of opportunity for the second half of 2022 and beyond? In our view, the outlook for growth, inflation and corporate performance is still too uncertain to make big calls, particularly given the risks of adverse geopolitical developments and/or another round of lockdowns to contain Covid-19. Two constants in the near term will probably be elevated volatility in asset prices and the need for inflation protection.

Yields on government debt are still low, and negative in real terms. Default risk has increased, so careful selection of issuers is essential to successful harvesting of the yields now on offer in the credit markets. Stocks are not particularly cheap when compared to their long-term averages, but good stock pickers should be able to sort the wheat from the chaff and put cash to work in outstanding companies at sensible prices.

We recommend patience and a focus on investment managers who have proven their stock and bond selection skills over the long-term, as long as they are sticking to their knitting. Long-term investors should continue to allocate to assets which are underpinned by powerful themes, such as energy transition and repurposing of real estate, but with a wary eye on valuations and leverage. Strategies which are mandated to operate across the global asset markets should be valuable in terms of capitalizing on increases in volatility and adjusting positioning dynamically to capitalize on opportunities and protect capital in periods of risk aversion.

Thank you for reading our QIR summary and bespoke QIR reports. We really appreciate your commitments and support.

LCIV Global Equity Focus Fund

Quarterly Summary as at 30 June 2022

Total Fund Value:

£848.8m

Inception date:	17/07/2017
Price:	143.10p
Distribution frequency:	Quarterly
Next XD date:	01/07/2022
Pay date:	31/08/2022
Dealing frequency:	Daily

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.

Investment Objective

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

Enfield Valuation:

£99.7m

Enfield investment date: 24/10/2018

This is equivalent to 11.75% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £406,811

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	(4.91)	3.06	7.61	n/a	8.71	9.18
Target*	(8.57)	(0.12)	11.40	n/a	11.70	13.34
Relative to Target	3.66	3.18	(3.79)	n/a	(2.99)	(4.16)
Benchmark**	(9.13)	(2.56)	8.68	n/a	8.98	10.57
Relative to Benchmark	4.22	5.62	(1.07)	n/a	(0.27)	(1.39)

** 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

Performance

In the second quarter of 2022 the Sub-fund returned -4.9%, outperforming the MSCI World benchmark index return of -9.1% by 4.2%. In the 12-month period to end June 2022 the Sub-fund returned 3.1% against a benchmark index return of -2.6% thus posting a relative outperformance of 5.6%. Since inception, the Sub-fund has returned 8.7% per annum in absolute terms against 9% for the benchmark and is now lagging by a modest 0.3% p.a.

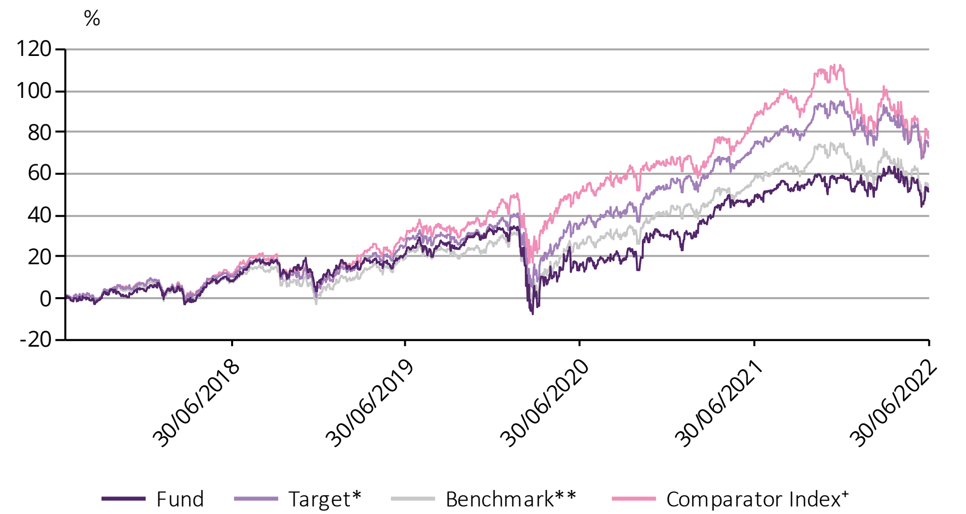
In a continuation of late 2021 and early 2022 trends the defensive characteristics of the portfolio stood out amidst weak market conditions as investors continued to reward good earnings visibility, robust business models and reasonable valuations.

Also important for the portfolio continues to be the low exposure to aggressively valued growth stocks. Longview retain a modest exposure in this segment of the market via the holding in Alphabet and they continue to look for quality opportunities in these areas that meet their valuation criteria, as in the case of Microsoft (see next section).

At the stock level positive contributors again outnumbered detractors two to one. The two largest were Sanofi and Sysco. Sanofi benefitted from a combination of positive business developments, good quarterly results and the defensive characteristics inherent to a pharmaceutical business. Sysco continues to outperform the U.S. foodservice industry and was able thus far to pass on food cost inflation to its customers.

The two largest detractors were HCA and State Street. HCA Healthcare, the largest hospital company in the U.S., underperformed in the quarter as it faced margin pressures due to higher-than-expected inflationary pressure on nursing labour costs. State Street performed poorly in the quarter as management projected that the falls in global equity and bond markets will have an impact on the fees earned from assets under custody, administration, and management.

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.

Positioning

The Sub-fund maintained a large allocation to North American equities at c. 82% followed by an exposure of 18% to European equities. At the sector level the largest exposure was to health care at 26% followed by financials at 21%. The largest positions at the stock level at the end of June 2022 were IQVIA at 3.9%, Sysco at 3.8% and Marsh & McLennan at 3.8%.

The portfolio continues to have relatively limited cyclical exposure. Since the sale of Emerson Electric in the second quarter of 2021, the portfolio has not had any traditional industrial cyclical exposure. Longview have struggled to

LCIV Global Equity Focus Fund

find attractively valued cyclicals and although the sell-off in industrials in the second quarter has made the sector more attractive, earnings expectations remain open to disappointment.

Over the quarter the investment manager initiated two new positions. The first was in Microsoft, where recent stock price weakness provided an attractive entry point. Longview considers the company a high-quality name that benefits from significant and sustainable competitive advantages in the areas of computer operating systems (Windows) and productivity tools (MS Office) while also growing its presence in cloud services (Azure).

The second was Moody's which is a global credit ratings and analytics company. The company maintains many of the characteristics Longview like such as scale, dominant market position, strong brand recognition and operates in an industry where high regulatory barriers to entry exist. According to the investment manager the business is capital light by nature and generates very high returns on capital, the majority of which are returned to shareholders through dividends and buy-backs.

Both Microsoft and Moody's score well from an ESG perspective and maintain a 'low risk' rank by Sustainalytics.

Selling activity in Q2 was mainly aimed at 'tidying up' the portfolio. The positions at Arrow Electronics and Frontdoor were sold as the investment manager concluded there is not sufficient trading liquidity for these holdings to be scaled up. Embecta and Euroapi were received in the portfolio as spinoffs from Becton Dickinson and Sanofi respectively and were subsequently sold due to their small size.

London CIV Summary

In May 2022, the London CIV completed the extended investment due diligence on the investment manager using our RAG scoring framework. Following this exercise, the investment manager's monitoring status was upgraded from 'On Watch' to 'Enhanced Monitoring' with the approval of the London CIV Investment Panel.

This decision was made on the back of sufficient improvement on performance, resourcing and business risk that was made by Longview to support the revised status. There has also been movement in the right direction on RI and engagement where Longview have bolstered their ESG integration framework and in Q2 appointed Maryse Medawar as Head of Sustainability.

However, despite the recent improvement, performance is not consistently aligned to expectations. We also retain some concerns about aspects of the investment process including the approach to valuing companies, the absence of a lead portfolio manager and the equal weighting of positions. The integration of RI into decision making has been strengthened, but there is room for further improvement.

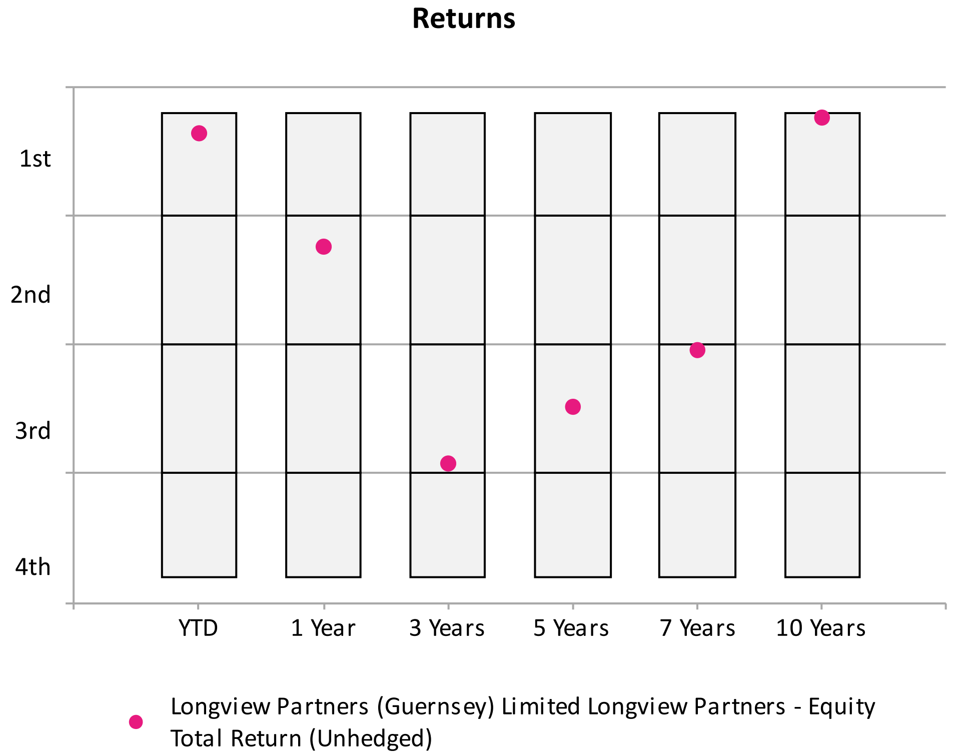
In terms of 'value-for-money', London CIV have agreed a fee reduction with Longview which comes into effect on 1 July 2022. Provided performance improves further this could also improve the investment manager's score in this area.

Conclusively, progress was made that justifies Longview's upgrade. Certain areas of concern remain and there is room for improvement. Overall, we are now more confident on the direction of travel.

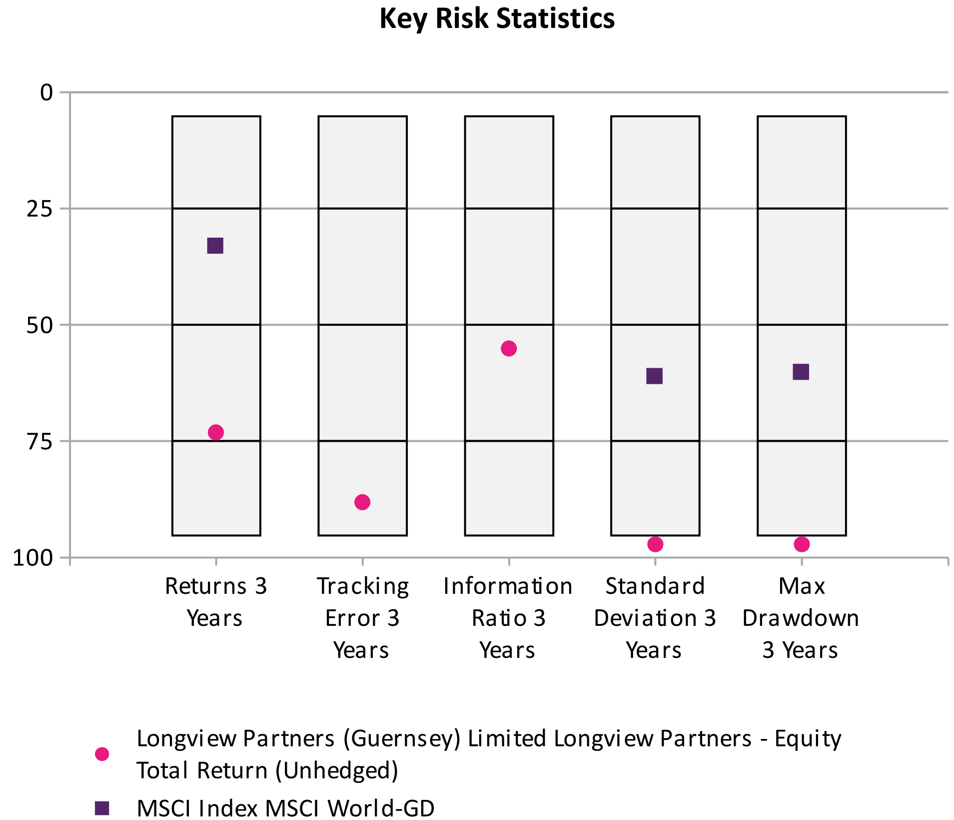
LCIV Global Equity Focus Fund

Peer Analysis

The peer group is the Global Large Cap Core Equity. During the last year and over the longer term (10 years), relative to its peers the Sub-fund has witnessed returns in the top two quartiles and has been particularly strong over the longer time period and Q1 2022. However, the Sub-fund has under-performed the MSCI World benchmark over 3 years and is in the third quartile of the peer group. The Sub-fund has taken a relatively high amount of risk. The 3 year standard deviation and maximum drawdown are at the high end of the range compared to peers and above the benchmark



Source: eVestment as at 31 March 2022

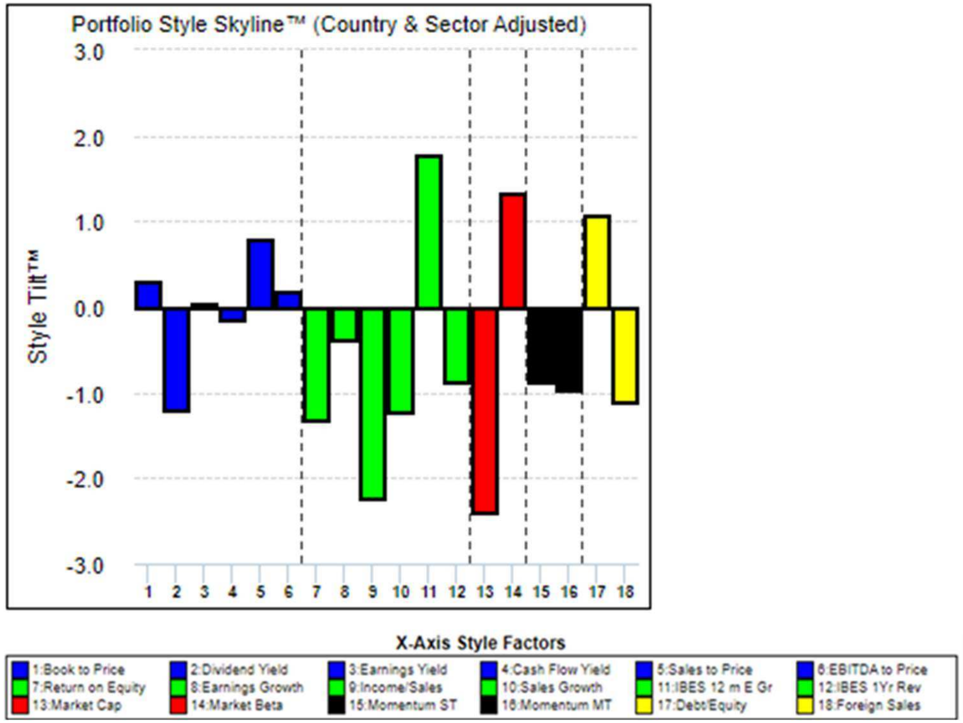


Source: eVestment as at 31 March 2022

LCIV Global Equity Focus Fund

Style Analysis

In terms of style, during the last quarter (Q1 2022) the Sub-fund remains tilted towards value measures, excepting dividend yield, and away from most growth factors (green bars), other than forecast earnings growth. There is a bias towards smaller cap, high beta stocks and those with low foreign sales and low debt/equity. The Sub-fund invests in companies with low momentum.



Source: eVestment as at 31st March 2022

LCIV Global Equity Focus Fund: Portfolio Characteristics

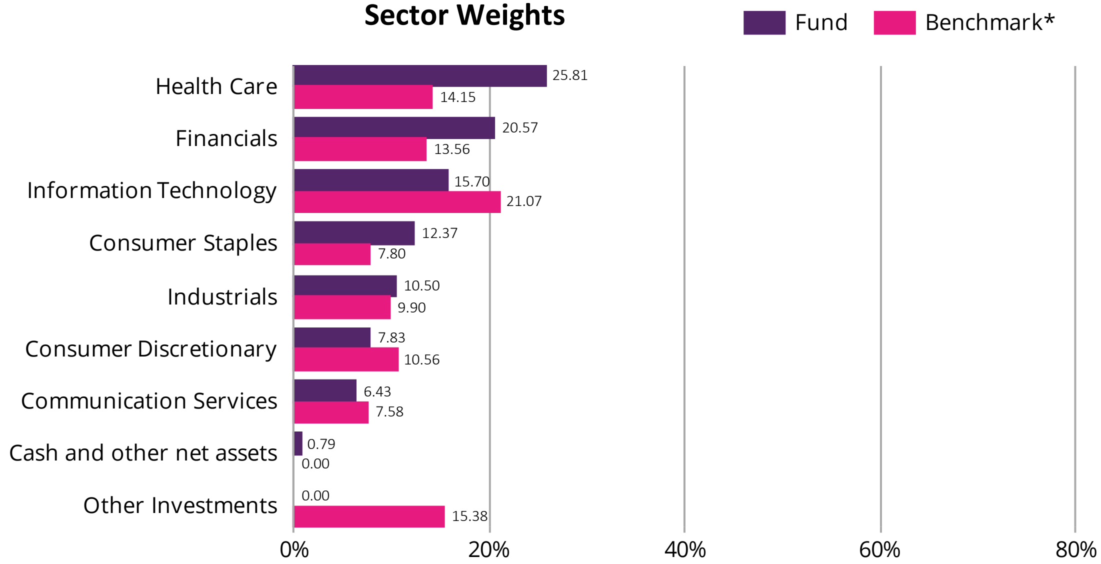
Key Statistics	
Number of Holdings	32
Number of Countries	5
Number of Sectors	7
Number of Industries	20
Yield %	1.46

Source: London CIV data as at 30 June 2022

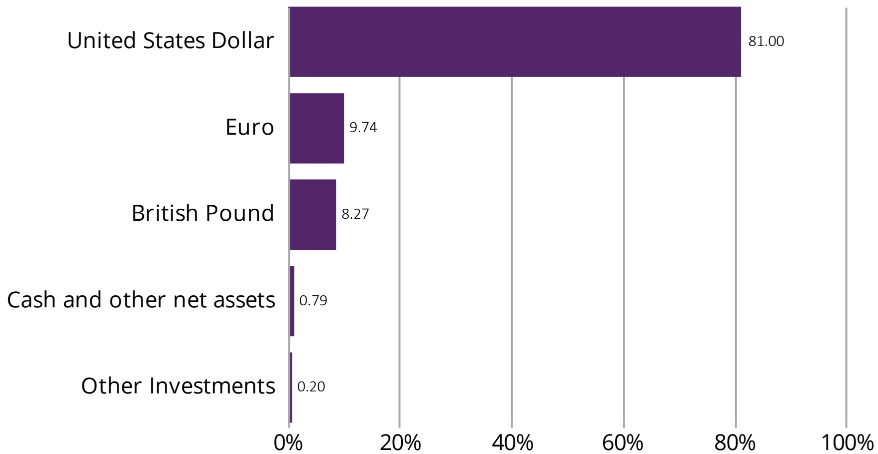
Risk Statistics	
Tracking Error (%)	4.61
Beta to Benchmark	0.97

Source: London CIV

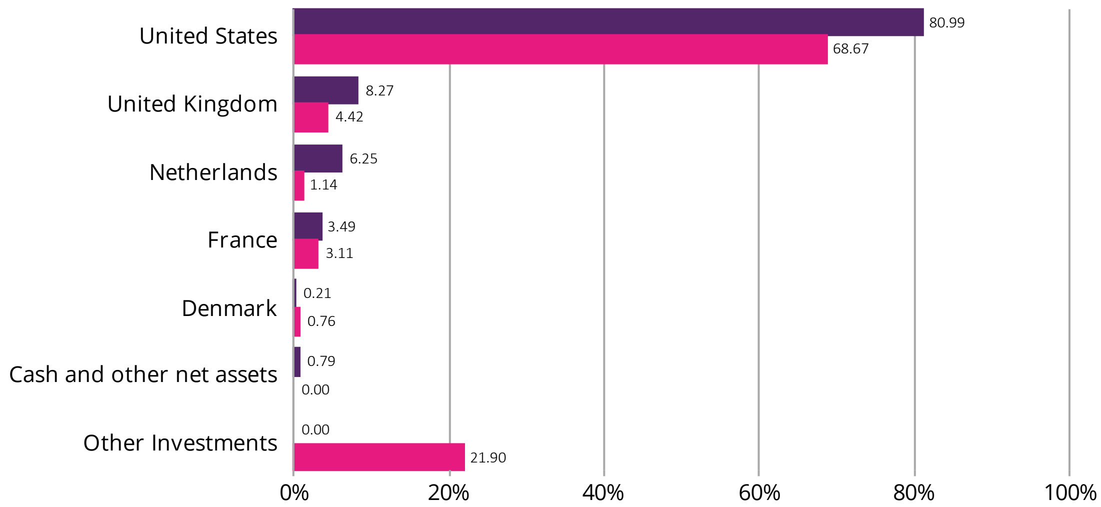
Sector Weights



Currency Weights



Country Weights



Source: London CIV data as at 30 June 2022
**MSCI World (GBP)(TRNet)+2.5%*

LCIV Global Equity Focus Fund: Portfolio Characteristics

Top Ten Equity Holdings

Security Name	% of NAV
IQIVA Holdings	3.86
Sysco	3.82
Marsh & Mclennan Co's	3.81
L3harris Technologies	3.78
Unitedhealth Group	3.74
Henry Schein	3.68
Ww Grainger	3.65
Aon	3.61
Becton Dickinson	3.55
Oracle	3.54

Top Ten Contributors

Security Name	% Contribution
Sysco	+0.43
Unitedhealth Group	+0.39
Sanofi	+0.39
L3harris Technologies	+0.19
Microsoft	+0.13
Becton Dickinson	+0.11
Compass Group	+0.10
Heineken Nv	+0.09
IQIVA Holdings	+0.05
Arrow Electronics	+0.04

Top Ten Detractors

Security Name	% Detraction
HCA Healthcare Inc	(1.12)
State Street	(0.88)
American Express	(0.73)
Alphabet Inc Class A	(0.57)
Aon	(0.41)
Moody's	(0.38)
Medtronic	(0.36)
Bank of New York Mellon	(0.30)
Oracle	(0.28)
Us Foods Holding	(0.21)

New Positions During Quarter

Security Name
Microsoft

Completed Sales During Quarter

Security Name
Arrow Electronics
Frontdoor

Source: London CIV data as at 30 June 2022

LCIV Global Equity Focus Fund: ESG Summary

ESG Activity for the Quarter

During the quarter, Longview appointed Maryse Medawar as their new Head of Sustainability. Maryse has been at Longview since 2018 and was previously in a Relationship Management role.

On engagement, Longview met with W.W. Grainger to monitor a previous engagement, which was to enquire about updates made in their 2021 Corporate Responsibility Report and follow up on their LTIP performance targets disclosures. In 2021, Longview had conveyed that they expect Grainger to provide more information on targets/metrics. Furthermore, Longview asked about their plans to commit to net-zero and reduce Scope 3 emissions. W.W. Grainger explained that they are focusing on reducing emissions but may commit to a net-zero target in the future. Longview asked about their stance on Say-on-Climate and the firm confirmed they would not be opposed to resolutions that allow them to improve their disclosure and position on climate issues. Regarding voting, Longview had voted against W.W. Grainger's executive pay proposal in 2019. Their LTIP performance thresholds are not disclosed; they are hesitant to publish such sensitive information. When pressed, the company indicated they would consider disclosing this in the future. Longview will continue to monitor.

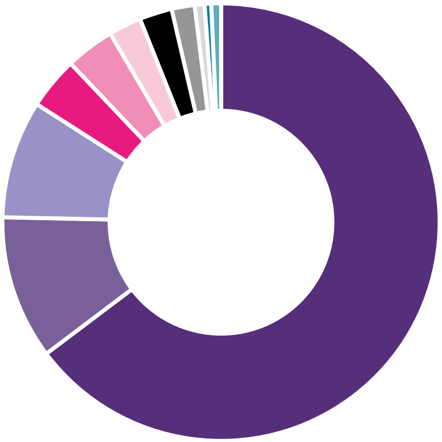
The second engagement was with American Express. Longview followed up on the 2021 AGM shareholder proposals in favour of a D&I report and the right to act by written consent. On the D&I report American Express confirmed that following shareholder feedback, including Longview's, they took action to provide more transparent D&I disclosures. EEO-1 data was included in their full ESG report. They also published an inaugural DEI Report. The shareholder proposal was submitted in 2021 and subsequently retracted after publication of the DEI report. American Express explained the proposal regarding the right to act by written consent was not raised in the 2022 AGM. They sought feedback from shareholders, but consultations could not establish shareholder consensus or determine majority support for a change. They believe the shareholders' right to call a special meeting is sufficient but will review at the annual board meeting.

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 April 2022 - 30 June 2022).

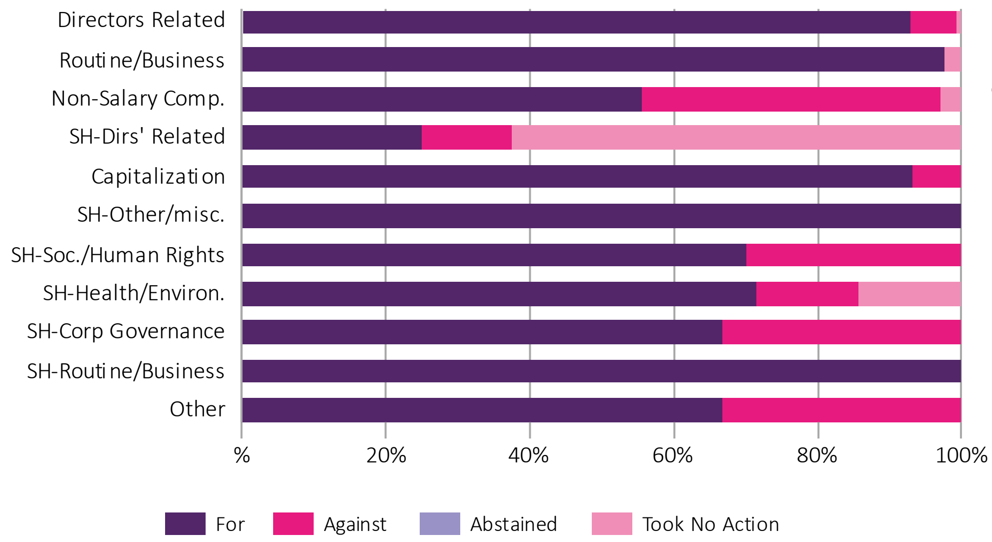
Proposals Breakdown



Directors Related	268
Routine/Business	44
Non-Salary Comp.	36
SH-Dirs' Related	16
Capitalization	15
SH-Other/misc.	10
SH-Soc./Human Rights	10
SH-Health/Environ.	7
SH-Corp Governance	3
SH-Routine/Business	2
Other	3

Source: London CIV data as at 30 June 2022

Voting Instruction Breakdown



Source: London CIV data as at 30 June 2022

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/11555

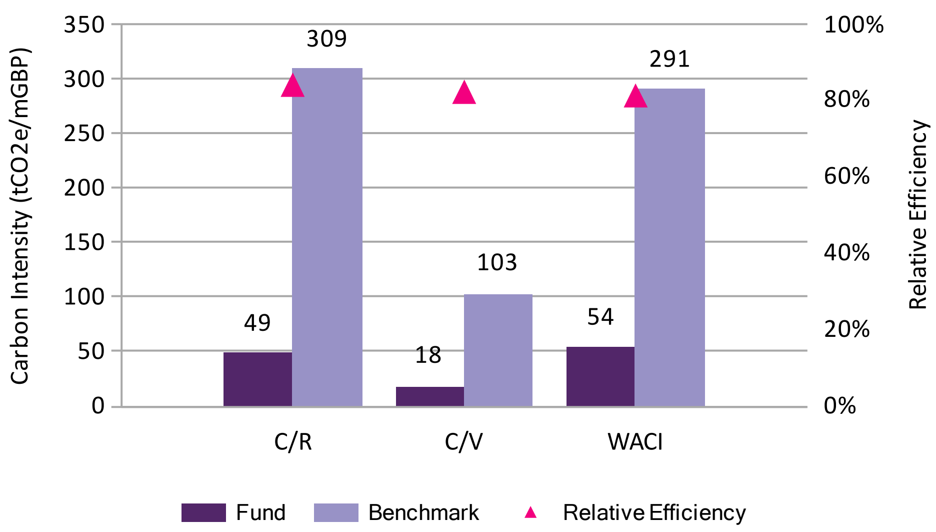
LCIV Global Equity Focus Fund: ESG Summary

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 climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

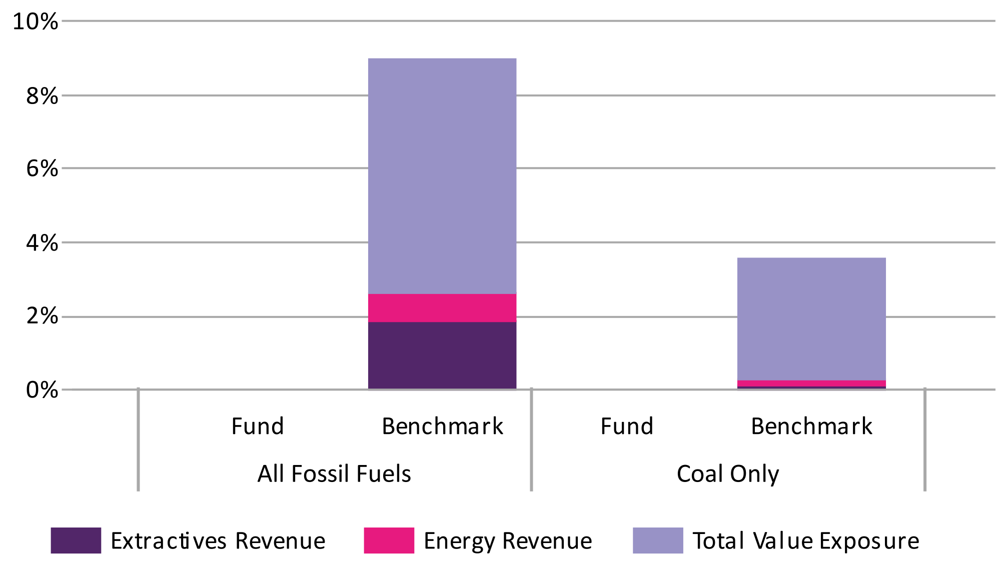
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 30 June 2022

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 30 June 2022

The benchmark used in the above is MSCI World

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	-17.54%	No
Diageo Plc	233.88	-12.07%	No
HCA Healthcare, Inc.	92.19	-2.28%	No
Becton, Dickinson and Company	83.76	-2.00%	No
Whitbread PLC	96.42	-1.00%	No
Zimmer Biomet Holdings, Inc.	81.94	-0.74%	No
Medtronic plc	62.87	-0.47%	No
Alphabet Inc.	57.01	-0.18%	No
Sanofi	55.73	-0.09%	No
US Foods Holding Corp.	53.52	0.03%	No

LCIV Global Alpha Growth Fund

Quarterly Summary as at 30 June 2022

Total Fund Value:

£1,890.2m

Inception date:	11/04/2016
Price:	201.40p
Distribution frequency:	Quarterly
Next XD date:	01/07/2022
Pay date:	31/08/2022
Dealing frequency:	Daily

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.

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.

Enfield Valuation:

£95.4m

Enfield investment date: 30/09/2016

This is equivalent to 5.05% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £121,690

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	(12.09)	(23.40)	5.58	8.34	12.70	10.18
Investment Objective*	(8.40)	(2.17)	10.37	11.15	14.50	12.26
Relative to Investment Objective	(3.69)	(21.23)	(4.79)	(2.81)	(1.80)	(2.08)
Benchmark**	(8.85)	(4.09)	8.20	8.96	12.25	10.06
Relative to Benchmark	(3.24)	(19.31)	(2.62)	(0.62)	0.45	0.12

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

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

LCIV Global Alpha Growth Fund

Performance

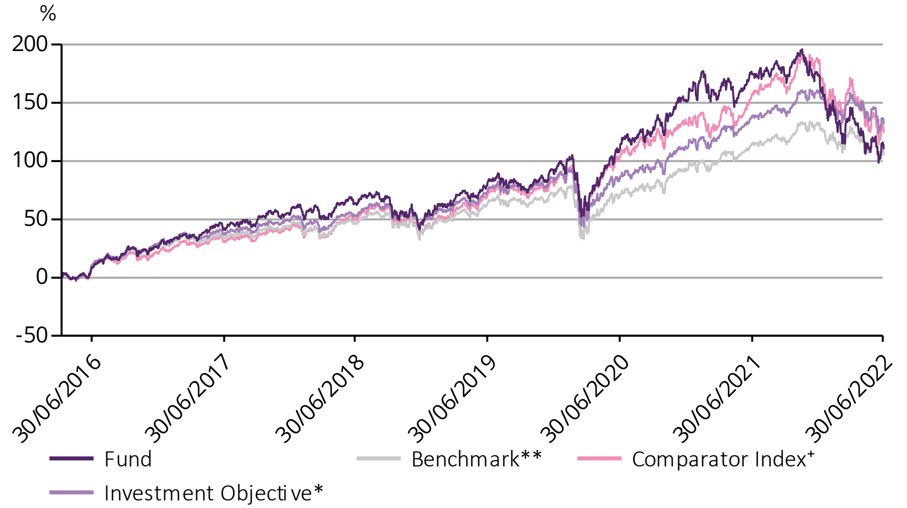
The Sub-fund returned -12.1% in Q2 against -8.9% for the MSCI All Country World benchmark index thus posting a relative underperformance of 3.2%. Consecutive poor quarters continue to take a toll on longer term performance. Over the 12-month period to end June 2022 the Sub-fund returned -23.4%, 19.3% less than the benchmark. The Sub-fund has generated 12.7% on an annualised basis since inception, outperforming the benchmark by 0.5% per annum.

The first half of this year has been a challenging one for stock markets and more so for growth strategies. Share price weakness has been most acute for high-growth companies, where uncertainty about future rewards is highest, with profits and cash flow weighted to future years. These types of companies are a significant part of the Sub-fund, as would be expected given the investment manager's long-term perspective and focus on identifying companies presenting outstanding potential. However, in the current environment the Sub-fund has been severely penalised by a market increasingly focused on shorter term, safer cashflows and low valuations.

Against this backdrop it was not surprising that the largest detractors at the stock level were companies such as Cloudflare and Shopify which spend heavily now to secure future growth as well as companies like Trade Desk and SEA Limited with strong growth prospects but also high sensitivity to consumer sentiment. Despite recent weakness in these names the investment manager remains confident on their long-term prospects.

Consistent with the prevalent market environment was the list of top performance contributors which mainly included stocks rewarded for short term positive cashflows and stability. Two characteristic examples are Prosus where the company management have decided to sell their long-held share in Tencent and return capital to investors and Elevance Health (nee Anthem) where the company's decision to increase their presence into the 'Medicare' segment of the healthcare services market is seen as increasing the stability of cashflows. Elevance (4.2%) and Prosus (3.4%) were the single largest positions in the Sub-fund in absolute terms at the end of Q2.

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.

Positioning

As at the end of June 2022, the Sub-fund maintained a significant regional allocation to North American equities at c. 56% followed by an exposure of 19.6% to European equities. At the sector level, the largest exposure was to consumer discretionary with 19.1% followed by financials at 16.7% and health care at 16.3%.

LCIV Global Alpha Growth Fund

One result of the recent market environment has been a notable reshaping of the portfolio across the different growth profiles. The 'compounders' basket, which includes companies more resilient to market weakness, has risen from around 26% at the end of December 2020 to just over 40% at the end of Q2. According to Baillie Gifford, this is the same situation experienced during the Great Financial Crisis in 2008. During the early years of the subsequent recovery, they were able to take advantage of the opportunities which had emerged by recycling capital from the relatively resilient sleeve of the portfolio into 'disrupters' offering higher potential returns over the long run, but with more risk.

We may be entering a similar phase now, with the relative outperformance of names such as Elevance Health potentially offering an opportunity to fund new buys and additions to companies such as Charles Schwab, Chewy and Farfetch for instance, where the investment manager's strengthening conviction is in sharp contrast to share price weakness.

Rolling one year turnover remained at 12% while the number of holdings has modestly decreased to 94. A notable new purchase over the quarter was Royalty Pharma, the largest buyer of biopharmaceutical royalties in the U.S. The company funds bio innovation both directly, when they partner with companies to co-fund late-stage clinical trials in exchange for future royalties, and indirectly, when they acquire existing royalties from the original innovators. Baillie Gifford anticipate that the acquisition of royalty streams will play an increasing role in the funding mix across the industry enabling Royalty Pharma to deliver attractive growth by re-investing faster than the runoff of patent expires.

In terms of complete sales, the investment manager decided to fully exit the position in Naspers. This has been a long-term holding in the Sub-fund and has added significant value mainly through the company's exposure to Tencent, China's leading internet platform. However, given the regulatory pressures Tencent is facing in their home market, the investment manager has decided to cut exposure. Baillie Gifford have also decided to fully exit the position in Peloton which has experienced challenges and turmoil over recent months mainly due to the company's poor execution in the management of the hardware element of the business.

London CIV Summary

This was the fifth consecutive quarter of negative relative returns for the Sub-fund with 12-month and 3-year relative performance now firmly into negative territory.

Underperformance of this length and magnitude naturally causes concern about the investment manager's skill and ability to deliver value. The first thing we assess when such concerns arise is the pattern of performance to ensure that it is in line with the investment manager's style and the direction of the market. We also look for changes in trading activity and the structure of the portfolio. Baillie Gifford follows an aggressive growth strategy in the management of the Sub-fund so stylistically the direction of performance was not a surprise and is broadly in line with growth style indices and peers. However, the magnitude was significantly wider than expected and this triggered extended discussions with the investment manager to understand what drove the level of underperformance.

The conclusion is that the investment manager has remained true to their process through this period. However, there are aspects of the management of the Sub-fund that could have been better. Firstly, the investment manager could have been more aggressive in trimming winners and locking in gains in the early part of 2021. Being more cautious in China, a market where the full intentions of regulators are rarely fully transparent, could have also helped. Lastly, there were stock specific decisions such as holding Peloton that did not pan out well, but we appreciate that some analytical errors will always happen in an active portfolio.

LCIV Global Alpha Growth Fund

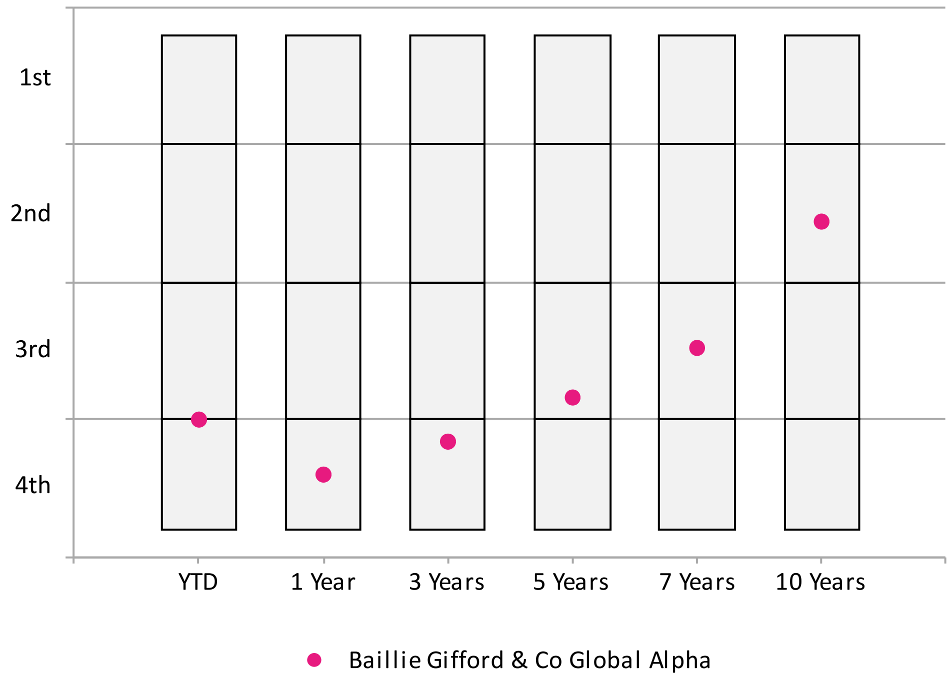
Going forward we want to see the investment manager sticking to their process and remain fully focused on uncovering those high growth opportunities that have the potential to turn the performance back to positive when the market direction changes. There is evidence this is happening, and we are confident that the portfolio can deliver the growth we expect.

LCIV Global Alpha Growth Fund

Peer Analysis

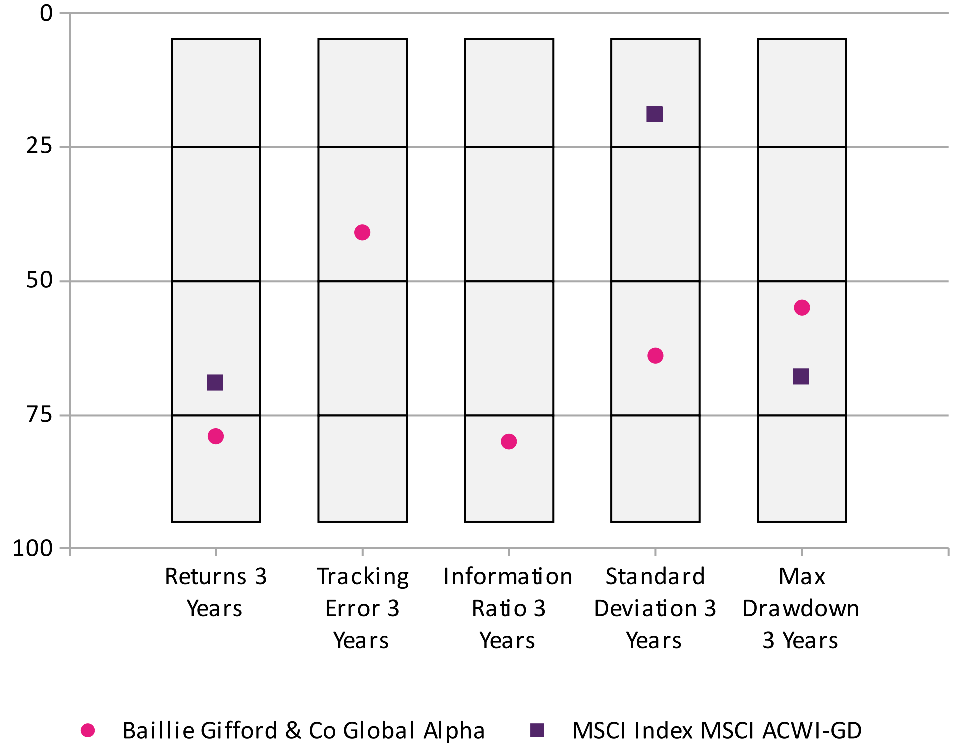
The peer group is the Global All Cap Growth Equity. Over the short to medium-term (up to 7 years to end March 2022), the Sub-fund has not performed as well as it has historically and is in the bottom 2 quartiles of its peer group. However, over the longer term (10 years), the performance remains in the top 2 quartiles. The bottom quartile 3-year performance, coupled with relatively high tracking error has resulted in an information ratio which is in the bottom quartile compared to its peers. The 3-year maximum drawdown is lower than the MSCI ACWI Index and slightly below the median for the peer group.

Returns



Source: eVestment as at 31 March 2022

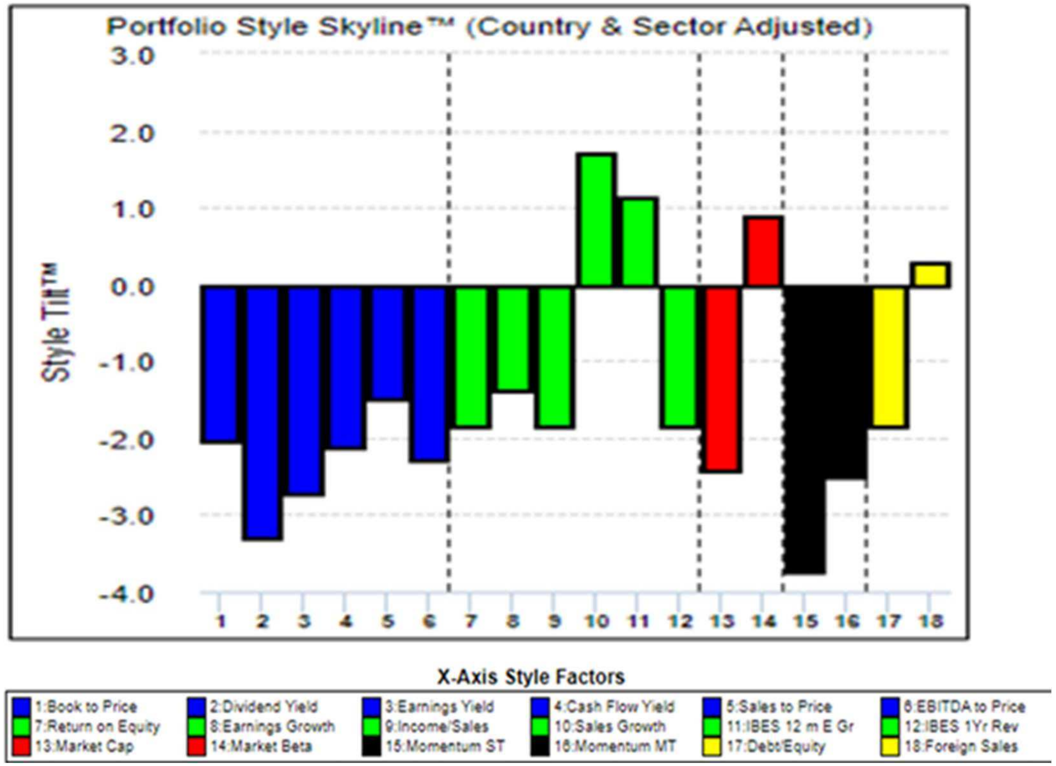
Key Risk Statistics



Source: eVestment as at 31 March 2022

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 strong positive tilt towards sales and earnings growth. The Sub-fund is also biased towards small cap stocks with a large tilt away from momentum.

Source: **eVestment as at 31st** March 2022

LCIV Global Alpha Growth Fund: Portfolio Characteristics

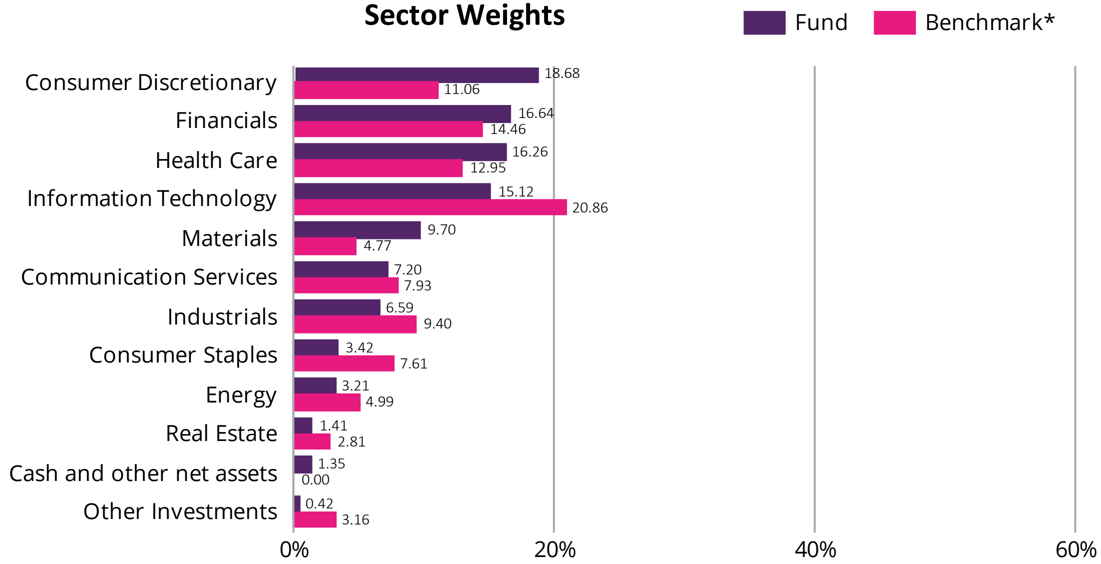
Key Statistics	
Number of Holdings	94
Number of Countries	22
Number of Sectors	10
Number of Industries	34
Yield %	1.34

Source: London CIV data as at 30 June 2022

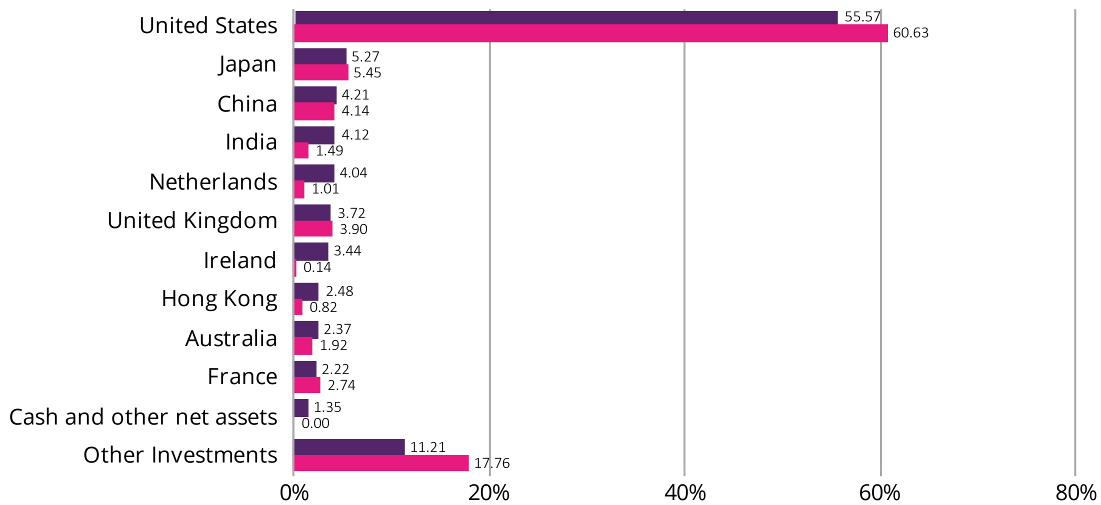
Risk Statistics	
Tracking Error (%)	4.83
Beta to Benchmark	1.04

Source: London CIV

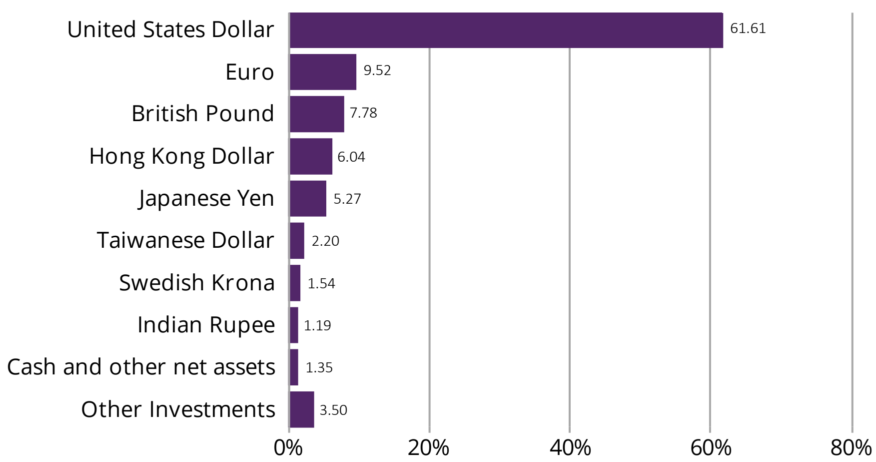
Sector Weights



Country Weights



Currency Weights



Source: London CIV data as at 30 June 2022
**MSCI All Country World Gross Index (in GBP)+2%*

LCIV Global Alpha Growth Fund: Portfolio Characteristics

Top Ten Equity Holdings

Security Name	% of NAV
Anthem Com	4.19
Prosus Nv	3.38
Microsoft	3.15
Reliance Industries	2.93
Alphabet Inc Class C	2.91
Moody's	2.83
Service Corporation International	2.69
Martin Marietta Materials	2.60
Arthur J Gallagher	2.45
Taiwan Semiconductor Manufacturing	2.20

Top Ten Contributors

Security Name	% Contribution
Prosus Nv	+0.74
LI Auto Inc. ADR	+0.38
Service Corporation International	+0.25
AIA Group	+0.22
Meituan Dianping	+0.21
Olympus	+0.21
Anthem Com	+0.21
Royalty Pharma	+0.10
Alibaba Group Holding	+0.08
Ping An Insurance Group Company of China	+0.06

Top Ten Detractors

Security Name	% Detraction
Amazon.com	(0.67)
Tesla Inc	(0.58)
Cloudfare Inc	(0.56)
Shopify	(0.52)
Illumina	(0.49)
Trade Desk	(0.48)
SEA	(0.46)
Alphabet Inc Class C	(0.46)
Martin Marietta Materials	(0.46)
Taiwan Semiconductor Manufacturing	(0.40)

New Positions During Quarter

Security Name
Shiseido Company Limited Npv

Completed Sales During Quarter

Security Name
Teladoc Health Inc
Peloton Interactive
Tencent Music Entmt Group ADR
KE Holdings
Epiroc Ab

Source: London CIV data as at 30 June 2022

LCIV Global Alpha Growth Fund: ESG Summary

Summary of ESG Activity for the Quarter

Baillie Gifford increased its resources dedicated to ESG activities to 43 people from 40 since last quarter. This includes a new ESG analyst for their dedicated climate and sovereign debt teams and a new impact analyst for their Positive Change Strategy. They have appointed a Head of ESG, Catherine Flockhart to ensure ongoing Partner oversight and ESG development.

Baillie Gifford informed us that they have sold their position in Tencent Music Entertainment due to various challenges, including the company’s regulatory and competition issues. The investment manager was also concerned about the future of data privacy and how consumers spend their time online.

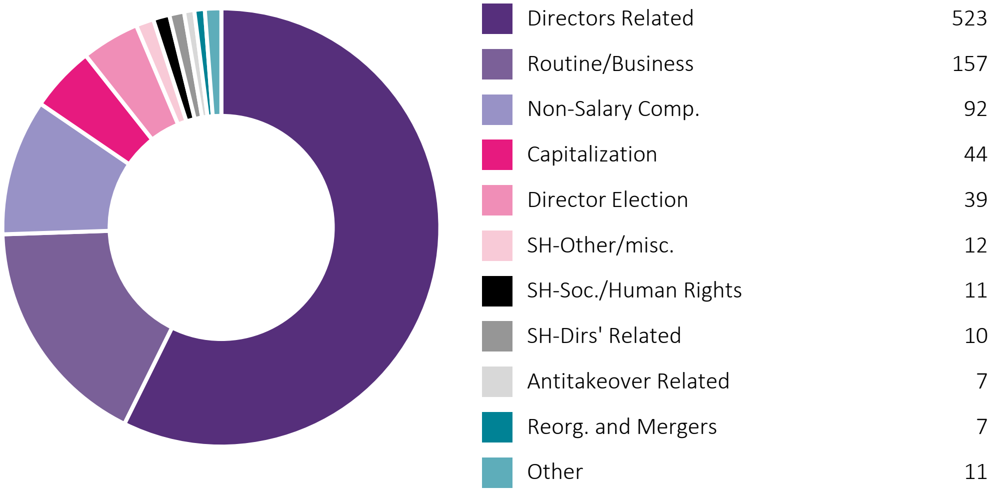
On engagement, the investment manager recognised Albemarle's improved approach to sustainability since their early engagements and arranged to meet with the company’s management team to discuss ESG matters. Key items discussed: Albemarle's climate strategy and its third-party initiative for Responsible Mining Assurance audit of its La Negra plant, and Albemarle's 2022 Sustainability Report. Baillie Gifford stated that Albemarle has recognised the sustainability imperative and now sees improving its performance as a competitive differentiator. 'Advance Sustainability' is now one of its four strategic pillars. Regarding the La Negra plant, it had undergone a third-party audit; outcomes will provide a gap analysis. Regarding climate, Albemarle recognised challenges in maintaining current performance against its carbon intensity goal. The investment manager followed up with the firm and encouraged the company to invest in further mitigating actions to ensure it does not breach its lithium carbon intensity target as output expands. Lastly, the company is considering appointing a sustainability representative on the executive leadership team.

LCIV Global Alpha Growth Fund: ESG Summary

Voting Summary

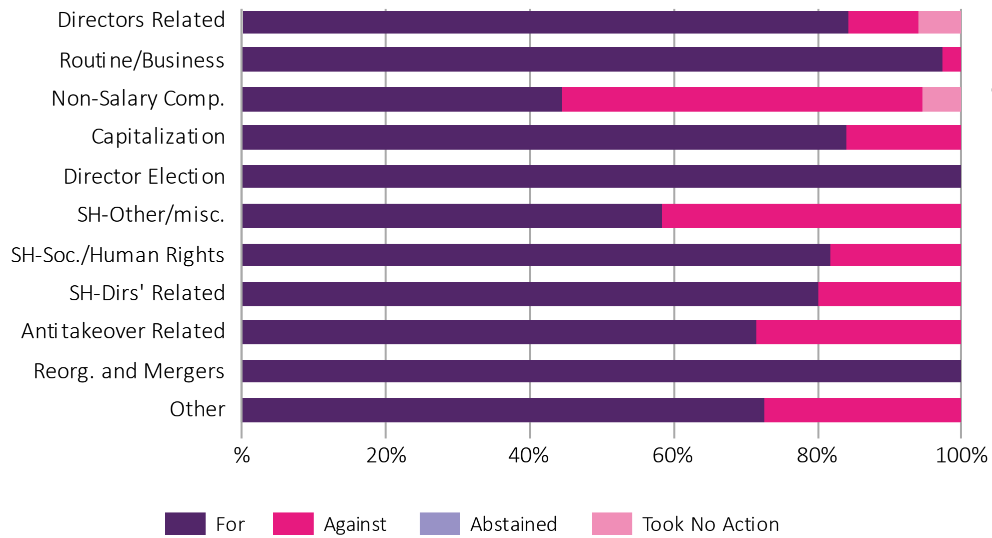
As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about 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 April 2022 - 30 June 2022).

Proposals Breakdown



Source: London CIV data as at 30 June 2022

Voting Instruction Breakdown



Source: London CIV data as at 30 June 2022

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/11552

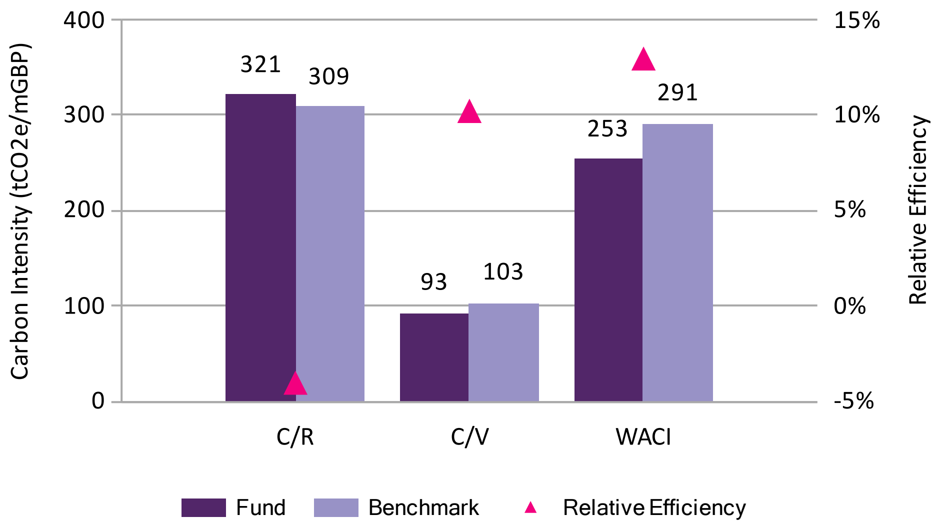
LCIV Global Alpha Growth Fund: ESG Summary

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 climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

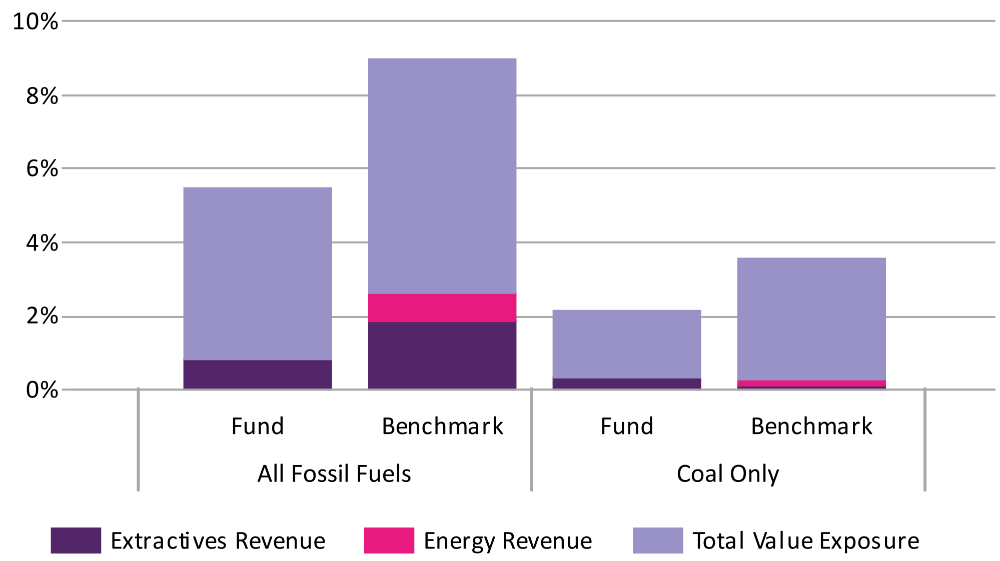
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 30 June 2022

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 30 June 2022

The benchmark used in the above is MSCI World

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	-19.22%	Yes
CRH Plc	2,091.83	-13.01%	Yes
Ryanair Holdings Plc	1,772.26	-10.99%	No
Reliance Industries Limited	758.15	-6.24%	No
Rio Tinto Group	1,005.81	-5.04%	No
Woodside Energy Group Ltd	3,525.44	-3.82%	Yes
BHP Group Limited	543.92	-2.52%	No
Albemarle Corporation	526.87	-1.94%	No
Wizz Air Holdings Plc	1,578.45	-1.55%	No
Taiwan Semiconductor Manufacturing Company Limited	373.62	-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 to which 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 Limited	23.68%	0.509%	No
Woodside Energy Group Ltd	96.69%	0.285%	Yes
Reliance Industries Limited	0.40%	0.012%	No

LCIV Emerging Market Equity Fund

Quarterly Summary as at 30 June 2022

Total Fund Value:

£547.3m

Inception date:	11/01/2018
Price:	93.06p
Distribution frequency:	Quarterly
Next XD date:	01/07/2022
Pay date:	31/08/2022
Dealing frequency:	Daily

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 11 October 2019. Prior to this the fund was managed by Henderson Global Investors.

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.

Enfield Valuation:

£29.9m

Enfield investment date: 24/10/2018

This is equivalent to 5.46% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: £166,932

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	(7.01)	(19.25)	0.13	n/a	(0.62)	3.40
Investment Objective*	(3.40)	(12.89)	4.71	n/a	3.32	8.09
Relative to Investment Objective	(3.61)	(6.36)	(4.58)	n/a	(3.94)	(4.69)
Benchmark**	(4.00)	(15.01)	2.15	n/a	0.80	5.45
Relative to Benchmark	(3.01)	(4.24)	(2.02)	n/a	(1.42)	(2.05)

** Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%*
*** Benchmark: MSCI Emerging Market Index (TR) Net*

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

LCIV Emerging Market Equity Fund

Performance

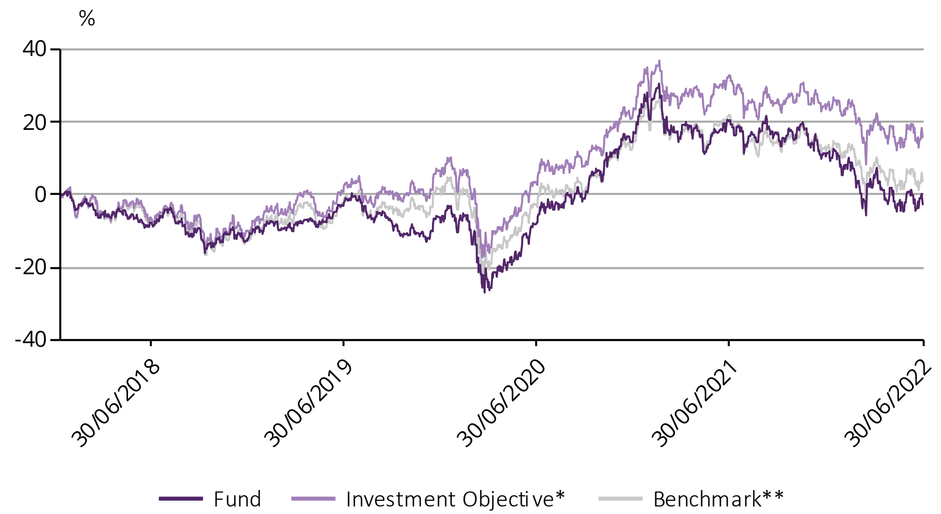
The Sub-fund delivered -7% over the second quarter against -4% for the MSCI Emerging Market Index, a relative underperformance of -3%. One-year return for the Sub-fund is -19.3%, lagging the benchmark by 4.2%. The Sub-fund's relative performance since inception is also negative, with the Sub-fund returning -0.6% against 0.8% for the benchmark. Relative returns since hiring the current investment manager remain positive.

Despite higher forecasted earnings, emerging market equities have lagged global equities for a few years now. This trend persisted over the last year as well, with the MSCI Emerging Market Index plummeting -15%, against a -2.6% decline for the MSCI World Total Return (Net) Index. However, after absorbing the brunt of lockdowns in China and the effects of the Russian invasion in the first quarter, emerging markets outperformed developed market equities in the second quarter. Key reasons for this outperformance were inflation and growth concerns across developed markets, as well as the lifting of Covid-19 lockdowns in China.

The Sub-fund's underperformance in the first quarter was predominantly driven by the sectors or regions not owned in the portfolio, particularly the energy sector. While sector allocation, including the energy underweight, was a mild detractor again in the second quarter, stock selection, particularly within consumer discretionary, was the key to underperformance.

At the stock level, Sea ltd and MercadoLibre continue to be the main short and medium-term detractors. The stock price of Sea ltd, an e-commerce business based in Singapore, dropped nearly 80% since its peak in November 2021. This is in contrast to the stock's performance prior to November 2021 when it had consistently been the 'shining star' of the Sub-fund. The investment manager admits that given the rapid rise (followed by an even swifter demise) of the stock, their price estimates were quite aggressive. The position is now being trimmed. Regarding MercadoLibre, and despite its

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*

recent weakness, operating margins are still improving. Therefore, the investment manager is willing to absorb the macroeconomic headwinds in the short run for a stock where fundamentals remain intact.

Positioning

The Sub-fund's lumpy performance is a function of its investment style which is focused on 'quality growth' stocks. These stocks led the market during the Covid-19 recovery phase with the Sub-fund outperforming the benchmark by 11% in 2020. However, these stocks have long duration due to sustainable

LCIV Emerging Market Equity Fund

profitability expected in later years. As bond yields have soared globally, these stocks have been worst hit.

After the recent earnings derating in emerging market equities, expected returns are around 17%, much higher than developed market peers. Looking at price-to-earnings, the gap between high growth and low growth stocks has narrowed substantially. Nonetheless, the gap is still wide enough to warrant caution in a volatile environment.

Across regions, China and India are the largest absolute exposures for the Sub-fund. In active weight terms, the investment manager retains a significant underweight to mainland China counterbalanced by an overweight to companies listed in Hong Kong. The Sub-fund is also overweight in India.

The recent easing of Covid-19 related restrictions in China, along with reduced regulatory pressures, have been a much-needed silver lining for the portfolio. Political and regulatory risk is high in China and the investment manager has recently increased the cost of equity estimate used when valuing Chinese companies. Interestingly, valuations still remain attractive in relative terms even after these adjustments. Overall, China is well positioned from fiscal and monetary policy perspective when compared to developed markets. The investment manager is looking to add to this exposure but is mindful of the risks and likely to add to China through smaller active positions.

India has been a headwind for the portfolio recently due to a rally in low quality stocks. The portfolio is mainly positioned in consumer and financial services stocks that should benefit from a growing economy in the long run.

Over the quarter, Unilever Indonesia was the only addition to the portfolio. The investment manager has been waiting for the right entry point to this stock for some time now and expects the stock to benefit from increased domestic consumption. There have been no other changes to the portfolio over the quarter.

London CIV Summary

The Sub-fund's quality growth bias has failed to protect the portfolio in a declining market this quarter and year-to-date. The current portfolio positioning and style reflects the investment manager's long term investment beliefs. Recent performance was partly expected due to lack of exposure to certain cyclical sectors and the growth bias in the portfolio. Beyond the detrimental asset allocation, stock selection has also contributed to recent underperformance.

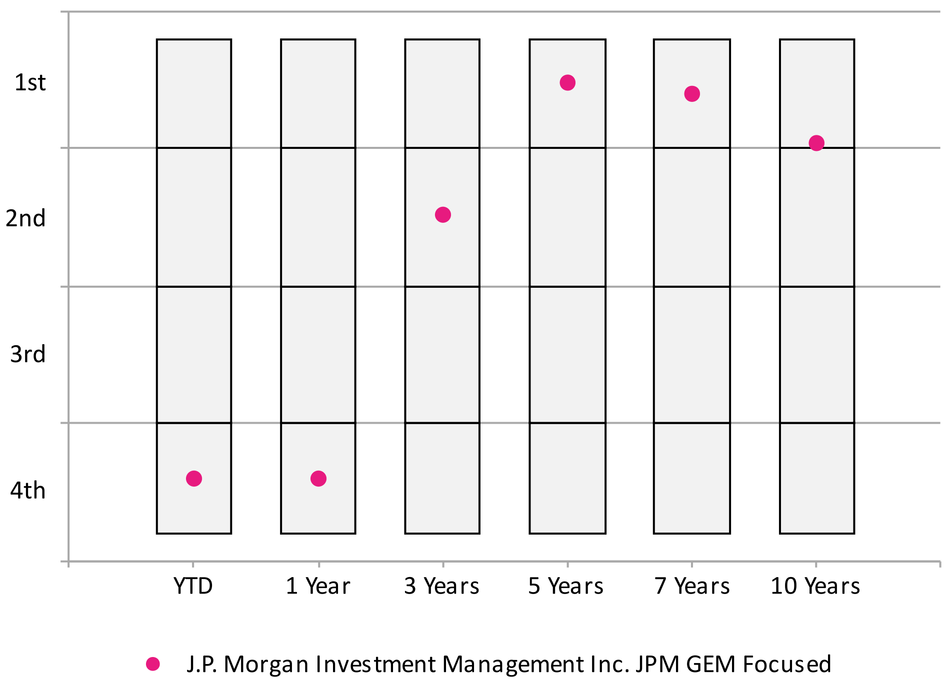
Long term performance for the current investment manager remains in positive territory. The investment manager is still awaiting the outcome of the UK Stewardship Code assessment, and this remains a concern from an ESG perspective. Overall, the Sub-fund has delivered against expectations since they were hired in Q4 2019 and there are no material concerns on the wider factors monitored by London CIV.

LCIV Emerging Market Equity Fund

Peer Analysis

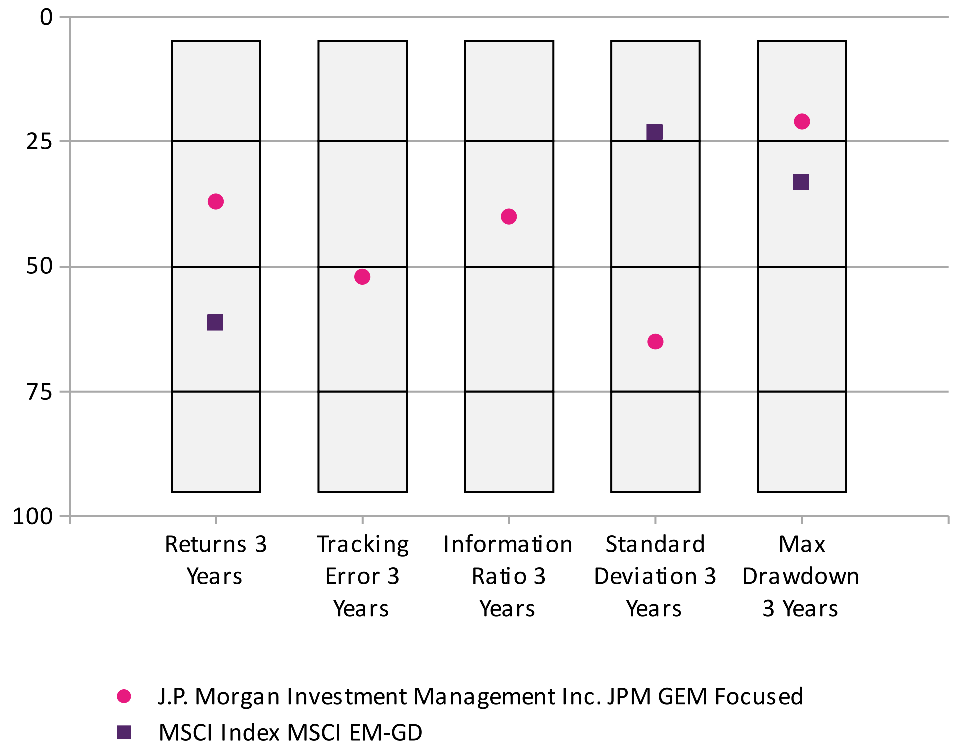
The peer group is the Global Emerging Markets All Cap Core Equity. The investment manager is a first or second quartile performer over medium to long-term periods (3 years to 10 years). However, performance in the most recent 12 month period is in the bottom quartile. Over three years, the standard deviation of returns is above the benchmark index and the median of the peer group. Tracking error is close to the median and the information ratio is in the second quartile.

Returns



Source: eVestment as at 31 March 2022

Key Risk Statistics

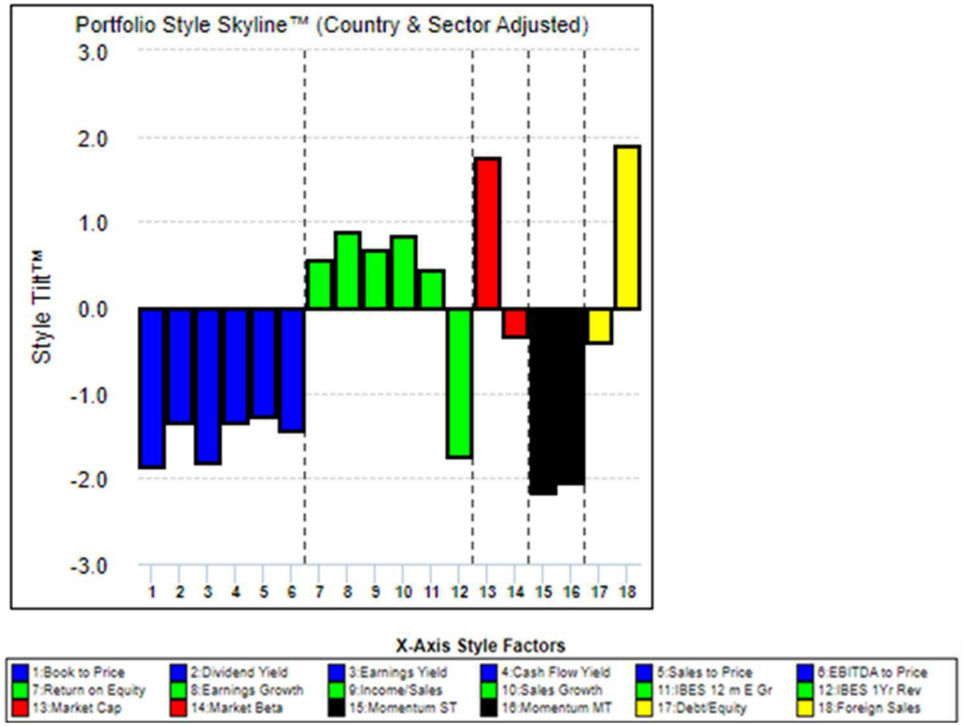


Source: eVestment as at 31 March 2022

LCIV Emerging Market Equity Fund

Style Analysis

The Style analysis shows that the Sub-fund has maintained its exposure to expensive stocks (negative value) with tilts towards most growth factors. The bias towards companies with a larger market cap than the benchmark remains consistent. There has been a move towards stocks with negative momentum.



Source: eVestment as at 31st March 2022

LCIV Emerging Market Equity Fund: Portfolio Characteristics

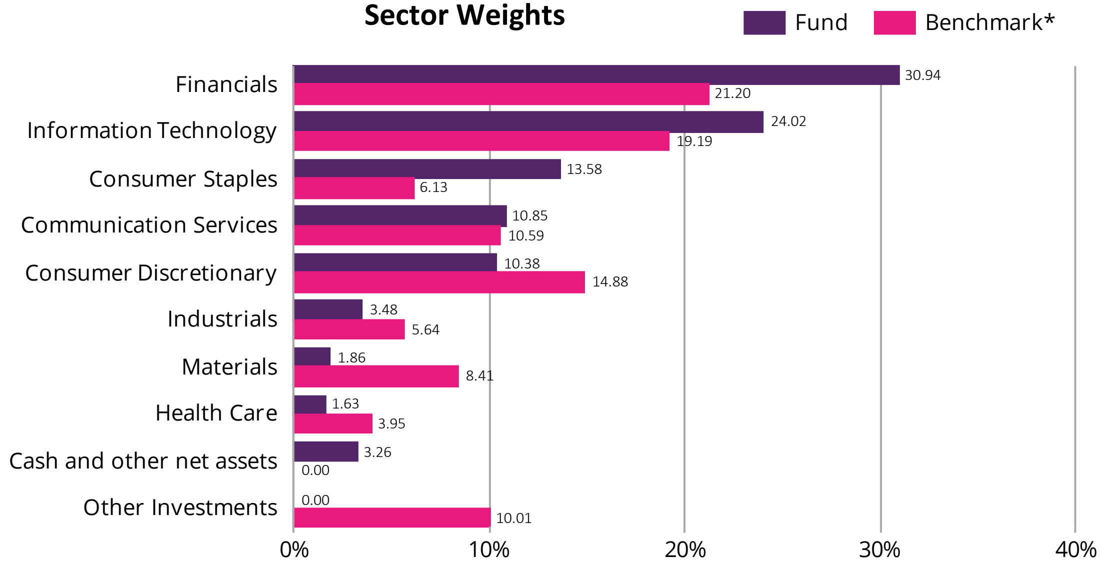
Key Statistics	
Number of Holdings	53
Number of Countries	14
Number of Sectors	8
Number of Industries	25
Yield %	1.67

Source: London CIV data as at 30 June 2022

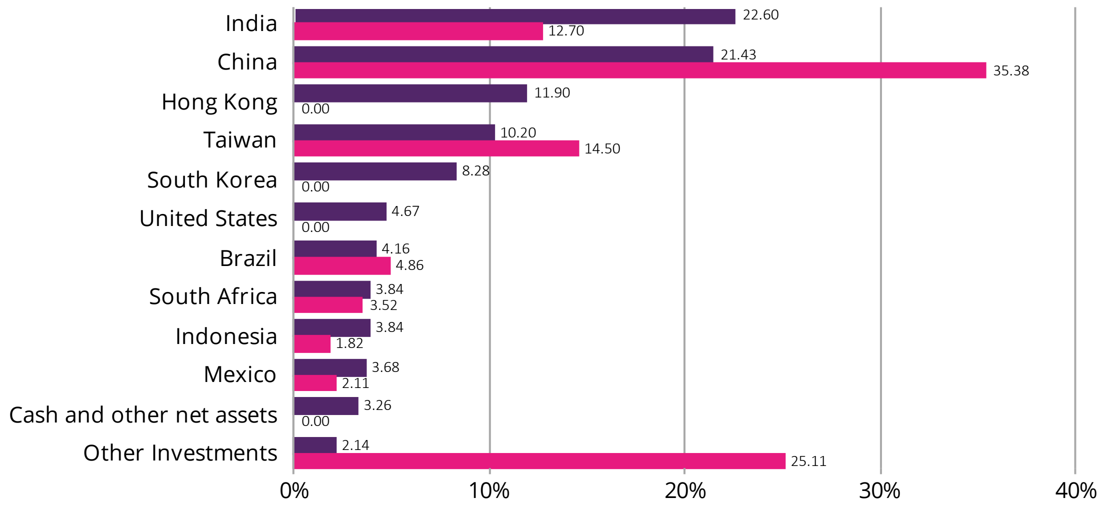
Risk Statistics	
Tracking Error (%)	4.86
Beta to Benchmark	0.96

Source: London CIV

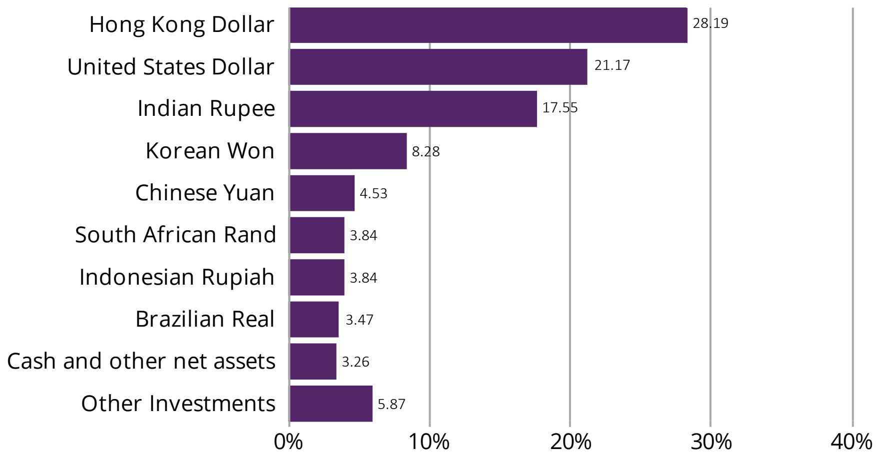
Sector Weights



Country Weights



Currency Weights



Source: London CIV data as at 30 June 2022
**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	7.38
Tencent Holdings	6.94
Samsung Electronics	5.61
HDFC Bank ADR	5.05
AIA Group	4.96
Housing Development Finance	4.69
Tata Consultancy Services	4.15
Infosys	4.08
JD.com	2.47
Hong Kong Exchanges & Clearing	2.31

Top Ten Contributors	
Security Name	**% Contribution**
AIA Group	+0.54
Kweichow Moutai	+0.40
JD.com	+0.38
Budweiser Brewing Apac	+0.34
Wuxi Biologics	+0.26
Hong Kong Exchanges & Clearing	+0.25
Yum China Holdings	+0.20
Foshan Haitian Flavouring & Food	+0.15
Alibaba Group Holding	+0.14
Tencent Holdings	+0.14

Top Ten Detractors	
Security Name	**% Detraction**
Mercadolibre	(1.60)
Taiwan Semiconductor Manufactor ADR	(1.41)
Samsung Electronics	(1.08)
Infosys	(0.92)
SEA	(0.75)
Techtronic Industries	(0.60)
Naver	(0.49)
Tata Consultancy Services	(0.39)
Capitec Bank Holdings	(0.36)
B3 Brasil Bolsa Balcao	(0.29)

New Positions During Quarter
Security Name
Unilever Indonesia Idr2

Completed Sales During Quarter
Security Name
not applicable, no completed sales during the quarter

Source: London CIV data as at 30 June 2022

LCIV Emerging Market Equity Fund: ESG Summary

Summary of ESG Activity for the Quarter

This quarter, JPMAM has provided two engagement case studies:

NetEase:

The Manager held a discussion with NetEase's new ESG team lead regarding ESG governance and human capital management. The company currently has an ESG working group comprising of representatives from different departments. It is in the process of establishing an ESG committee at the board level and is actively searching for the right board candidate, "ideally a female candidate with ESG expertise". The manager offered to connect the company to the 30% Club Hong Kong's Women Pipeline programme (JPMAM is a member of this investor working group that encourages at least 30% female board representation) and the company was receptive to this.

The manager also encouraged NetEase to disclose female representation both at the middle management and executive level, as well as its turnover rate. JPMAM also shared their diversity engagement framework after the meeting which the company promised to review. However, the company shared that there has been internal resistance publishing certain sensitive data such as turnover rate.

On human capital management, the manager asked about the company's mitigation of crunch culture (unpaid overtime work to meet game development deadlines) and 996 culture (working 9am to 9pm, six days a week) in China's technology sector. In its view, neither applies to the company. NetEase stated that it does not force employees to work overtime and according to the company, the employee satisfaction rate is high. The company has been conducting an annual employee engagement survey in which it asks for all employees' feedback on various aspects including business and strategy, innovation, company culture and teamwork. The investment manager further encouraged the company to disclose more details about its employee engagement survey findings.

Samsung Electronics:

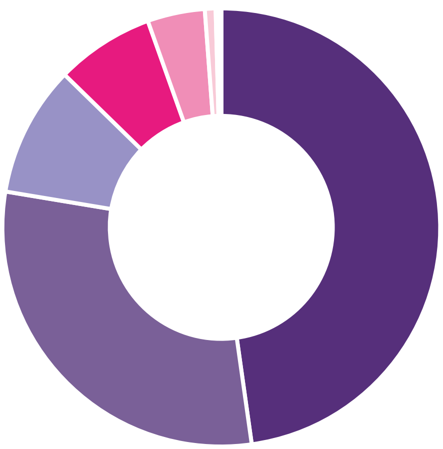
The manager voted against the election of Samsung Electronics' newly nominated independent director, Jun-Sung Kim, due to concerns about the candidate's true independence and concerns about overall board diversity. Samsung argued that the election of Jun-Sung Kim, a former Chief Investment Officer at Samsung Asset Management and former Managing Director at GIC, would bring an investor's perspective to the board. However, the company's inadequate disclosure about his previous role as the Chief Investment Officer at Samsung Asset Management provided insufficient information for them to conclude that he would be truly independent of management. Samsung argued that as he worked for this subsidiary nine years ago, it was unnecessary to provide information regarding his role to shareholders. JPMAM urged the company to include more details about the backgrounds of director candidates in future.

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 April 2022 - 30 June 2022).

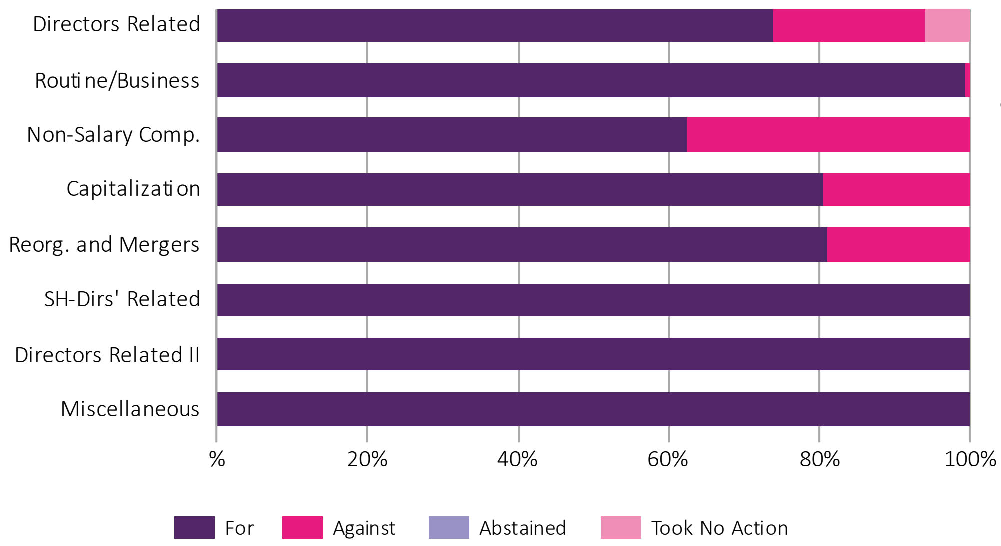
Proposals Breakdown



Directors Related	237
Routine/Business	148
Non-Salary Comp.	48
Capitalization	36
Reorg. and Mergers	21
SH-Dirs' Related	4
Directors Related II	1
Miscellaneous	1

Source: London CIV data as at 30 June 2022

Voting Instruction Breakdown



Source: London CIV data as at 30 June 2022

Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/11551

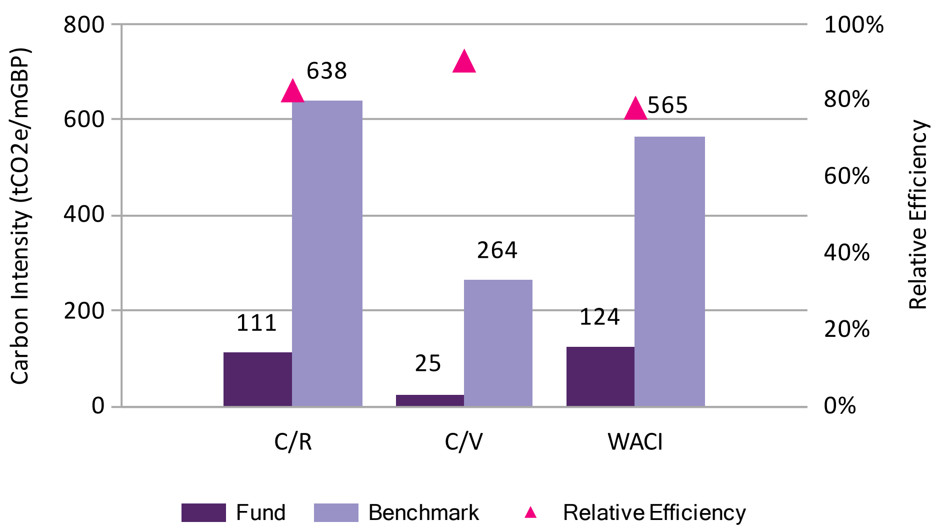
LCIV Emerging Market Equity Fund: ESG Summary

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 climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

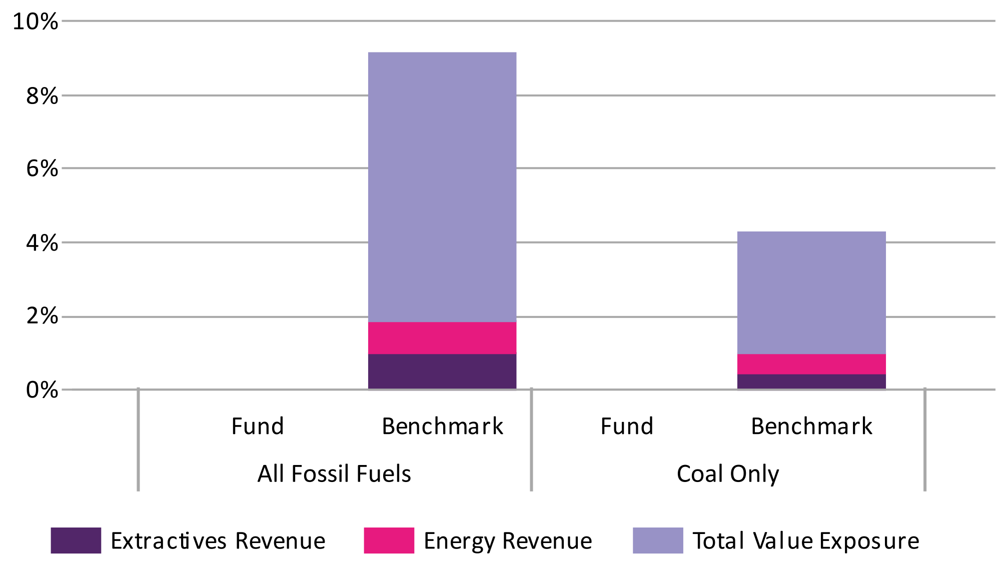
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 30 June 2022

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 30 June 2022

The benchmark used in the above is MSCI Emerging Markets

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	-16.83%	No
Kweichow Moutai Co., Ltd.	387.89	-5.03%	No
ITC Limited	676.65	-4.00%	Yes
LG Chem, Ltd.	676.58	-3.93%	No
Budweiser Brewing Company APAC Limited	364.25	-3.80%	No
Samsung Electronics Co., Ltd.	192.48	-3.38%	No
Yum China Holdings, Inc.	371.83	-2.52%	No
Foshan Haitian Flavouring and Food Company Ltd.	317.69	-1.70%	No
Sands China Ltd.	398.03	-1.38%	No
Ambev S.A.	350.50	-1.32%	No

LCIV MAC Fund

Quarterly Summary as at 30 June 2022

Total Fund Value:

£1,153.3m

Inception date:	31/05/2018
Price:	96.75p
Distribution frequency:	Annually
Next XD date:	03/01/2023
Pay date:	28/02/2023
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 less than 8%, on an annualised basis over a rolling 4 year period, net of fees.

The ACS Manager currently intends to invest the Sub-fund through: i) a delegated arrangement with an investment manager, PIMCO Europe Ltd; and ii) one collective scheme, the CQS Credit Multi-Asset Fund a sub-fund of CQS Global Funds (Ireland) p.l.c, an alternative investment fund, authorised by the Central Bank of Ireland. The portfolio is expected to be realigned within three to six months following 28 February 2022.

Enfield Valuation:

£51.6m

Enfield investment date: 30/11/2018

This is equivalent to 4.48% of the Fund

Distribution option: Reinvest

Est. distribution to be reinvested: Nil

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	(7.83)	(7.51)	0.04	n/a	0.93	0.90
Investment Objective*	1.33	4.89	4.87	n/a	4.99	4.95
Relative to Investment Objective	(9.16)	(12.40)	(4.83)	n/a	(4.06)	(4.05)

** Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)*

† Please note the benchmark changed from the London Interbank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA) with an effective date 1 January 2022 all benchmark past performance prior to this date continues to be calculated against LIBOR.

LCIV MAC Fund

Performance

The Sub-fund returned -7.8% over the second quarter, a -9.2% return relative to its absolute return objective of SONIA + 4.5%. One-year returns for the Sub-fund are -7.5% an underperformance of -12.4% against the objective. The Sub-fund's returns since inception are also lagging its investment objective by -4.1% per annum.

Overall, credit markets had a brutal awakening in the first half of this year, due to rate increases and spread widening. Drawdowns were widespread across credit asset classes in Q2, compounding the first quarter's losses. These broad declines have resulted in negative returns across the different segments of the Sub-fund, but to a varying degree and at different conjunctures, owing to the addition of a new investment manager.

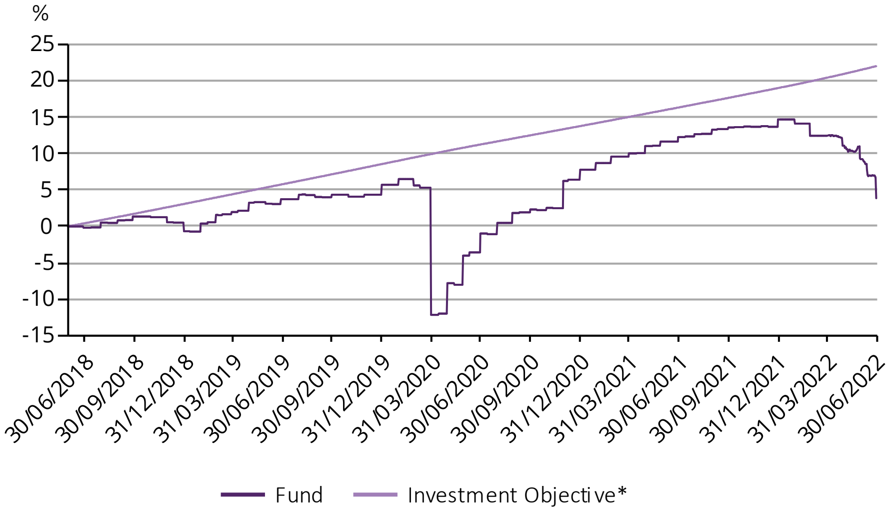
The quarter started with a continuation of inflation and policy tightening headwinds, resulting in short duration and riskier assets such as high yield outperforming (while declining) higher quality investment grade assets. As the narrative shifted from inflation to slower growth, longer duration and higher quality segments outperformed. This recovery in the relative performance of investment grade was not sufficient to offset losses incurred earlier in the quarter.

High yield was the largest detractor in the Sub-fund in Q2. In particular, European high yield faced major challenges due to higher recessionary risks.

Loans are a key asset class for the portfolio and fared better year-to-date than other credit markets leading up to April, due to their floating rate nature. However, as concerns about growth materialized, loans underperformed because they are perceived to be more exposed to default and downgrade risk than bonds.

Another asset class that disappointed was asset backed securities, despite better fundamentals. One key reason was the portfolio's exposure to European CLOs that faced significant repricing.

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: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)*

European financials were also a key detractor, as despite strong fundamentals, they were marked down due to macro headwinds and headlines related to U.S. stress tests results for Credit Suisse and HSBC.

Exposure to emerging market hard currency debt increased gradually over the quarter due to the addition of a new investment manager. This segment faced headwinds due to a strengthening US Dollar, geopolitical concerns and risks to growth. A significant part of the underperformance was due to the high duration of these markets.

The Sub-fund had one default in the incumbent manager's loan portfolio. The investment manager remains constructive on the outlook for the underlying

LCIV MAC Fund

business, LowenPlay, a German arcade operator. The Sub-fund's exit will be through a refinancing or sale of the business, expected in 2024.

Positioning

The Sub-fund has steadily continued its journey to an equal allocation across the two underlying investment managers. The tilt towards the incumbent investment manager is lower than at the beginning of the quarter and the final transition (roughly 5% of the Sub-fund) is expected to conclude in July.

The gradual transition of the Sub-fund has resulted in a more diversified exposure to key credit asset classes. This has resulted in the addition of exposure to investment grade credit and emerging markets debt. High yield is a key exposure across both underlying strategies, with a tilt to European high yield. Loans remain a key part of the portfolio.

As a result, in the long run (and as seen to a slight extent year-to-date), one part of the portfolio is expected to perform better when the outlook for growth is stable, due to its focus on higher yielding sub-investment grade credit. Conversely, the addition of investment grade debt should help insulate the Sub-fund when risks to borrowers are relatively high.

Within high yield, while the investment managers are alert to the risk of recession in Europe, they both have a bias in favour of the region. This bias is not too surprising given the wider spreads, and more importantly, the view, based on fundamentals, that Europe offers better risk adjusted returns. Low U.S. exposure could be a headwind if the outlook for Europe deteriorates further due to the higher quality ratings of the U.S. high yield market.

One difference within high yield across the two portfolios is the preference for higher rated issues by the new investment manager. The incumbent investment manager believes that lower rated holdings offer better relative value, particularly in the U.S.

Along with high yield, European financials are part of both underlying strategies. The investment managers perceive this to be a less risky part of the market which has endured repricing that does not reflect the strength of the underlying fundamentals.

Emerging market debt is another key addition to the portfolio. In addition to adding geographical diversification, the new investment manager believes that good credit selection will lead to attractive risk adjusted returns.

Overall, both investment managers believe that investors are pricing in default rates which are excessive relative to fundamentals, and that credit markets are offering an excellent opportunity. The new investment manager is predominantly focused on higher rated issues, even within high yield. The incumbent investment manager is more focused on lower rated credits and has thus far faced just one default. We expect the investment manager to keep defaults well below the rate for the broader market, as they have done over the long term. However, we do expect overall default rates to pick up from here, making diligent credit selection instrumental to performance.

London CIV Summary

The Sub-fund significantly underperformed its absolute return target. However, the performance of the underlying portfolios was broadly a reflection of the volatility in mark to market pricing and unusually high corelation of returns in credit markets. Defaults and downgrades have not had a meaningful impact on performance this year.

The Sub-fund has gradually increased its exposure to the new investment manager. This has expanded the breadth of the Sub-fund and improved its capacity to achieve the performance objective over four-year periods.

LCIV MAC Fund

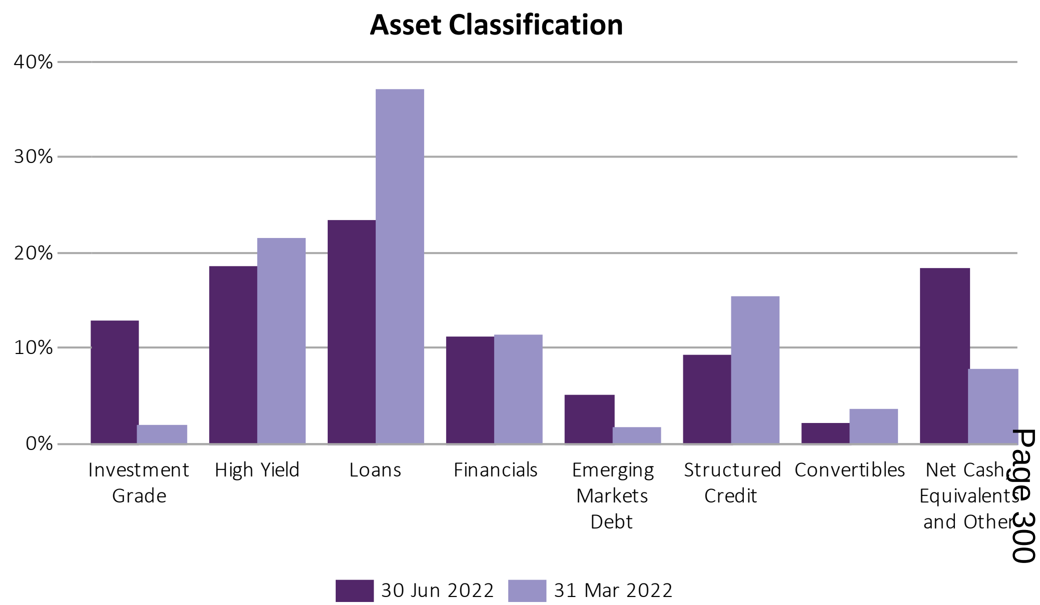
Peer Analysis

Peer Analysis has not been included in this report. This is because of concerns about the accuracy of data. We will resolve these issues and reinstate the Peer Analysis in our next report.

LCIV MAC Fund: Portfolio Characteristics

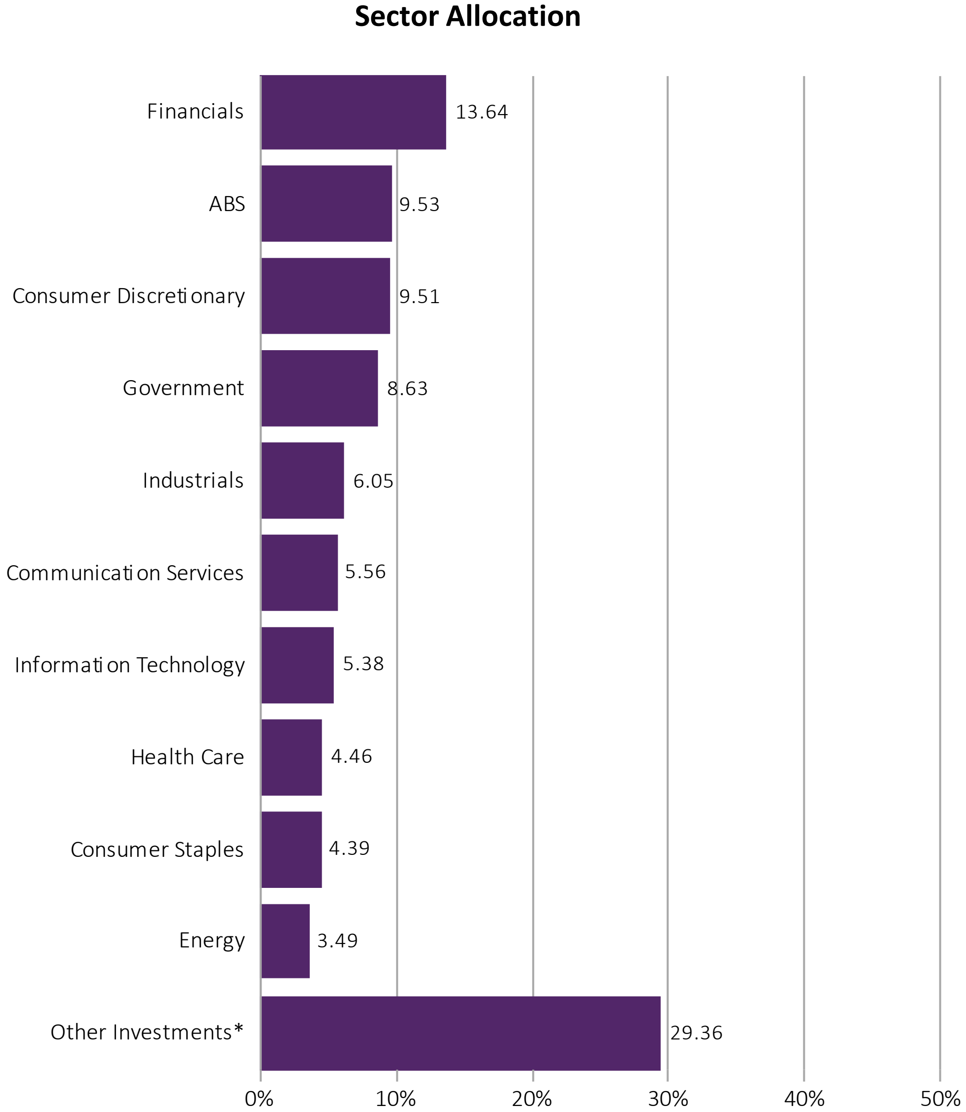
Key Statistics

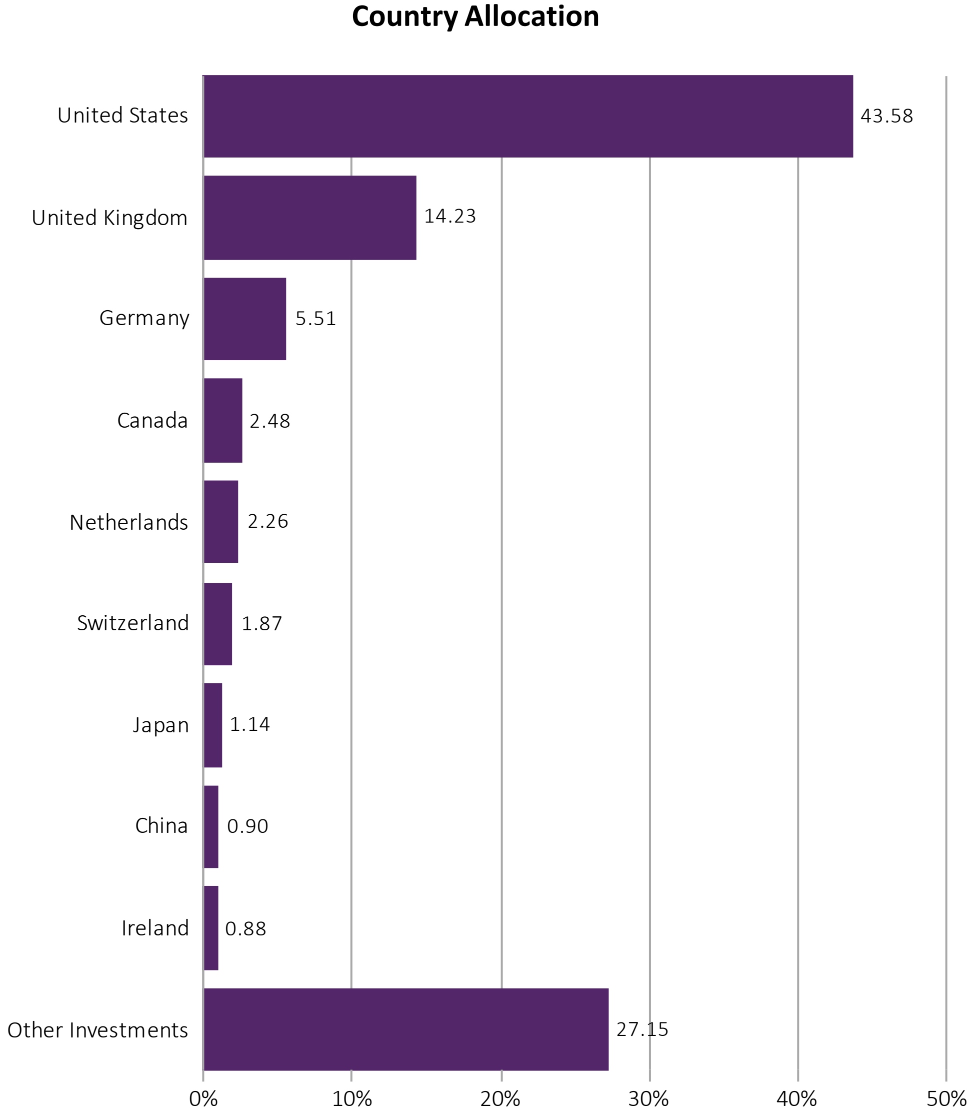
	PIMCO	CQS	LCIV MAC Fund
Weighted Average Rating	A	B+	BB+
Yield to Maturity (%)	7.03	9.92	8.62
Interest Rate Duration (yrs)	4.81	0.94	2.68
Spread Duration (yrs)	4.2	3.25	3.68



Source: CQS and PIMCO. For definitions of key statistics, please refer to the glossary.
All graphs/figures are net exposures shown as a % of NAV.

LCIV MAC Fund: Portfolio Characteristics





Source: CQS and PIMCO

All graphs/figures are net exposures shown as a % of NAV.

**Includes Cash & Cash Equivalents and Derivatives*

LCIV MAC Fund: ESG Summary

ESG Activity for the Quarter

CQS informed us that they have improved their proprietary climate data coverage for the CQS Credit Multi Asset Fund to 97% (excluding Asset Back Securities) from 90% reported last quarter. CQS stated that as a part of their Climate Targeted Engagement Programme, they will now perform targeted engagements for all portfolio companies with no decarbonisation targets in place and/or companies who do not disclose their carbon emissions.

CQS is seeking to improve reported emissions coverage as mentioned above. An example of this is their engagement with CentroMotion. CQS notes that after engagement, the company soon released its first ESG report, and as a result CQS has incorporated their published carbon emission data. In addition, CQS is engaging with them to encourage carbon emission reduction target setting and have offered support to assist.

CQS also engaged with Veolia in May 2022 to understand their strategy to reduce their emission to align with 1.5 degrees pathway. Veolia explained to CQS that they are considering options to reduce their emissions such as moving away from coal in China and carbon capture projects in LATAM. CQS explains that the company has a plan to accelerate biogas recovery and a waste treatment strategy. CQS stated that currently the company has not planned an exit from coal but they will seek to repurpose the plant. Veolia will be relaying CQS's feedback regarding waste management, coal usage and long-term decarbonisation targets to the relevant working groups.

PIMCO provided an engagement example for CPI Property. The investment manager explains that the German-Czech Republic real estate company invests mainly in Central and Eastern Europe. The region is currently still in the early stages of ESG development compared to Western Europe. PIMCO had previous interaction with CPI's green bond program and ESG strategy. The investment manager provided their guidance on best practices when issuing sustainability-linked bonds, including an explicit link to GHG emissions reduction targets. In January 2022, CPI issued its first Sustainability-Linked Bond, with a strong focus and comprehensive scope on reduction in carbon emissions. CPI is in the process of gaining validation by the Science Based Targets initiative (SBTi) that its emission reduction goal is aligned with the Paris Agreement. PIMCO explains that the proceeds will be allocated to green buildings and energy efficiency projects. CPI will aim to target LEED certifications of Gold or above and BREEAM certifications of "Very good" or above.

The second engagement example provided was for UBS. PIMCO states that UBS is currently still lagging on ESG-labelled debt issuance. The investment manager met with UBS to share best practices when issuing ESG bonds as well as discussing UBS's Net Zero strategy. PIMCO informed us that UBS issued its inaugural ESG-labelled bond last year with proceeds used to finance Swiss real estate projects demonstrating the strongest ESG credentials. UBS's issuance was then followed by their commitment to achieve net zero emissions for all of its activities and to set interim SBTi goals.

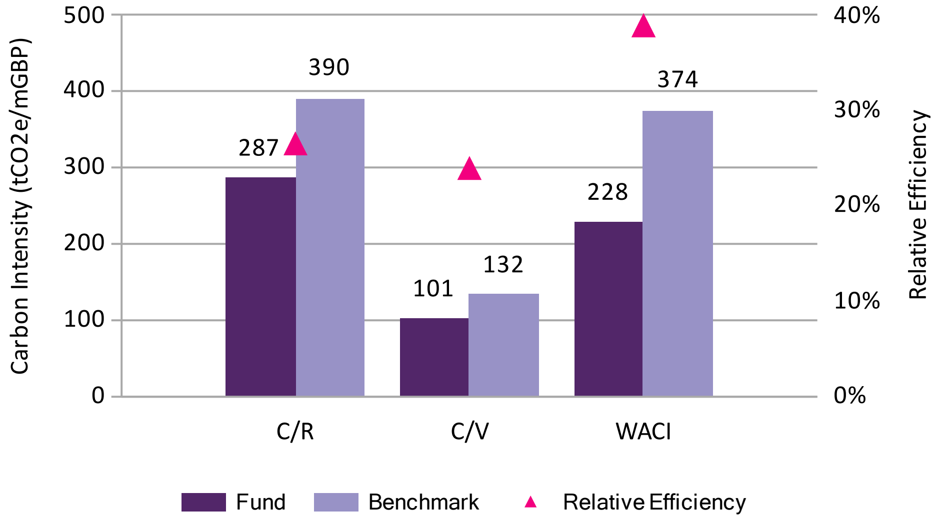
LCIV MAC Fund: ESG Summary

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 climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

Carbon Performance

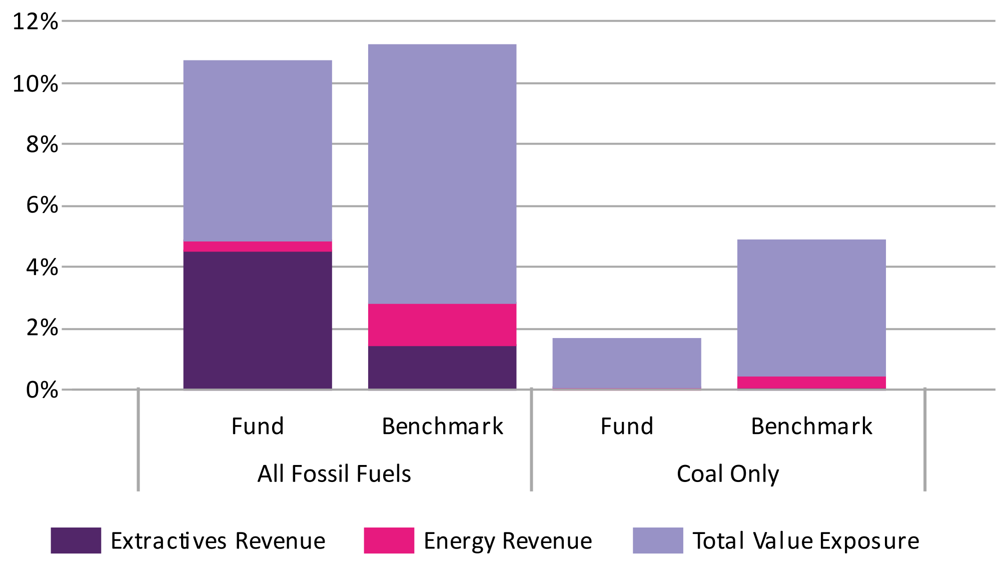
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.



Source: London CIV based on Trucost data as at 30 June 2022

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 30 June 2022

The benchmark used in the above is Bloomberg Global Aggregate Corporate Total Return Index

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+
Cheniere Energy Partners, L.P.	1,503.31	-6.74%	No
Petrobras SA	1,805.47	-6.14%	Yes
FirstEnergy Corp.	2,113.26	-5.59%	Yes
Occidental Petroleum Corporation	1,830.19	-4.66%	Yes
Continental Resources, Inc.	1,348.69	-4.58%	No
Delek Group Ltd.	983.52	-3.35%	No
Tullow Oil plc	2,038.78	-3.32%	No
Marubeni Corporation	581.79	-2.96%	No
Danaos Corporation	1,630.61	-2.88%	No
Avantor, Inc.	749.80	-2.09%	No

Top Contributors - Fossil Fuel Revenues

The table below shows the companies with the most significant weighted average fossil fuel revenues. The degree to which 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+
EQT Corporation	99.69%	1.111%	No
Continental Resources, Inc.	100.00%	0.926%	No
Occidental Petroleum Corporation	79.89%	0.528%	Yes
Delek Group Ltd.	52.21%	0.524%	No
Transocean Ltd.	100.00%	0.497%	No
Tullow Oil plc	100.00%	0.417%	No
APA Corporation	91.03%	0.216%	No
Marubeni Corporation	8.16%	0.153%	No
Pioneer Natural Resources Company	100.00%	0.139%	No
Nabors Industries Ltd.	87.10%	0.090%	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.

	31 March 2022	30 June 2022
Blackrock	**£**	**£**
ACS WORLD LOW CARBON EQ TKR FD X2	256,147,801	228,037,984
AQ LIFE UP TO 5YR UK GILT IDX S1	55,216,330	54,808,398
AQUILA LIFE ALL STK UK ILG IDX S1	37,188,555	30,617,998
Total	**348,552,686**	**313,464,380**

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 CO_2e by the apportioned annual revenues
    - Carbon to Value Invested (C/V): Dividing the apportioned CO_2e 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).

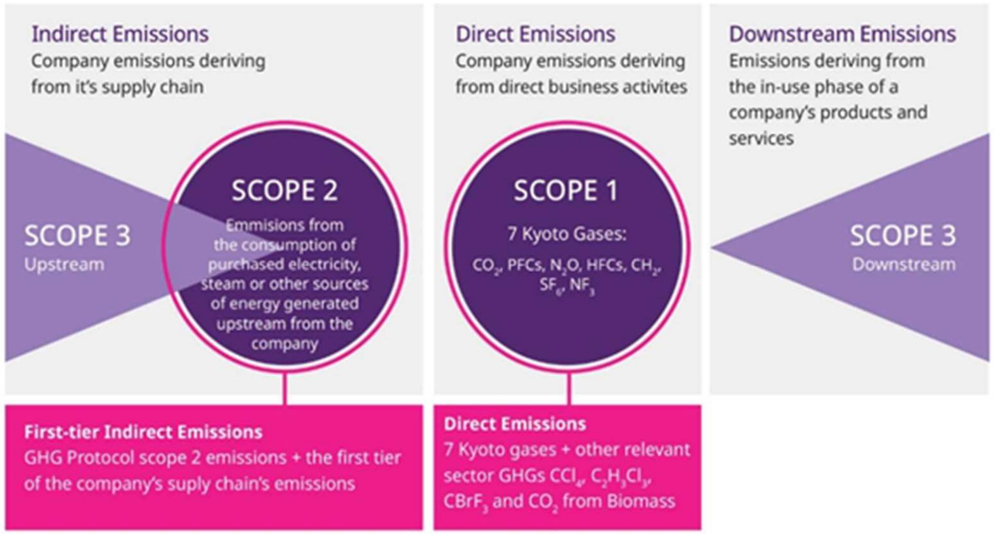
  C/R gives an indication of carbon efficiency with respect to output (as revenues are closely linked to productivity). C/V gives an indication of efficiency with respect to shareholder value creation. The WACI approach circumvents the need for apportioning ownership of carbon or revenues to individual 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 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 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-

Glossary of Terms

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. 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.
- **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.

Glossary of Terms

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 Alternative Credit Fund
- List of ACS Sub-funds multi strategy **current Underlying Investment Managers**:
  - CQS (UK) LLP and PIMCO Europe Limited for LCIV MAC Fund
- **Volatility Risk** A measure of the total risk in an investment portfolio. This is shown in percentage terms.

Glossary of 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.

Disclaimer

London CIV
22 Lavington Street
London
SE1 0NZ

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Compliance code: 2022177

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Treasury Management Strategy for Enfield Pension Fund For 2022/23 to 2024/25**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report sets out the Annual Treasury Management Strategy for the Pension Fund for 2022/23 to 2024/25 and the context in which the strategy is being set.

Proposal(s)

2. Pension Policy and Investments Committee is recommended to

a) agree the Treasury Management Strategy for the Pension Fund for 2022/23 to 2024/25

b) delegate responsibility for Pension Fund treasury management to the Executive Director of Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as necessary inline with the Council's own creditworthiness policy.

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. The Pension Fund has cash deposits with the investment managers, the Fund's custodian and the Council for pension administrative processing along with deposits held within the Pension Fund's own bank account managed within the Council's Treasury function.

9. The purpose of this report is to set out treasury management policies in respect of the cash held in the Pension Fund's own bank account managed by Council officers. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010 which came into force 1st January 2010, included regulations for Pension Funds to have segregated pension fund bank accounts in order to ensure improved pension fund governance and to have formulated an agreed policy for the investment of its pension fund money.

10. The Enfield Pension Fund has maintained a separate bank account for a number of years, with surplus cash invested separately to the Council's General Fund and formulated its own Treasury Management Strategy for the Pension Fund. Given the need to ensure proper governance of the Fund, it is therefore appropriate to review the arrangements for the management of Pension Fund cash and the Treasury Management Strategy for the Pension Fund for the financial year 2022/23 to 2024/25.

11. The factors affecting the Pension Fund cash are contained in the background information below and a draft Pension Fund Treasury Management Strategy is attached as an appendix to this report.

12. The Pension Fund has for a number of years operated with a separate bank account, as this helps to ensure direct accountability of Pension Fund monies. The Council manages the cash held in the Pension Fund bank account with sums being invested separately to the main Council monies.

13. The Treasury Management Strategy developed for the Council with a restricted list of counterparties, is equally applied to the Pension Fund, therefore the Pension Fund cash would not be invested with a counterparty that is not included on the wider Council lending list.

14. The Pension Fund Account, has been provided by HSBC Banking Group PLC has been reappointed as the Council banking provider following a tender exercise at the end of 2014.

15. The Treasury Management Strategy for the Pension Fund is designed to ensure that the Pension Fund has clear guidelines on its treasury management which are distinct from the Council, but which are compatible with wider Council treasury management policies and practices. CIPFA has defined Treasury Management as: *"the management of the organisation's cash flows, its banking, money market and capital market transactions; the*

effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

16. The Pension Fund Treasury Management Strategy sets out percentage limits for cash managed by the Council, how it is to be invested and policies for distribution of surplus cash to the fund's external managers for investment. Also on the agenda for the Committee is the Pension Fund Risk Register which includes the risks surrounding the use of third party providers, which would include the counterparties for cash management and the control mechanisms in place for managing such risks.

17. Following a recent tendering exercise by the Council for Pension Fund custodian services, a new provider, HSBC, was appointed. Work has been undertaken to facilitate the transition from the previous custodians, State Street, to HSBC. The new Pension fund custodian contract with HSBC has been implemented and operational from the 1st October 2014.

18. Pension Fund cash required by fund managers, but not currently invested in their respective asset classes, is held in a segregated account by the Fund's custodian, HSBC. Cash balances may arise for timing reasons on income, sales and purchases or because a manager wants to hold cash for tactical reasons, such as market conditions. Cash balances are swept in or out of a money market fund on a daily basis to maximise the available yield.

19. In addition to the cash held by HSBC, cash is also held by the Fund's pension scheme administrators in a separate designated account with Lloyds Banking Group. The pension administrators collect the pension contributions on a monthly basis as well as receiving money from transfers. From the contributions and transfers collected, the administrator pays pension benefits and also transfers out, where scheme members move to new employment.

20. Officers of the Council monitor the level of cash held on a monthly basis to ensure that sufficient liquidity is retained by the administrators as required to fulfil their functions. Where sums collected exceed the requirements to pay out benefits and transfers, then excess cash is returned to the Pension Fund bank account managed by the Council or where sums fall below certain levels, cash will be transferred back to the administrators to ensure that they have sufficient cash to meet demands benefit and transfer payments.

21. The treasury management strategy for the Pension Fund is reviewed on an ongoing basis taking into account changes to the overriding strategy adopted by the Administering Authority and changes in financial conditions. The Treasury Management Strategy is reviewed annually by the Pensions Committee to ensure that the Strategy remains appropriate to the needs of the Fund.

Safeguarding Implications

22. None.

Public Health Implications

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

Equalities Impact of the Proposal

24. 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

25. 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

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

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

28. 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

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

Financial Implications

30. It is important to recognise that the Pension Policy and Investment Committee needs to be aware of how cash is being invested outside of the main asset classes and to satisfy themselves that appropriate steps are taken to ensure the security of any deposits.

31. There are no immediate implications arising from consideration of this report or its recommendations, however, the report and associated treasury strategy will help to ensure good governance of the Fund and ensure that the Committee are informed about all aspects of Pension Fund management.

Legal Implications

32. Pursuant to Regulation 11 of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2009, the Pension Fund must invest, in accordance with its investment policy, any fund money that is not needed immediately to make payments from the fund.

33. The Pension Policy and Investment Committee act as quasi trustees of the Pension Fund and this report, and the proposed Treasury Management Strategy, help to fulfil their role in respect of the cash management of the Fund.

34. There are no immediate legal implications arising from this report.

Workforce Implications

35. 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

36. None

Other Implications

37. None

Options Considered

38. No alternative options considered.

Conclusions

39. 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.

Report Author: Bola Tobun
Finance Manager – Pensions & Treasury
Bola.Tobun@enfield.gov.uk
Tel no. 020 8132 1588
Date of report 14th September 2022

Appendices
Appendix 1 – Draft Pension Fund Treasury Management Policy 2022/23 – 2024/25

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Appendix 1

London Borough of Enfield Pension Fund Treasury Management Strategy 2022/23 – 2024/25

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

Pension Policy and Investment Committee

PENSION FUND TREASURY MANAGEMENT STRATEGY

The Pension Fund has sums invested in a wide range of assets; cash deposits are one of the asset classes that the Fund can hold investments in.
The Pension Fund Statement of Investment Statement Strategy (ISS), copies of which can be found on the website sets out in greater detail the principles governing the decision making approach on investment of the Pension Fund and how funds will be invested. The following strategy outlines in particular how cash deposits are held, where they should be invested and criteria for investing.

The general principles adopted by the Pension Fund are in line with the wider treasury management strategies adopted by the Fund's Administering Authority, the London Borough of Enfield.

CIPFA has defined Treasury Management as:
"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The main risks to the Pension Fund's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
- Credit and Counterparty Risk (Security of Investments)
- Legal & Regulatory Risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

Investment Policy

There are three aspects to cash management within the Pension Fund, dependent on where the cash is held, namely:

i) cash held on the Pension Fund bank account that is managed using a range of term and overnight deposits by the London Borough of Enfield Corporate Finance,
ii) cash held by the Pension Fund custodian, Northern Trust which is awaiting investment by the Fund's external fund managers
iii) cash held by the Pension Fund, in order to meet benefit payments and transfers to other pension funds on behalf of former members

The Pension Fund's general policy objective is to invest its surplus funds prudently. The Pension Fund's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

Cash held for Pension Fund Administrating purposes and Cash managed by the Council's

The Pension Fund holds cash for administration process. This enables the administrators to pay benefits on behalf of the Pension Fund, and to make transfer payments to other funds when required for former employees transferring their pension benefits to a new employer. The level of cash is monitored on a monthly basis by officers of the Council to ensure that sufficient cash is held for administration cash requirements, with any surplus cash being returned to the Pension Fund bank account managed by the Council for in-house cash management.

The Pension Fund will maintain a counterparty list based on the Council's lending criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include, for example:

- Credit Ratings (minimum long-term A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices (where quoted)
- Macro-economic indicators
- Corporate developments, news and articles and market sentiment

There may however be occasions when the Executive Director of Resources is called upon to use the delegated powers with respect to Treasury to go outside the published Treasury Management Strategy. These are however only ever likely to be in exceptional circumstances and any decision will be in conjunction with professional advice and be properly recorded.

The Executive Director of Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements.

The Pension Fund's shorter term cashflow investments are made with reference to the outlook for the UK Bank Rate and money market rates. For these monies, the Pension Fund will mainly invest in:

- Term Deposits with banks and building societies
- The Debt Management Agency Deposit Facility (DMADF)
- Business Reserve Accounts and Call Accounts
- Money Market Funds with a Constant Net Asset Value (CNAV)
- Money Market Funds with a Variable Net Asset Value (VNAV)
- Longer Term Investment Funds
- Other Local Authorities

Potential investment options for the longer term investment funds include property, diversified income, equity and bonds funds.
The allocation to these funds will be reviewed and amended to lock in achieved returns. Investments such as property and equities (company shares) do not generate linear returns –

there will be periods of over and under performance. Property and equities have performed well in recent years and given that there is concern that equities in particular will continue to outperform without some losses at some point a cautious approach will be adopted initially in respect to equities.

For credit rated counterparties, the minimum criteria will be the short-term, long-term and support ratings assigned by all three main agencies, Fitch, Moody’s and Standard & Poor’s.

The credit rating criteria used for placing deposits will be in line with those of the main Council and a lending list outlining counterparties is updated to reflect any changes made to credit ratings. The Pension Fund will use the same counterparty criteria as the Council when making deposits of Pension Fund cash.

When a counterparty/country is upgraded, and meets the Council’s other creditworthiness criteria, it will be added to the lending list. Alternatively, if any counterparty/country is downgraded, they will be excluded from the list immediately and any outstanding investments will be left to maturity date, but no new investments will be made with the counterparty. In normal market conditions, no investments will be made with any other bank.

However, the Executive Director of Resources may from time to time agree to invest or retain investments with a bank that falls below the minimum criteria where the risk to such an investment is assessed as being minimal. Such investments will only be undertaken after due consideration of the facts and under delegated powers to the Executive Director of Resources.

Approved agreements are currently in place with the same bank as the Council for the conduct of banking business for the Pension Fund. The Executive Director of Resources is authorised to negotiate appropriate changes to the mandates which may be needed to cover any exceptional market circumstances to protect the Council’s finances.

Limits on cash held on deposit and the terms are set out in the below:

- Sufficient cash held on deposit either within the Pension Fund or at the Pension Fund administrators to cover one to two months’ worth of benefit and transfer payments, with monies to be invested overnight or on short term deposits;
- Surplus cash outside of that which is required for payment of benefits or transfers will be placed on deposit in accordance with the lending list until such time as the funds are distributed to fund managers for investment; and
- Delegated powers have been given to the Executive Director of Resources to distribute surplus cash to fund managers in accordance with asset allocation benchmarks which have previously been determined by the Pension Policy & Investment Committee.

Cash Held by the Fund Custodian

The Fund’s custodian, Northern Trust, holds cash on behalf of the Pension Fund awaiting investment by the Fund’s external fund managers. Currently surplus cash held by the custodian denominated in GBP is swept in or out of a money market fund on a daily basis to maximise the available yield on cash. Cash held with the custodian is typically 1-3% of the total value of the Fund’s assets.

The Fund reviews annually a report on the internal controls of Northern Trust as a service organisation, which is an external audited report detailing the key controls and procedures that the Custodian has in place. In addition to setting out the key operating controls it also details the governance structure. The report helps to provide assurance that there is adequate protection for the Fund's assets and records, ensuring that all transactions are properly recorded where the Custodian has management of the Pension Fund's assets.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Draft Enfield Pension Fund Annual Report and Accounts 2021/22**
Cabinet Member:	**Cllr Leaver**
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 2021/22 in accordance with regulations and the arrangements for the separate audit engagement, opinion and certificate for the Fund.

2. The Pension Fund Accounts 2021/22 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 £117m over the year	The net asset statement represents the net worth (£1,523m) of the Fund. This increase was due to the outperformance of the global equity market.
PIRC ranked the Fund 39th in their league table with return on investment of 9.1% for 2021/22	The PIRC average universe for local authority Pension Fund returns in 2021/22 was 8.6%. The Enfield Pension Fund had a return on investment of 9.1% and ranked 39th in the performance league. Looking at the longer-term performance, the 3 year return for the Fund was 8.6% p.a. compared with 8.3% delivered by the PIRC average universe return and for over five years, the Fund posted a return of 7% p.a. under performing the PIRC average universe of 7.1% by 0.1%.
The valuation update results as at 31st March 2022 demonstrated a Funding level of 112%, given rise to a fund surplus of £159m.	At the last formal valuation (31st March 2019) the Fund assets were £1,186m and the liabilities were £1,146m, exhibiting a surplus of £39m which gave rise to a funding level of 103%. An estimated valuation update was carried out as at 31 March 2022, the outcome gave rise to a fund surplus of £159m with a stronger funding level of 112%.

Proposal(s)

3. Members are recommended to:

a) Note the contents of this report;

b) Note the Pension Fund Accounts for 2021/22, set at Section 2 of the Pension Fund Annual Report attached as Appendix A to this report;

c) Consider and approve the draft Enfield Pension Fund Annual Report and Accounts for 2021/22 attached as Appendix A to this report;

d) 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 2021/22, set in section 31 to 34 and Appendix B of this report.

e) Delegate completion, approval, the publication and distribution of the annual report to interested parties once the audit process is complete to the Executive Director of Resources in consultation with Chair and Vice Chair.

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 £117m in the financial year. The improvement was due to the out 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 (£1,523m) of the Fund as at the 31st March 2022. 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 the receipt of contributions exceeds payments, which stood at £3.25m net additions for 2021/22 compared to net addition of £5.5m in 2020/21.

17. Investment income increased by some £3.45m 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 lesser by £2.5m 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 increased over the year by £401k.

18. In 2021/22 the overall expenditure increased by some £2.625m. The major contributors were the overall benefits paid which increased by some £2.5m over the year. The management expenses went up by £541k.

19. Overall, fund membership has increased slightly from 23,690 to 24,646, an increase in membership number of 956. The active members increased by 182 members over the year, deferred members increased by 440 and the retired membership increased by 334 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.

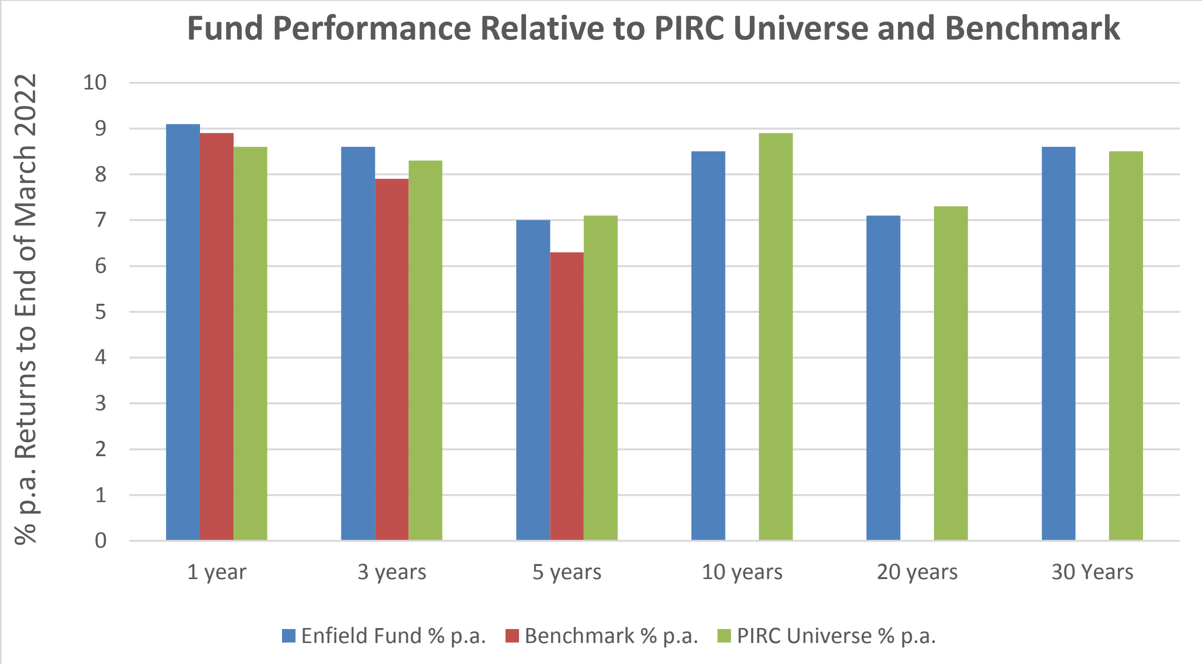
30. The Governance Compliance Statement sets out the Council's policy as the administering authority in relation to its governance responsibilities for the Fund.

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. Fund Performance 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.	9.1	8.6	7.0	8.5	7.1	8.6
Benchmark % p.a.	8.9	7.9	6.3	-	-	-
PIRC Universe % p.a.	8.6	8.3	7.1	8.9	7.3	8.5
Ranking	39	48	53	66	56	36



33. The PIRC universe average for local authority Pension Fund returns for 2021/22 was 8.6% and ranked at 39th position on the league table for this period comparing this return with the Fund benchmark return of 8.9%, the Fund outperformed its benchmark and the PIRC universe average by generated 9.1% return for the period.

34. The PIRC universe 3-year average performance return for 2021/22 was 8.3% and the Fund benchmark return was 7.9%, the Enfield Fund out performed its benchmark by 0.7% and out performed the PIRC universe by 0.3% and was ranked in 48th position for this period.

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 112% compared to 103% funding level of, the last Fund formal valuation of 31 March 2019. The Fund is currently undergoing 2022 triennial valuation and the initial results will be table at this meeting by the Fund actuary.

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 2022 gave rise to a fund surplus of some £159m as at 31st March 2022, as shown in the below:

Funding Position – Ongoing funding target from 31 March 2019

Funding level

112%

31 Mar 2022

▲ 9%
vs 31 Mar 2019

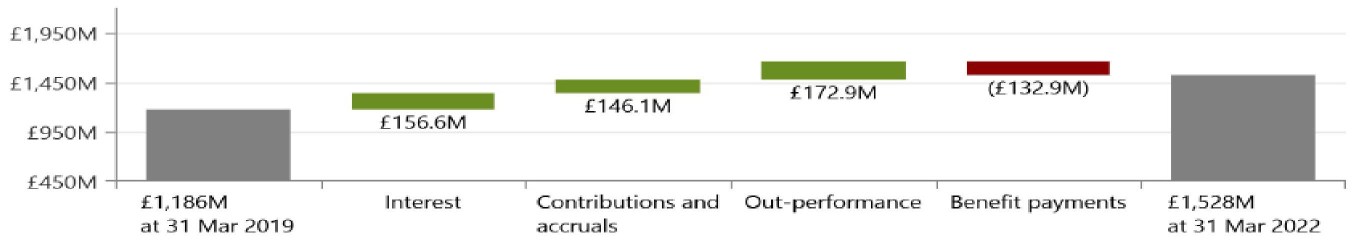
Surplus

£159M

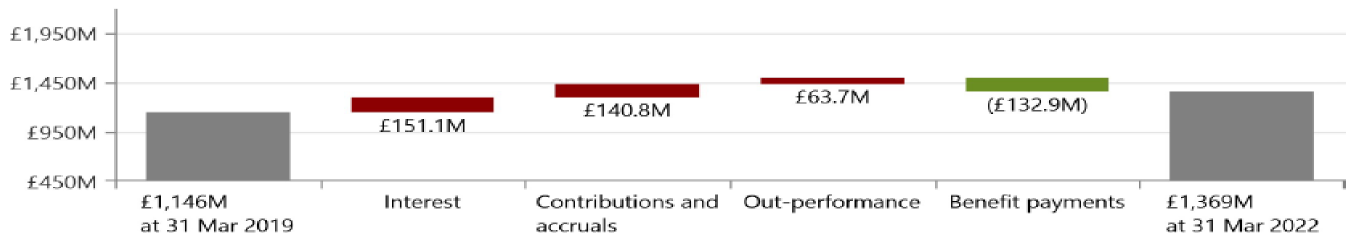
31 Mar 2022

▲ £120M
vs 31 Mar 2019

Change in asset value since 31 March 2019



Change in liability value since 31 March 2019



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 2022 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. 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.

47. 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.

48. 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.

Workforce Implications

49. 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

50. None

Options Considered

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

Conclusions

52. Fund assets increased by £117m over the year. The net asset statement represents the net worth (£1,523m) of the Fund. This improvement was because of the market performance.

53. The PIRC average universe for Local Authority Pension Fund returns in 2021/22 was 8.6%. The Enfield Pension Fund had a return on investment of 9.1% and ranked 39th in the performance league. Looking at the longer-term

performance, for three year return PIRC average universe returns was 8.3%, ranked the Fund 48th in their league table with return on investment of 8.6% per annum and for five year return, PIRC average universe return was 7.1%, ranked the Fund 53rd in their league table with return on investment of 7% per annum.

54. The Fund outperformed its benchmark by returning 9.1% compared to its benchmark return of 8.9% for the year 2021/22. For the three-year return, the Fund generated 8.6% per annum and its benchmark returned 7.9% and for over five years, the Fund posted a return of 7% p.a. outperforming its benchmark return of 6.3% by 0.7% per annum.

55. The estimated valuation updates as at 31st March 2022 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 9% from 103% to 112%, this improvement also gave rise to a significant surplus of some £159m from £39m.

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

Date of report 14th September 2022

Appendices
Appendix A – Draft Pension Fund Annual Report and Accounts For 2021/22
Appendix B – PIRC UK Local Authority League table for 2021/22

Background Papers - None

London Borough of Enfield Pension Fund
2021/22 Draft 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

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 5

Report from Chair of Pension Policy & Investment Committee – Cllr Doug Taylor

Welcome to Enfield Pension Fund Annual Report for 2021/22

As Chair of the Enfield Pension Fund (EPF) Committee, I have the pleasure in introducing the Pension Fund's Annual Report and Accounts for 2021/22.

The membership of the Enfield Pension Fund at 31 March 2022 was 24,646 people (active:7,952, deferred: 7,789, undecided/frozen: 2,709 and pensioners: 6,196) and with 59 employer organisations, with £1.523bn funds under management at 31 March 2022 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 24.8% to 20.2% for 2020/21 – 2022/23. Since 2019 economic conditions have changed considerably (largely because of the effects of the COVID crisis, Brexit and currently, high inflation). The Fund do receive an annual update of the funding position based on 2019 assumptions. I am pleased to report now that by end of 2021/22, due to significant positive investment performance the funding level had recovered strongly to an improved level of 112%, representing a surplus of £155 million as of 31st March 2022. The long term 19 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 2022 financial year had assets worth £1.523 billion with 24,596 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.

Enfield Pension Fund 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 2021/22 a total of £650m (42.5% of the Fund) was invested on the LCIV platform, in the following assets:

Investments	**£ million**
Active Emerging Market Equity Funds	32,252
Active Global Equity Funds	213,357
Active Multi Asset Credits	55,874
Total London CIV	**301,483**
*Passive Global Equities	256,178
*Passive Gilts/Index Link	92,405
Total Pooled Investments	**650,066**

*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 Doug Taylor
Chair-of the Enfield Pension Fund
September 2022

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 2022 %	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity)	50.7	40.0	8-11%	30-50%
Bonds	21.3	29.0	4-5%	19-39%
Inflation protection	7.9	10.0	-	
Hedge Funds	4.4	0.0	9-11%	10-20%
Property (UK)	4.8	5.0	9%	5-15%
Infrastructure/PFI	6.1	16.0	9%	3-9%
Cash	4.7	-	-	-
Total	**100.0**	**100.0**		

Source: Annual Accounts 21/22 & 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 2021/22 & LONGER TERM RETURNS % Source: PIRC – 2021/22 Annual Review

	2021/22 %	3yrs % p.a.	5yrs % p.a.	10yrs % p.a.	20yrs % p.a.	30yrs % p.a.
EQUITIES:						
UK	9.6	5.6	4.7	7.4	6.2	
Emerging	-9.6	4.1	4.5	6.3	8.4	
Global	8.4	11.5	9.6	11.7	6.4	
Total Equities	**7.6**	**10.2**	**8.4**	**10.6**	**8.0**	**9.2**
BONDS:						
UK Government	-4.2	-0.9	0.7			
UK Corporate	-3.5	2.5	2.7			
UK Indexed Linked	4.5	2.6	2.7			
Global bonds	-2.8	1.4	1.7			
Absolute Return	-0.5	2.5	2.3			
Private Debt	7.3					
MAC	-0.5	1.9				
Total Bonds	**-0.3**	**2.6**	**2.5**	**4.5**	**5.7**	**6.9**
Private Equity	**34.5**	**19.5**	**16.5**	**14.7**	**8.8**	
Infrastructure	**10.7**	**5.7**	**6.9**			
Hedge Funds	**5.4**	**4.9**	**3.2**			
Private Debt	**8.4**					
Property	**17.9**	**6.3**	**6.8**	**8.0**	**7.0**	**8.2**
Diversified Growth	**4.7**	**5.1**	**3.5**			
Total Alternatives	**19.0**	**11.0**	**9.8**	**10.0**	**7.6**	
Total Fund Average	**8.6**	**8.3**	**7.1**	**8.9**	**7.3**	**8.5**
RANGE OF RESULTS						
Top quartile	10.0	9.3	7.7	9.2	7.5	8.7
Median	8.0	8.6	7.0	8.8	7.1	8.4
Bottom quartile	6.0	7.6	6.5	8.3	6.9	8.2

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 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.*

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 9.1% in 2021/22.

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 2022

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
647	731	775	888	916	1,078	1,099	1,185	1,149	1,406	1,523

Source: Annual Accounts

Performance of Fund against other Local Government Pension Schemes (LGPS)

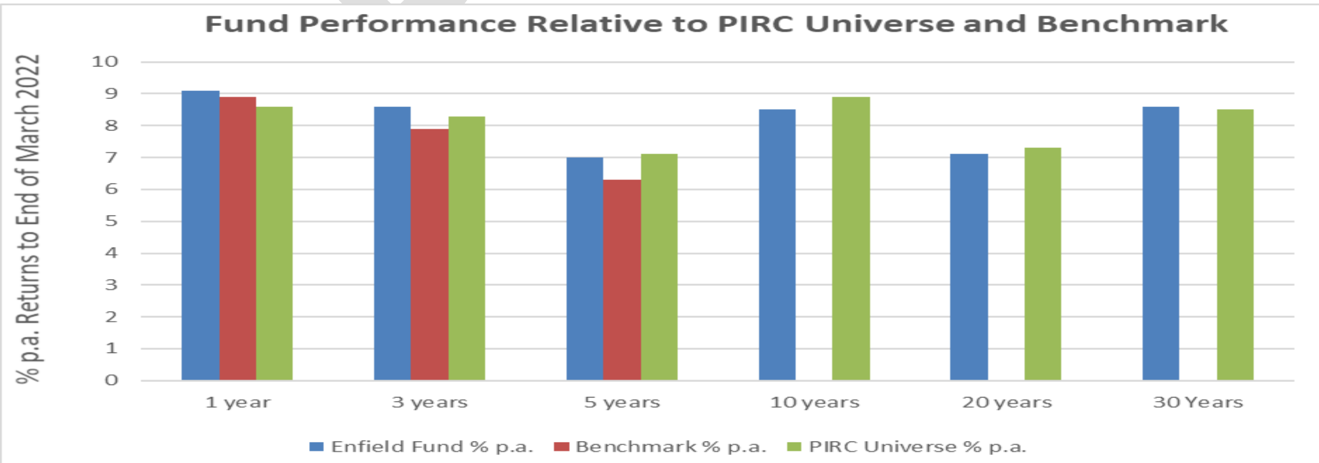
Fund performance

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.	9.1	8.6	7.0	8.5	7.1	8.6
Benchmark % p.a.	8.9	7.9	6.3	-	-	-
PIRC Universe % p.a.	8.6	8.3	7.1	8.9	7.3	8.5
Ranking	39	48	53	66	56	36

Source: PIRC 2021/22

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 2022 compared to the Enfield Fund			
	Local Authority Average	Enfield	Difference
	%	%	%
Equities (including private equity)	52	43	-9
Bonds	18	29	+11
Property	9	6	-3
Alternatives	17	17	0
Diversified Growth	2	-	-2
Cash	2	5	+3
	100	100	

Source PIRC/Annual Accounts

Movement of Funds into London Collective Investment (LCIV) Pool					
	Mandate	31 Mar 2019	31 Mar 2020	31 Mar 2021	31 Mar 2022
		£000's	£000's	£000's	£000's
Blackrock - UK	Passive Equity	12,022	9,782	-	-
Blackrock - Global	Passive Equity	155,836	148,736	-	-
Blackrock – Low Carbon GE	Passive Equity	-	-	220,602	256,178
Blackrock - Bonds	Passive ILB	89,072	90,762	91,750	92,405
LCIV - Baillie Gifford	Global Equity	75,336	74,376	116,232	108,834
LCIV – JP Morgan	Emerging Equity	28,156	23,420	35,927	32,252
LCIV - Longview	Global Equity	76,950	67,187	91,344	104,834
LCIV- CQS	Multi Asset Credit	50,696	43,676	54,707	55,874
		488,068	457,939	610,562	650,377
Percentage In LCIV		41.3%	40.3%	43.7%	42.6%

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		**Market value**
31 March 2021		**31 March 2022**
£000s		**£000s**
	Bonds	
2,758	UK Public sector quoted	2,758
49,038	UK Corporate quoted	49,038
1,324	Overseas Public sector quoted	1,324
46,090	Overseas Corporate quoted	46,090
99,209		93,110
	Equities	
48,424	UK –quoted	49,985
-	Overseas –quoted	-
48,424		49,985
	Pooled funds –additional analysis	
91,734	Indexed linked securities	92,389
-	Short dated fixed Income	48,675
602,281	Equities	655,909
34,431	Events driven fund hedge fund	34,250
78,638	Inflation opportunities fund	83,525
31,855	Absolute bond fund	32,396
30,153	Multi-strategy equity hedge fund	32,462
54,707	Multi asset credit fund	55,874
925,799		1,035,480
	Pooled property investments	
68,986	UK property investments	82,963
68,986		82,963
	Private equity	
7,936	Opportunistic property	9,410
22,776	European infrastructure	24,628
102,436	Fund of Funds global private equity	114,032
27,696	UK secured long income fund	38,439
160,844		186,509
	Derivatives- Assets	
5	Futures	97
44	Forward foreign exchange	4
49		101
1,303,312	**Total Investment Assets**	**1,448,148**
100,369	Cash deposits	73,478
2,445	Investment income due	1,973
240	Amounts receivable from sales	650
1,406,366		**1,524,014**
	Investment liabilities	
-	Derivatives- futures	-
(141)	Derivatives- forward foreign exchanges	(233)
(735)	Investment expenses	(785)
(876)		**(1,018)**
1,406,489	**Net investment assets**	**1,523,231**

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.

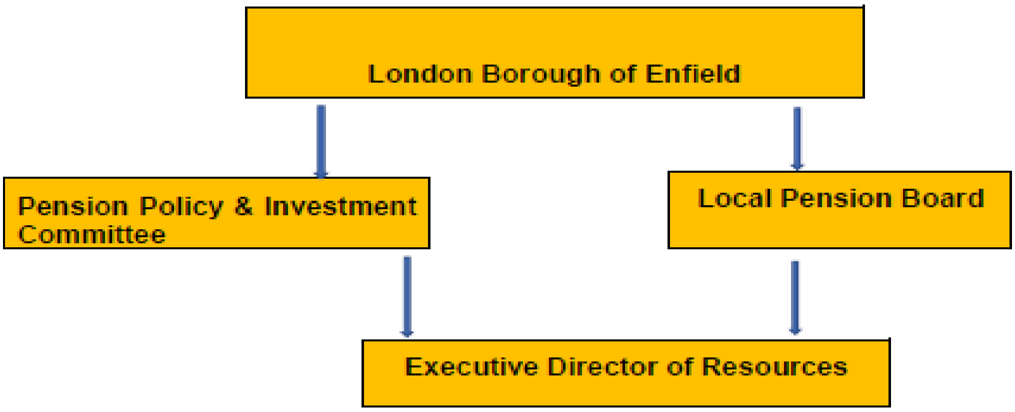
The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee and the new regulatory requirement is for a Pensions Board to assist the Authority in monitoring compliance with regulations 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 2021/22:

Cllr T. Leaver (Chair)
Cllr C. Stewart (Vice Chair)
Cllr T. Neville OBE JP
Cllr E. Smith
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 2021/22

Pension Policy & Investment Committee	10th June 2021	29th July 2021	30th Sept 2021	25th Nov. 2021	27th Jan 2022	14th Apr. 2022
Cllr T. Leaver	P	P	P	P	P	P
Cllr C. Stewart	P	A	A	P	A	A
Cllr T. Neville OBE JP	P	P	P	P	P	P
Cllr E. Smith	P	P	P	P	P	P
Cllr D. Taylor	P	P	P	P	A	P
Carolan Dobson	A	P	P	P	P	P
Daniel Carpenter	P	P	P	P	P	A

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 2021/22 are:

Employer Side:
- Cllr A. Oykener (Vice Chair)
- Cllr C. Dey
- Cllr S. Boztas
- 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 Executive 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 2021/22 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 2021/22 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.

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	5,810	**5,694**	**6,505**	**1,958**
Scheduled Bodies				
Capel Manor College	184	57	255	129
Oasis Hadley Academy	100	12	93	86
Oasis Enfield Academy	175	17	162	84
Aylward Academy	38	13	26	24
AIM Academy north (Formally Nightingale Academy)	10	19	40	23
Kingsmead Academy	47	21	26	15
Enfield Grammar Academy	57	13	28	12
Southgate School Academy	52	13	22	17
Lea Valley High Academy	27	9	6	7
Enfield Learning Trust	332	20	75	41
One Degree Academy (Adnan Jaffrey Trust)	12	0	0	2
Attigo Academy Trust	146	8	48	37
ARK John Keats Academy	77	0	13	36
Meridian Angel Primary School	9	1	8	6
Ivy Learning Trust	201	16	60	18
North Star Community (was Cuckoo Hall Academy Trust)	173	22	60	106
Edmonton County Academy	85	14	27	11
Children First Academy	289	24	48	38
Jewish Community Academy	23	2	1	7
Enfield Height Academy	0	0	2	1
Wren Academy	12	0	0	1
Southgate College	0	95	115	16
Enfield College	0	39	41	8
Subtotal – Scheduled Bodies	**2,049**	**415**	**1156**	**725**
Admitted Bodies				
Enfield Voluntary Groups	3	6	3	0
Fitzpatrick	0	10	11	2
NORSE commercial services	0	22	60	9
Churchill	0	0	1	0
Metropolitan Support Trust	0	1	0	1
Leisure Trust	0	6	21	1
Fusion Lifestyle	4	19	9	0

Kier Group Services	0	0	0	0
Edwards & Blake	0	0	0	3
Sodexo	4	2	0	0
Hughes Gardner	0	0	1	0
Equion Facilities Management	0	2	0	0
Outward Housing	0	7	10	0
Olive Dining	7	7	2	3
Elior UK	0	2	1	0
REED Momenta	3	0	1	2
Birkin -Bishop Stopford	0	0	0	2
Birkin – Winchmore	0	0	1	0
Birkin – Nightingale	1	0	0	0
Birkin – Aylward	0	0	1	0
BDI Securities UK Ltd	0	0	0	1
European Cleaning Services	3	1	0	0
North London Homecare & Support Ltd	0	0	0	0
Purgo Supply Services	0	1	0	0
Sanctuary Housing	0	0	1	0
Lewis & Graves Partnership	0	0	4	1
The Pantry (UK) Ltd	10	0	0	0
Hertfordshire Catering Ltd	41	1	1	1
WGC Ltd	17	0	0	0
Subtotal – Admitted Bodies	**93**	**87**	**128**	**26**
Total Membership	**7,952**	**6,196**	**7,789**	**2,709**
London Borough of Enfield	5,810	**5,694**	**6,505**	**1,958**

Membership Trends

	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Current Employees	7,312	7,447	7,385	7,246	7,413	7,770	7,952
Pensioners	4,964	5,265	5,188	5,453	5,663	5,862	6,196
Deferred Benefits*	6,598	7,978	8,774	7,187	10,047	10,058	10,498
	18,874	**20,690**	**21,347**	**19,886**	**23,123**	**23,690**	**24,646**

Actives Age			
Age	**Female**	**Male**	**Total**
Under 20	19	10	29
20-24	210	77	287
25-29	328	155	483
30-34	430	175	605
35-39	588	168	756
40-44	729	224	953
45-49	833	207	1,040
50-54	1,002	280	1,282
55-59	1,052	274	1,326
60-64	667	212	879
65-69	193	77	270
70-74	20	19	39
75- 85	2	1	3
Grand Total	**6,073**	**1,879**	**7952**

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 2022/23 and Cashflow Forecast For 2023/24 & 2024/25				
2021/22		**2022/23**	**2023/24**	**2024/25**
Actual		**Estimate**	**Estimate**	**Estimate**
£000		**£000**	**£000**	**£000**
12,846	Employee contributions	14,131	12,718	12,082
39,057	Employer contributions	42,963	38,666	36,733
2,000	Early retirements	3,000	2,400	1,920
2,984	Transfers in	-	-	-
56,887	**Total Income**	**60,093**	**53,784**	**50,735**
38,392	Pensions	42,231	47,299	52,029
8,497	Retirement/death grants	9,347	9,814	10,305
4,750	Transfers out	-	-	-
1,337	Admin costs	1,404	1,263	1,137
97	Oversight & Governance	107	112	123
1,390	Asset Managers Invoiced Fees	1,529	1,453	1,380
54,463	**Total Expenditure**	**54,617**	**59,941**	**64,974**
2,424	**Net Surplus/(Deficit)**	**5,476**	**-6,157**	**-14,239**
20.00%	**Employers' contribution %**	**20.00%**	**18.90%**	**18.90%**

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 2021/22, but were considered as minor breaches & payments were received within the month, so this power was not exercised.

London Borough of Enfield Pension Fund Annual Report For 2021/22

Payments made by employers into the Pension Fund during 2021/22 (including analysis of late payments highlighted in red)

£000's	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Enfield	2,399	2,416	2,408	2,428	2,415	2,423	2,432	2,437	2,419	2,501	2,542	2,860
Latymer school	20	19	21	21	21	20	22	21	22	19	22	23
Capel Manor	60	64	63	60	58	62	62	61	57	58	60	57
Oasis Enfield	87	88	89	108	89	90	91	91	93	93	95	109
Oasis Hadley	28	27	26	29	26	27	27	26	25	25	22	31
Aylward Academy	13	13	13	13	13	12	12	13	13	12	13	14
AIM Academy North	7	7	7	7	7	4	3	4	3	4	3	4
Kingsmead academy	20	19	20	21	19	20	21	19	20	20	20	19
Enfield Grammar	18	18	18	18	20	19	20	19	19	20	19	24
Edmonton County	33	38	30	33	34	33	31	32	32	32	31	33
Southgate School	15	15	15	16	15	15	15	15	15	15	15	19
Lea Valley High	14	14	14	14	14	14	13	14	12	13	13	12
Enfield Learning Trust	81	81	83	82	78	82	82	82	80	78	79	99
Adnan Jaffery Trust	2	1	1	1	3	4	3	5	4	4	3	4
Attigo Academy Trust	37	37	37	41	36	33	36	37	37	38	38	45
Ark John Keats Academy	18	17	17	18	18	18	18	20	19	20	20	21
Meridian Angel Primary School	2	2	2	2	1	2	2	2	1	2	1	3
Ivy Learning Trust	55	58	57	58	59	56	56	56	56	55	55	66
Jewish Community Academy	9	9	9	9	9	9	9	9	8	8	7	9
Children First Academy	76	78	76	77	76	73	76	74	75	87	77	95
Wren Academy	3	3	3	3	3	4	4	4	4	4	5	5
North Star commty Trust (was North Star Comm (was CHAT))	50	49	51	51	50	54	51	54	51	49	52	52
European Cleaning Services	0	1	1	1	1	0	1	0	1	1	1	1
Enfield Racial Equality Centre (EREC)	0	0	0	0	1	0	0	0	0	0	1	0
The Pantry (UK) Ltd	3	3	2	2	2	2	2	2	2	2	2	3
Hertfordshire Catering Ltd	11	8	9	9	9	9	9	9	9	8	9	8
Reed Wellbeing (momenta)	1	1	1	1	2	2	2	2	2	3	1	1
Sodexo	1	1	1	2	1	1	1	1	2	1	1	1
Enfield Voluntary Action	2	2	2	2	2	2	2	2	2	1	1	1
Enfield Carers Centre (crossroad)	1	0	0	0	0	0	0	0	0	0	0	1
Olive Dining (Edmonton Cambs)	0	1	1	1	0	1	1	0	1	1	1	1
Birkin Cleaning (Nightingale)	0	0	1	0	0	0	0	0	0	0	0	0
Olive Dining (Nightingale)	0	0	0	1	0	1	0	1	0	1	0	0
North London Homecare and Support Ltd	0	1	0	0	0	0	0	0	0	0	0	0
WGC Ltd	0	0	0	0	0	3	3	3	3	3	3	3

payment in red - late payment.

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 7 full-time equivalent (fte) staff, cost a bit under £51 per member as shown below.

Costs of Fund Administration		
	£000's	**£ per member**
Pension administration	962	41.60
Payroll costs	155	6.70
Actuary	60	2.60
Total Costs	**1,177**	**50.90**

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 has been only one IDRP case during 2021/22 at first stage only, not taken to second stage. No Ombudsman rulings against Enfield Council effective 2021/22.

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 in year	No. cases outstanding at year end	% completed in year
Deaths – initial letter acknowledging death of members	215	136	214	63.26%
Retirements – letter notifying estimate retirement benefits	536	390	98	72.76%
Retirements – letter notifying actual retirement benefits	786	466	320	59.29%
Deferment – calculate and notify deferred benefits	826	625	201	79.52%
Transfers in/out – letter detailing transfer quote	926	562	35	60.69%
Transfers in/out – letter detailing transfer actual	388	210	178	54.12%
Refund – Process & pay a refund	110	98	12	89.09%
Divorce quote – letter detailing cash equivalent value and other benefits	32	26	6	81.25%
Divorce settlement – letter detailing implementation of pension sharing orders	4	2	2	50%
Joiners – notification of date of enrolment (+ iconnect) Manual 253 + Auto 1028 Total 1281	1281	1281	0	100.0%

Key Performance Indicators

Process	KPI	Good Practice Requirement	%	
Deaths – letter notifying amount of dependants pension	136	2 Months	75.74%	
Retirements – letter notifying estimate of retirement benefits	390	2 Months	93.33%	
Retirements – letter notifying actual retirement benefits	466	2 Months	73.30%	
Transfers in/out - letter detailing transfer quote	562	2 Months	77.44%	
Transfers in/out – letter detailing transfer actual	210	2 Months	62.79%	
Refund – process and pay a refund	98	2 Months	98.97%	
Divorce quote - letter detailing cash equivalent value and other benefits	26	2 months	56%	
Divorce settlements – letter detailing implementation of pension sharing	2	3 Months	0%	
Joiners – notifications of date of enrolment Manual 253 + Auto 1028 Total 1281	1,281	2 Months	100.0%	
Deferment – calculate and notify deferred benefits	625	2 Months	75.67%	

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 2022 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 2021/22 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

2020/21 £000s	LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT	Notes	2021/22 £000s
	Dealings with members, employers and others directly involved in the Fund		
49,031	Contributions	7	51,903
5,454	Transfers in from other pension funds	8	2,984
54,485			**54,887**
(44,374)	Benefits payable	9	(46,888)
(4,639)	Payments to and on account of leavers	10	(4,750)
(49,013)			**(51,638)**
5,472	**Net additions/(withdrawals) from dealings with members**		**3,249**
(12,063)	Management expenses	11	(12,605)
(6,591)	**Net additional/(withdrawals) including fund management**		**(9,356)**
	Returns on investments		
13,214	Investment income	12	16,664
	Taxes on income	13a	
249,979	Profit & losses on disposal of investments and changes in the market value of investments	14a	109,437
263,193	**Net returns on investments**		**126,101**
256,602	**Net change in assets available for benefits during the year**		116,745
1,149,431	**Opening net assets of the scheme**		1,406,033
1,406,033	**Closing net assets of the scheme**		**1,522,779**

2020/21 £000s	NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2022	Notes	2021/22 £000s
1,303,311	Investment assets	14	1,448,147
(141)	Investment liabilities		(233)
1,303,170			**1,447,914**
100,369	Cash deposits	14	73,478
2,685	Other investment balances -assets	14	2,624
(735)	Other investment balances - liabilities	14	(785)
1,405,489	**Total net investments**	14	**1,523,231**
96	Long term debtor	20a	113
937	Current assets	20	874
(489)	Current liabilities	21	(1,439)
1,406,033	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,522,779**

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 2022

Notes to the Financial Statement –index

1. Description of the Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2021/22 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 54 employer organisations within the fund (including the Council itself), and 24,646 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	**31 March 2021**	**31 March 2022**
Number of employers with active members	7,770	7,952
Number of pensioners	5,862	6,196
Deferred pensioners	7,560	7,789
Frozen/undecided	2,498	2,709
Total number of members in pension scheme	**23,690**	**24,646**

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 2022. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The results of recent formal valuation as of 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 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 2022 (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	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

	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.	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 £63.7m. There is a risk that the investment may be under or overstated in the accounts. Given a tolerance of +/-10% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £6.4m.
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 £1114m. 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 £8.3m, on carrying values of £83m.

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

2020/21 £000s		2021/22 £000s
12,055	**Employees' contributions**	12,846
	Employers' contributions: -	
33,353	Normal	35,296
2,482	Deficit recovery contributions	2,583
1,141	Augmentation contributions	1,178
36,976	**Total employers' contributions**	**39,057**
49,031		**51,903**

By authority

2020/21 £000s		2021/22 £000s
38,497	Administering authority	41,002
9,820	Scheduled bodies	10,586
714	Admitted bodies	315
49,031		**51,903**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2020/21 £000s		2021/22 £000s
5,454	Individual transfers	2,984
5,454		**2,984**

NOTE 9: BENEFITS PAID/PAYABLE

By category

2020/21 £000s		2021/22 £000s
(37,222)	Pensions	(38,392)
(6,488)	Commutation and lump sum retirement benefits	(7,591)
(664)	Lump sum death benefits	(906)
(44,374)		**(46,889)**

By authority

2020/21 £000s		2021/22 £000s
(41,668)	Administration authority	(43,877)
(2,198)	Scheduled bodies	(2,523)
(508)	Admitted bodies	(489)
(44,374)		**(46,889)**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020/21 £000s		2021/22 £000s
(85)	Refunds to members leaving service	(166)
(4,554)	Individual transfers	(4,584)
(4,639)		**(4,750)**

NOTE 11: MANAGEMENT EXPENSES

2020/21 £000s		2021/22 £000s
(1,658)	Administrative costs	(1,337)
(90)	Oversight and governance costs	(97)
(10,315)	Investment management expenses	(11,171)
(12,063)		**(12,605)**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2020/21 £000s		2021/22 £000s
(6,858)	Management fees	8,023
(1,032)	Performance related fees	1,355
(2,226)	Transaction costs	1,580
(83)	Custody fees	70
(116)	Other	143
(10,315)		**(11,171)**

NOTE 12: INVESTMENT INCOME

2020/21 £000s		2021/22 £000s
2,225	Income from equities	2,155
3,439	Income from bonds	3,282
2,389	Pooled property investments	2,275
5,133	Pooled investments – unit trusts and other managed funds	8,675
28	Interest on cash deposits	277
13,214		**16,664**

NOTE 13: TAXES ON INCOME

2020/21 £000s		2021/22 £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

2020/21 £000s		2021/22 £000s
19	Paid in respect of external audit (excluding VAT)	21
19		**21**

Market value 31 March 2021 £000s		Market value 31 March 2022 £000s
	Investments	
99,209	Fixed interest securities	141,785
48,424	Equities	49,985
925,799	Pooled investments	986,804
68,986	Pooled property investments	82,963
160,844	Private equity	186,509
	Derivative contracts:	
5	- Futures	97
44	- Forward currency contracts	4
1,303,311	**Total investment assets**	**1,448,147**
100,369	Cash deposits	73,478
2,445	Investment income due	1,973
240	Amounts receivable for sales	651
1,406,365	**Total investment assets**	**1,524,249**
	Investment liabilities	
	Derivative contracts:	
(141)	- Futures	(145)
0	- Forward currency contracts	(88)
(735)	Investment expenditure due	(785)
(876)	**Total investment liabilities**	**(1,018)**
1,405,489	**Net investment assets**	**1,523,231**

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

Period 2021/22	Market value 1 April 2021 £000s	Purchases £000s	Sales £000s	Management fees in Market value £000s	Change in market value £000s	Market value 31 March 2022 £000s
Bonds	99,209	73,571	(19,391)	(1,225)	(10,379)	141,785
Equities	48,424	0	(12)	(1,473)	3,046	49,985
Pooled investments	925,798	12,854	(7,505)	(1,966)	57,623	986,804
Pooled property	68,986	8,335	-	(660)	6,302	82,963
Private equity	160,844	9,468	(29,915)	(2,712)	48,824	186,509
	1,303,261	104,228	(56,823)	(8,036)	105,416	1,448,046
Derivatives contracts:						
Futures Options	(136)	714	(548)	0	(78)	(48)
Forward foreign exchange	44	201	(240)	0	(88)	(83)
	(92)	915	(788)	0	(166)	(131)
	1,303,169	**105,143**	**(57,611)**	**(8,036)**	**105,250**	**1,447,915**
Other investment balances						
Cash deposits	100,369				4,187	73,478
Investment income due	2,446					1,973
Pending investment purchases	(735)					(785)
Pending investment sales	240					650
Net investment assets	**1,405,489**				**109,437**	**1,523,231**

	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)	6,991	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	925,798
Pooled property	68,861	0	(1,047)	(367)	1,539	68,986
Private equity	124,000	11,052	(14,078)	(2,283)	42,153	160,844
	1,094,535	107,323	(145,874)	(6,857)	254,135	1,303,261
Derivatives contracts:						
Futures Options	99	513	(384)	0	(364)	(136)
Forward foreign exchange	(183)	350	(446)	0	323	44
	(84)	863	(830)	0	(41)	(92)
	1,094,451	**108,186**	**(146,704)**	**(6,857)**	**254,094**	**1,303,170**
Other investment balances						
Cash deposits	52,855				(4,115)	100,369
Investment income due	2,351					2,446
Pending investment sales	(149)					(735)
Pending investment purchases	0					240
Net investment assets	**1,149,508**				**249,979**	**1,405,489**

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 2021 £000s		Market value 31 March 2022 £000s
	Bonds	
99,166	UK quoted	93,035
44	Overseas quoted	75
99,210		**93,110**
	Equities	
48,424	UK –quoted	49,985
0	Overseas quoted	0
48,424		**49,985**
	Pooled funds –additional analysis	
91,734	Indexed linked securities	92,389
0	Short dated fixed income	48,675
604,281	Equities	655,909
34,431	Events driven fund hedge fund	34,250
78,638	Inflation opportunities fund	83,525
31,855	Absolute bond fund	32,396
30,153	Multi-strategy equity hedge fund	32,462
54,707	Multi asset credit fund	55,874
925,799		**1,035,480**
	Pooled property investments	
68,986	UK property investments	82,963
68,986		**82,963**
	Private equity	
7,936	Opportunistic property	9,410
22,776	European infrastructure	24,628
102,436	Fund of Funds global private equity	114,032
27,696	UK secured long income fund	38,439
160,844		**186,509**
	Derivatives- Assets	
5	Futures	97
44	Forward foreign exchange	4
49		**101**
1,303,312	**Total Investment Assets**	**1,448,148**
100,369	Cash deposits	73,478
2,444	Investment income due	1,973
240	Amounts receivable from sales	650
1,406,365		**1,524,014**
	Investment liabilities	
(141)	Derivatives- futures	(233)
0	Derivatives- forward foreign exchanges	0
(735)	Investment expenses	(785)
(876)		**(1,018)**
1,405,489	**Net investment assets**	**1,523,231**

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021 £000s	%		Market value 31 March 2022 £000s	%
		Fixed income securities		
94,643	6.3%	Western Asset Management	92,193	6.1%
0	0%	Aon Diversified Fund	48,675	3.2%
		Equities		
48,424	3.2%	International Public Partnerships	49,985	3.3%
		Pooled investments		
91,734	6.0%	Blackrock indexed linked bonds	92,389	6.1%
220,389	14.5%	Blackrock Low carbon Global passive	255,962	16.8%
140,390	9.2%	MFS global equities	154,338	10.1%
116,232	7.6%	LCIV Baillie Gifford global equities	108,523	7.1%
35,926	2.4%	LCIV JP Morgan emerging equities	32,252	2.1%
91,344	6.0%	LCIV Longview	104,834	6.9%
54,707	3.6%	LCIV CQS Multi asset	55,874	3.7%
0	0.0%	Lansdowne hedge fund	0	0.0%
5,980	0.4%	York Capital hedge fund	2,978	0.2%
78,638	5.2%	M&G inflation opportunities	83,525	5.5%
31,855	2.1%	Insight hedge fund	32,396	2.1%
30,153	2.0%	Davidson Kempner hedge fund	32,462	2.1%
28,451	1.9%	CFM hedge fund	31,272	2.1%
		Pooled property		
53	0.0%	RREEF commercial property	0	0.0%
34,825	2.3%	Blackrock commercial property	41,055	2.7%
34,108	2.2%	Legal & General commercial prop.	41,908	2.7%
		Private equity		
102,436	6.7%	Adam St Partners fund of funds	114,032	7.5%
22,776	1.5%	Antin European infrastructure	24,628	1.6%
7,936	0.5%	Brockton opportunistic property	9,410	0.6%
27,696	1.8%	CBRE UK secured long income fund	38,439	2.5%
		Cash & accruals		
31,296	2.1%	Goldman Sachs cash	34,099	2.2%
69,039	4.5%	Northern Trust cash	39,344	2.6%
35	0.0%	Blackrock MMF	35	0.0%
2,685	0.2%	Investment accruals	2,623	0.2%
1,405,489	**100.0%**		**1,523,231**	**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 2021 £000s	% of total Fund	Market value 31 March 2022 £000s	% of total Fund
Blackrock – Low Carbon Equities	220,389	15.7%	255,962	16.8%
MFS global equities	140,390	10.0%	154,338	10.1%
Western Asset – corporate bonds	98,381	7.0%	92,193	6.1%
Blackrock – indexed linked bonds	91,734	6.5%	92,389	6.1%
LCIV – Longview global equities	91,344	6.5%	104,834	6.9%
LCIV – Baillie Gifford global equities	116,232	8.3%	108,523	7.1%
M&G Inflation opportunities	78,638	5.6%	83,525	5.5%
Adam Street Partners – private equity	102,436	7.3%	114,032	7.5%

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 2022.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2022 £000s	Value on increase £000s	Value on decrease £000s
Hedge Funds	10.00%	63,734	70,107	57,361
Pooled Property	10.00%	82,963	91,259	74,667
UK secured long income fund	7.50%	38,439	41,322	35,556
UK opportunistic property	10.00%	9,410	10,351	8,469
European Infrastructure	5.00%	24,628	25,859	23,397
Private equity fund of funds	15.00%	114,032	131,137	96,927
Total		**333,206**	**370,036**	**296,376**

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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Financial assets at fair value	143,095	1,035,480	269,472	**1,448,148**
Financial liabilities at fair value	(233)	(785)	-	**(1,018)**
Net investment assets	**142,862**	**1,034,695**	**269,472**	**1,447,029**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000s	**£000s**	**£000s**	**£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**

NOTE 15B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2021/22.

NOTE 15C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1April 2021	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31March 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pooled Property	68,986	0	8,335	(660)	14,637	0	82,963
	68,986	0	**8,335**	**(660)**	**14,637**	0	**82,963**
Venture capital	102,436	0	8,063	(29,693)	15,749	17,477	114,032
Infrastructure	22,776	0	0	0	1,852	0	24,628
Property Funds	27,696	0	0	0	2,408	0	38,439
UK Secured Income Funds	7,936	0	1,405	(221)	290	0	9,410
	160,844	**0**	**9,468**	**(29,914)**	**28,634**	**17,477**	**186,509**
	229,830	**0**	**17,803**	**(30,574)**	**34,936**	**17,477**	**269,472**

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 2021				31 March 2022		
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			
99,209			Bonds	93,110		
48,424			Equities	49,985		
925,798			Pooled investments	1,035,480		
68,933			Pooled property	82,963		
160,897			Private equity	186,509		
49			Derivative contracts	101		
	100,369		Cash deposits		73,478	
	2,685		Other investment balances		2,623	
			Trade debtors			
1,303,270	**103,054**	-	**Total financial assets**	**1,448,148**	**76,101**	-
			Financial liabilities			
		(141)	Derivative contracts			(233)
		(735)	Other investment balances			(785)
			Trade creditors			
	-	**(876)**	**Total financial liabilities**		**-**	**(1,018)**
1,303,270	**103,054**	**(876)**	**Grand total**	**1,448,148**	**76,101**	**(1,018)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2021 £000s		31 March 2022 £000s
	Financial assets	
254,095	Designated at fair value through profit & loss	105,306
(4,116)	Financial assets at amortised costs	4,131
249,979	**Total**	**109,437**

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 2021/22 reporting period (based on assumption made in March 2022 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 (+/-) 2020/21	Potential market movements (+/-) 2020/22
Fixed income government bond	0.9%	1.6%
Inflation-linked government bonds	0.1%	0.6%
Investment grade corporate bonds	1.5%	2.5%
Equities	6.3%	6.7%
Private equity	8.3%	9.3%
Real estate	5.4%	5.3%
Hedge funds	3.4%	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 2022 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	2,095	2,129	2,061
Inflation-linked government bonds	92,389	92,943	91,835
Investment grade corporate bonds	91,015	93,290	88,740
Equities	705,894	753,189	658,599
Private equity	186,509	203,854	169,164
Real estate	82,963	87,360	78,566
Hedge funds	287,182	296,946	277,418
Cash & accruals	75,184	75,184	75,184
	1,523,231	**1,604,895**	**1,441,567**

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	**1,473,04**	**1,337,938**

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 2022 and 31 March 2021 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 2022 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	-	-	-	-
Cash & cash equivalents	73,243	732	73,975	72,511
Cash balances	12	0	12	12
Bonds	266,570	2,666	269,236	263,904
Total	**339,825**	**3,398**	**343,223**	**336,427**

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	101,373	99,365
Cash balances	53	1	54	52
Bonds	190,944	1,909	192,853	189,035
Total	**291,366**	**2,914**	**294,280**	**288,452**

Income exposed to interest rate risks	Amount receivable as at 31 March 2022 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	277	3	280	274
Bonds	3,282	33	3,315	3,249
Total	**3,559**	**36**	**3,595**	**3,523**

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	28
Bonds	3,439	34	3,474	3,435
Total	**3,467**	**34**	**3,502**	**3,463**

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 2022 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Canadian Dollar	1	-	1	1
Euro	23,674	2,367	26,042	21,307
Japanese Yen	133	13	146	119
Norwegian Krone	6	1	7	5
Swiss Franc	31	3	34	27
US Dollar	192,452	19,245	211,697	173,207
	216,296	**21,630**	**237,926**	**194,667**

Assets exposed to currency risk	Assets value as at 31 March 2021 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Canadian Dollar	2	-	2	2
Euro	22,986	2,297	25,262	20,669
Hong Kong Dollar	5	-	5	4
Japanese Yen	140	14	154	126
Swiss Franc	29	3	32	26
US Dollar	167,656	16,766	184,422	150,891
	190,798	**19,080**	**209,877**	**171,718**

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 2022 was £73.5m (31 March 2021 - £100.4m). This was held with the following institutions:

	Rating	Balances as at 31 March 2021 £000	Balances as at 31 March 2022 £000
Money market funds			
Goldman Sachs money market fund	AAAm	31,296	34,099
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	21	12
Northern Trust Custodian	AA-	65,373	39,344
Cash held by fund managers		3,666	
		100,391	**73,490**

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 2022 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) S2 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's postcode data using Aon's Demographic Horizons^{TM} 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 (SAB) 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 due to this judgement was issued in July 2020. On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However, some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

  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 finalised.

  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:

http://governance.enfield.gov.uk/documents/s91945/Appendix%202%20Enfield%20PF%2031%20March%202019%20Valuation%20Results.pdf

Aon Solutions UK Limited

May 2022

NOTE 20: CURRENT ASSETS

31 March 2021 £000s		31 March 2022 £000s
	Debtors	
195	Contributions due - employees	226
577	Contributions due - employers	631
144	Sundry debtors	0
916		**857**
	Cash balances	
21	Current account	13
937		**870**

NOTE 20A: LONG TERM DEBTORS

31 March 2021 £000s		31 March 2022 £000s
	Debtors	
96	Pensioner Tax liability	113
96		**113**

NOTE 21: CURRENT LIABILITIES

31 March 2021 £000s		31 March 2022 £000s
(1)	Sundry creditors	(1,336)
(488)	Benefits payable	(103)
(489)		**(1,439)**

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 21	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2022
	£000s	£000s	£000s	£000s	£000s
Plan Value	**3,512**	980	(500)	42	**4,034**
	3,512	**980**	**(500)**	**42**	**4,034**

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 £1.337m (2020/21: £1.659m) 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 £41m to the fund in (2020/21 £38.5m). At year end the Pension Fund owed the Council £103k (£126k in 2020/21).

Scheduled and admitted bodies owed the Fund £861k (£898k in 2020/21) from employer & employee contributions. All payments were received by 19th April 2022.

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 2021/22 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 2022 £000s
267	Short-term benefits	268
74	Post-employment benefits	74
341		**342**

NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total outstanding capital commitments (investments) at 31 March 2022 are £60.5m (31 March 2021 were £40m).

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:

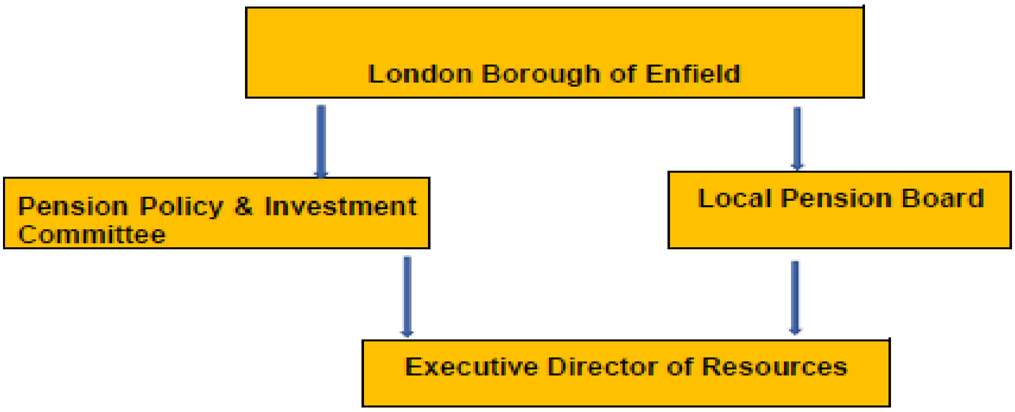
- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance 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 59 admitted/scheduled employers and approximately 24,646 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
Civic Centre, Silver Street
Enfield EN1 3XY

www.enfield.gov.uk

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.

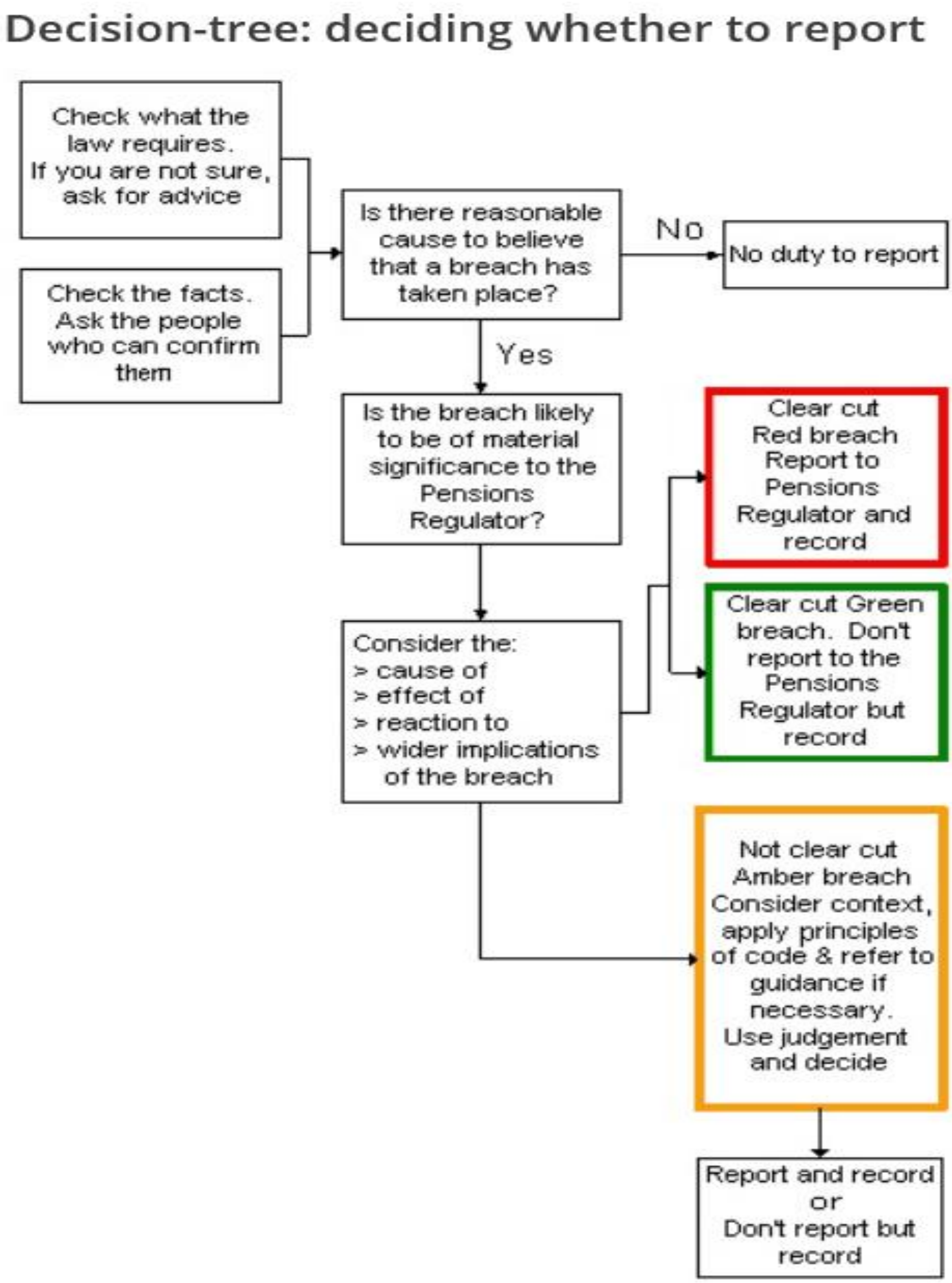
3.3 ***Determining whether the breach is likely to be of material significance***
To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- 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:

RED

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.

AMBER

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.

GREEN

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

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Local Authority Fund Statistics

2021/22

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	**8.6**	**8.3**	***7.1***	***8.9***	***7.3***	***8.5***
Range of Results						
Top Quartile	10.0	9.3	7.7	9.2	7.5	8.7
Median	8.0	8.6	7.0	8.8	7.1	8.4
Bottom Quartile	6.0	7.6	6.5	8.3	6.9	8.2
Total Equity	**7.6**	**10.2**	**8.4**	**10.6**	**8.0**	**9.2**
Global	8.4	11.5	9.6	11.7	6.4	
UK	9.6	5.6	4.7	7.4	6.2	
Emerging	-9.6	4.1	4.5	6.3	8.4	
Total Bonds	**-0.3**	**2.6**	**2.5**	**4.5**	**5.7**	**6.9**
UK Govt	-4.2	-0.9	0.7			
UK Corp	-3.5	2.5	2.7			
UK IL	4.5	2.6	2.7			
Global Bonds	-2.8	1.4	1.7			
Absolute Return Bonds	-0.5	2.5	2.3			
Private Debt	7.3					
Multi Asset Credit	-0.5	1.9				
Alternatives	**19.0**	**11.0**	**9.8**	**10.0**	**7.6**	
Private Equity	34.5	19.5	16.5	14.7	8.8	
Infrastructure	10.7	5.7	6.9			
Hedge Funds	5.4	4.9	3.2			
Private Debt	8.4					
Diversified Growth	**4.7**	**5.1**	**3.5**			
Property	**17.9**	**6.3**	**6.8**	**8.0**	**7.0**	**8.2**

At the end of March 2022 the Universe was comprised of 63 funds with a combined value of £250 bn.

GMPF Designated Fund is included in the Universe but excluded from the League tables.

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	**8.6**		**8.3**		**7.1**		**8.9**		**7.3**		**8.5**	
Range of Results												
Upper Quartile	10.0		9.3		7.7		9.2		7.5		8.7	
Median	8.0		8.6		7.0		8.8		7.1		8.4	
Lower Quartile	6.0		7.6		6.5		8.3		6.9		8.2	
Avon Pension Fund	10.0	*25*	6.4	*95*	5.8	*95*	7.7	*90*	6.7	*89*	8.1	*86*
Barking and Dagenham	5.1	*82*	8.8	*36*	7.4	*36*	8.3	*75*	6.2	*95*	8.2	*80*
Barnet Pension Fund	7.4	*57*	8.9	*35*	7.1	*48*	7.5	*95*	6.6	*91*	7.8	*96*
Berkshire Pension Fund	12.5	*5*	8.0	*69*	7.0	*51*	7.7	*88*				
Bexley Pension Fund	8.4	*46*	8.4	*56*	7.3	*38*	9.6	*14*	7.8	*13*	9.0	*6*
Brent Pension Fund	8.2	*48*	8.2	*61*	6.6	*74*	8.2	*78*	5.4	*100*	7.3	*100*
Bromley Pension Fund	0.7	*97*	9.5	*16*	8.6	*3*	11.1	*2*	9.0	*1*	9.5	*1*
Cambridgeshire Pension Fund	9.9	*26*	9.9	*10*	8.0	*15*	9.5	*17*	7.2	*46*	8.4	*56*
Camden Pension Fund	7.0	*61*	9.4	*23*	7.4	*30*	8.1	*80*	6.9	*74*	8.4	*52*
Cardiff & Glamorgan Pension Fund	7.3	*59*	7.3	*80*	6.0	*87*	8.5	*68*	7.1	*56*	8.2	*76*
City of London Corporation Pension Fı	6.3	*67*	9.2	*30*	7.2	*43*	8.9	*46*	7.0	*63*		
Cornwall Pension Fund	6.1	*74*	6.4	*97*	5.9	*94*	6.6	*100*				
Cumbria Pension Fund	9.7	*31*	7.9	*71*	6.9	*61*	9.1	*34*	7.4	*35*	8.6	*26*
Devon Pension Fund	7.7	*56*	7.6	*77*	6.5	*76*	7.6	*92*	6.8	*80*	8.1	*88*
Dyfed Pension Fund	6.2	*69*	8.2	*64*	7.1	*44*	9.4	*20*	7.9	*6*	9.0	*8*
Ealing Pension Fund	5.5	*79*	6.8	*87*	6.1	*85*	8.3	*76*	7.0	*65*	8.6	*32*
East Riding Pension Fund	9.0	*41*	6.8	*87*	6.2	*84*	8.4	*71*	7.3	*45*	8.4	*58*
East Sussex Pension Fund	10.6	*15*	8.9	*33*	7.2	*41*	9.1	*34*	7.4	*30*	8.7	*22*
Enfield Pension Fund	9.1	*39*	8.6	*48*	7.0	*53*	8.5	*66*	7.1	*56*	8.6	*36*
Flintshire (Clywd)	13.3	*2*	9.9	*8*	7.8	*23*	8.5	*66*	6.9	*72*	8.2	*78*

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	**8.6**		**8.3**		**7.1**		**8.9**		**7.3**		**8.5**	
Range of Results												
Upper Quartile	10.0		9.3		7.7		9.2		7.5		8.7	
Median	8.0		8.6		7.0		8.8		7.1		8.4	
Lower Quartile	6.0		7.6		6.5		8.3		6.9		8.2	
Gloucestershire Pension Fund	6.9	*64*	8.3	*57*	6.9	*56*	8.9	*42*	7.1	*59*	8.4	*56*
Greater Manchester Pension Fund	11.1	*10*	8.2	*59*	6.9	*61*	8.9	*44*	7.6	*20*	9.0	*8*
Greenwich Pension Fund	3.7	*89*	6.5	*94*	5.4	*98*	7.5	*97*	6.1	*98*		
Gwynedd Pension Fund	10.0	*23*	10.0	*7*	8.1	*10*	9.4	*19*	7.3	*37*	8.5	*42*
Hackney Pension Fund	6.1	*74*	8.5	*53*	7.1	*46*	8.0	*85*	6.8	*82*	8.2	*70*
Hammersmith and Fulham	9.8	*30*	9.4	*25*	6.9	*57*	8.9	*48*	7.7	*15*	8.4	*52*
Haringey Pension Fund	11.1	*10*	9.7	*12*	7.8	*21*	9.9	*7*	7.2	*48*	8.3	*64*
Harrow Pension Fund	5.7	*77*	6.6	*90*	6.0	*92*	8.5	*63*	7.0	*70*	8.4	*46*
Havering Pension Fund	4.6	*85*	8.8	*41*	6.9	*66*	8.5	*70*	6.5	*93*	8.2	*68*
Hillingdon Pension Fund	9.2	*38*	6.3	*98*	5.4	*98*	7.6	*93*				
Hounslow Pension Fund	6.2	*71*	7.0	*84*	6.4	*82*	7.9	*87*	7.4	*32*	8.5	*40*
Isle of Wight Pension Fund	6.9	*62*	7.6	*74*	6.4	*80*	9.1	*29*	7.7	*19*	8.8	*14*
Islington Pension Fund	8.6	*43*	9.4	*21*	7.8	*20*	8.7	*58*	6.8	*85*	8.3	*62*
Kensington and Chelsea	11.8	*7*	12.3	*1*	10.3	*1*	12.0	*1*	8.8	*2*		
Kent Pension Fund	2.6	*94*	7.5	*79*	6.9	*66*	9.0	*41*	7.3	*45*	8.3	*62*
Kingston upon Thames	7.7	*54*	10.3	*3*	8.0	*13*	9.8	*12*	7.5	*26*	8.4	*48*
Lambeth Pension Fund	2.1	*95*	8.8	*41*	6.7	*72*						
Lancashire Pension Fund	12.8	*3*	8.6	*46*	8.4	*7*	9.9	*9*	7.7	*17*	8.7	*18*
Lewisham Pension Fund	9.4	*36*	8.4	*54*	7.1	*49*	9.1	*31*	6.8	*85*	8.4	*44*
Lincolnshire Pension Fund	10.7	*12*	8.8	*38*	7.5	*28*	8.7	*56*	6.7	*87*	8.3	*66*

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	**8.6**		**8.3**		**7.1**		**8.9**		**7.3**		**8.5**	
Range of Results												
Upper Quartile	10.0		9.3		7.7		9.2		7.5		8.7	
Median	8.0		8.6		7.0		8.8		7.1		8.4	
Lower Quartile	6.0		7.6		6.5		8.3		6.9		8.2	
London Pension Fund Authority	13.5	*1*	9.6	*13*	7.8	*20*	8.0	*81*				
Merseyside Pension Fund	10.4	*16*	7.6	*76*	6.4	*79*	8.6	*61*	7.3	*41*	8.6	*32*
Merton Pension Fund	4.5	*87*	9.2	*31*	7.4	*36*	8.7	*53*	7.4	*33*	8.6	*32*
Newham Pension Fund	9.5	*35*	6.5	*94*	6.1	*89*	9.0	*39*	7.0	*69*	7.9	*94*
Northamptonshire Pension Fund	8.2	*49*	9.6	*15*	7.7	*25*	9.3	*24*	7.1	*50*	8.5	*40*
Oxfordshire Pension Fund	10.3	*20*	8.7	*44*	7.4	*33*	9.1	*27*	7.0	*67*	8.2	*72*
Powys Pension Fund	8.6	*44*	8.2	*66*	6.8	*67*	8.7	*54*	7.1	*52*	7.9	*94*
Redbridge Pension Fund	4.9	*84*	8.0	*67*	6.8	*69*	8.0	*83*	6.8	*78*	8.2	*82*
Rhondda Cynon Taf Pension Fund	0.5	*100*	9.4	*18*	8.7	*2*	10.4	*3*	8.0	*4*	8.8	*16*
South Yorkshire Pension Authority	9.6	*33*	8.6	*49*	7.2	*39*	9.1	*26*	7.8	*11*	8.7	*24*
Southwark Pension Fund	10.4	*18*	10.1	*5*	8.6	*5*	10.1	*5*	7.8	*8*	9.0	*8*
Strathclyde Pension Fund	7.8	*53*	9.2	*28*	7.9	*16*	9.8	*10*	7.8	*11*	8.9	*10*
Suffolk Pension Fund	10.1	*21*	8.2	*64*	6.9	*62*	8.8	*51*	7.1	*59*		
Surrey Pension Fund	6.7	*66*	6.7	*89*	6.0	*90*	8.3	*73*	6.9	*76*	8.0	*90*
Sutton Pension Fund	7.9	*51*	9.4	*21*	7.5	*26*						
Swansea Pension Fund	10.7	*13*	11.0	*2*	8.3	*8*	9.3	*22*	7.6	*24*	8.6	*34*
Torfaen (Gwent)Pension Fund	6.0	*76*	8.7	*43*	6.9	*56*	8.8	*49*	7.3	*39*	8.1	*84*
Tower Hamlets Pension Fund	3.1	*92*	9.3	*26*	8.0	*12*	9.1	*36*	7.0	*63*	8.2	*74*
Waltham Forest Pension Fund	0.5	*98*	3.7	*100*	4.4	*100*	6.7	*98*	6.2	*96*	7.7	*98*
West Yorkshire Pension Fund	9.9	*28*	7.7	*72*	6.7	*71*	8.6	*61*	7.5	*28*	8.7	*20*

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	**8.6**		**8.3**		**7.1**		**8.9**		**7.3**		**8.5**	
Range of Results												
Upper Quartile	10.0		9.3		7.7		9.2		7.5		8.7	
Median	8.0		8.6		7.0		8.8		7.1		8.4	
Lower Quartile	6.0		7.6		6.5		8.3		6.9		8.2	
Westminster Pension Fund	3.6	*90*	8.5	*51*	7.4	*33*	9.6	*15*				
Wandsworth & Richmond Fund	5.3	*80*	7.1	*82*	6.5	*77*	9.0	*39*	7.6	*24*	8.8	*14*

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	**7.6**		**10.2**		**8.4**		**10.6**		**8.0**		**9.2**	
Range of Results												
Top Quartile	10.2		12.1		9.9		11.7		8.4		9.6	
Median	8.2		11.1		8.9		10.7		7.9		9.2	
Bottom Quartile	5.5		9.4		8.1		10.0		7.7		8.9	
Avon Pension Fund	8.5	*46*	11.1	*51*	8.8	*54*	10.8	50	8.0	*42*	9	*66*
Barking and Dagenham	3.5	*87*	11.7	*41*	10.1	*17*	12.2	13	7.9	*48*	9.7	*11*
Barnet Pension Fund	8.2	*56*	12.1	*26*	9.4	*41*	11.2	37	8.7	*12*	9.6	*26*
Berkshire Pension Fund	11.2	*12*										
Bexley Pension Fund	9.7	*31*	11.9	*32*	10.1	*15*	12.3	11	9.1	*6*	10.4	*2*
Brent Pension Fund	12.4	*5*	12.2	*22*	9.6	*36*	10.9	48	6.8	*100*	8.2	*100*
Bromley Pension Fund	0.1	*97*	13.2	*10*	11.7	*2*	14.0	2	10.4	*1*	10.6	*1*
Cambridgeshire Pension Fund	11.0	*16*	12.2	*20*	9.3	*44*	11.3	32	7.9	*58*	9.1	*60*
Camden Pension Fund	5.0	*77*	10.6	*61*	8.4	*66*	9.8	83	7.8	*68*	9.3	*36*
Cardiff & Glamorgan Pension Fund	8.2	*51*	8.5	*92*	6.6	*97*	9.7	87	7.7	*80*	8.8	*83*
City of London Corporation Pension Fu	5.7	*72*	11.2	*49*	8.9	*51*	11.0	43	8.3	*34*		
Cornwall Pension Fund	4.3	*82*	10.8	*56*	8.7	*59*	11.1	41				
Cumbria Pension Fund	9.5	*33*	11.7	*37*	9.9	*24*	11.7	26	8.4	*26*	9.6	*26*
Devon Pension Fund	8.3	*49*	9.1	*85*	7.4	*87*	9.3	96	7.3	*92*	8.7	*89*
Dyfed Pension Fund	5.5	*76*	9.4	*76*	7.5	*85*	10.4	61	7.9	*52*	9.3	*38*
Ealing Pension Fund	7.7	*57*	10.0	*68*	8.3	*68*	10.0	76	7.9	*60*	9.6	*19*
East Riding Pension Fund	9.4	*35*	7.5	*97*	6.7	*95*	9.6	89	8.0	*46*	9.0	*68*
East Sussex Pension Fund	9.2	*36*	7.2	*98*	6.5	*98*	10.1	70	7.8	*72*	9.0	*64*
Enfield Pension Fund	8.5	*43*	12.8	*17*	10.8	*10*	12.5	9	8.7	*10*	10.0	*6*
Flintshire (Clywd)	3.3	*89*	9.5	*73*	8.1	*73*	9.8	82	7.5	*84*	8.6	*94*

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	**7.6**		**10.2**		**8.4**		**10.6**		**8.0**		**9.2**	
Range of Results												
Top Quartile	10.2		12.1		9.9		11.7		8.4		9.6	
Median	8.2		11.1		8.9		10.7		7.9		9.2	
Bottom Quartile	5.5		9.4		8.1		10.0		7.7		8.9	
Gloucestershire Pension Fund	7.4	62	10.4	63	8.6	61	10.6	56	7.7	74	9.1	51
Greater Manchester Pension Fund	11.3	10	9.4	78	7.5	83	10.2	65	7.9	52	9.6	26
Greenwich Pension Fund	7.6	61	10.2	66	8.1	76	9.7	85	7.1	98		
Gwynedd Pension Fund	9.8	30	11.4	42	8.8	58	10.7	54	7.8	66	9.0	62
Hackney Pension Fund	5.7	74	11.0	53	8.8	58	9.8	82	7.5	86	8.9	77
Hammersmith and Fulham	14.1	1	12.8	19	9.7	31	12.2	15	9.8	2	10.2	4
Haringey Pension Fund	10.4	21	12.8	14	9.8	27	11.4	28	7.7	80	8.8	87
Harrow Pension Fund	8.9	39	9.6	71	8.1	73	10.7	54	7.8	72	9.2	47
Havering Pension Fund	0.0	98	11.9	36	10.5	12	10.0	74	7.1	96	8.9	81
Hillingdon Pension Fund	8.9	38	7.0	100	5.9	100	8.5	100				
Hounslow Pension Fund	8.8	41	9.2	83	8.1	75	9.4	93	8.3	30	9.2	45
Isle of Wight Pension Fund	8.3	48	9.9	70	8.0	78	11.3	32	8.6	18	9.5	28
Islington Pension Fund	10.2	26	10.8	58	8.9	49	10.1	69	7.1	94	8.7	92
Kensington and Chelsea	10.8	18	13.7	3	11.7	1	14.4	1				
Kent Pension Fund	0.7	92	10.2	65	8.6	63	10.4	59	7.8	62	8.8	85
Kingston upon Thames	10.3	23	13.9	1	10.8	9	12.8	6	8.8	8	9.5	30
Lambeth Pension Fund	-1.4	100	13.8	2	10.8	7						
Lancashire Pension Fund	11.2	13	10.9	54	10.0	22	12.5	9	8.7	14	9.6	19
Lewisham Pension Fund	13.5	2	12.1	24	9.8	27	11.0	45	7.3	90	8.9	72
Lincolnshire Pension Fund	10.2	26	11.2	48	9.3	46	11.0	46	7.6	82	8.9	75

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	**7.6**		**10.2**		**8.4**		**10.6**		**8.0**		**9.2**	
Range of Results												
Top Quartile	10.2		12.1		9.9		11.7		8.4		9.6	
Median	8.2		11.1		8.9		10.7		7.9		9.2	
Bottom Quartile	5.5		9.4		8.1		10.0		7.7		8.9	
London Pension Fund Authority	12.8	*3*										
Merseyside Pension Fund	6.7	*69*	9.0	*88*	6.9	*90*	9.5	91	7.3	*90*	8.5	*98*
Merton Pension Fund	3.7	*85*	12.0	*31*	9.6	*32*	10.3	63	7.9	*56*	9.2	*45*
Newham Pension Fund	10.6	*20*	9.3	*80*	8.5	*65*	11.7	24	8.5	*20*	9.4	*32*
Northamptonshire Pension Fund	6.7	*67*	13.1	*12*	10.0	*19*	11.8	22	8.3	*32*	9.6	*13*
Oxfordshire Pension Fund	8.5	*44*	9.2	*81*	7.8	*81*	9.9	78				
Powys Pension Fund	7.7	*59*	13.3	*9*	10.2	*14*	11.9	20	8.2	*36*	8.5	*96*
Redbridge Pension Fund	4.7	*80*	11.7	*39*	9.8	*29*	10.5	58	7.7	*76*	8.9	*79*
Rhondda Cynon Taf Pension Fund	0.4	*95*	12.8	*15*	11.2	*3*	12.9	4	9.2	*4*	9.8	*9*
South Yorkshire Pension Authority	8.2	*54*	9.5	*75*	8.0	*80*	10.1	72	8.1	*38*	9.1	*55*
Southwark Pension Fund	11.0	*15*	12.0	*27*	9.6	*37*	12.0	17	8.5	*22*	9.3	*36*
Strathclyde Pension Fund	4.8	*79*	11.3	*46*	9.3	*44*	11.2	35	8.7	*16*	9.6	*15*
Suffolk Pension Fund	12.2	*7*	11.3	*44*	9.5	*39*	11.3	33	8.0	*44*		
Surrey Pension Fund	6.7	*64*	8.1	*93*	6.8	*93*	10.2	67	8.0	*42*	9.0	*70*
Sutton Pension Fund	6.3	*71*	11.9	*34*	9.6	*34*						
Swansea Pension Fund	11.8	*8*	13.4	*7*	10.0	*22*	11.2	39	8.4	*24*	9.3	*41*
Torfaen (Gwent)Pension Fund	8.2	*53*	12.0	*29*	9.0	*48*						
Tower Hamlets Pension Fund	2.2	*90*	13.6	*5*	11.0	*5*	11.9	20	8.4	*28*	9.2	*49*
Waltham Forest Pension Fund	0.7	*94*	7.7	*95*	6.9	*92*	9.1	98	7.9	*54*	9.1	*53*
West Yorkshire Pension Fund	9.8	*28*	9.0	*88*	7.4	*88*	9.4	95	7.8	*64*	9.1	*60*

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	**7.6**		**10.2**		**8.4**		**10.6**		**8.0**		**9.2**	
Range of Results												
Top Quartile	10.2		12.1		9.9		11.7		8.4		9.6	
Median	8.2		11.1		8.9		10.7		7.9		9.2	
Bottom Quartile	5.5		9.4		8.1		10.0		7.7		8.9	
Westminster Pension Fund	4.0	*84*	10.8	*59*	8.8	*53*						
Wandsworth & Richmond Fund	6.7	*66*	8.7	*90*	8.1	*70*						

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	**-0.3**		**2.6**		**2.5**		**4.5**		**5.7**		**6.9**	
Range of Results												
Top Quartile	1.1		2.8		2.8		5.2		6.1		7.2	
Median	-1.1		2.4		2.4		4.4		5.6		6.7	
Bottom Quartile	-2.8		1.9		1.8		3.7		4.9		6.4	
Avon Pension Fund	-3.9	*95*	2.4	*49*	1.9	*72*	4.8	*41*				
Barking and Dagenham	-3.8	*92*	0.6	*97*	0.2	*98*	1.5	*98*	4.0	*98*	5.8	*95*
Barnet Pension Fund	1.4	*22*	3.2	*12*	3.2	*13*	5.5	*19*	6.1	*23*	7.1	*31*
Berkshire Pension Fund	5.3	*2*										
Bexley Pension Fund	0.1	*41*	2.7	*35*	2.7	*33*	3.2	*81*	5.0	*70*	6.5	*69*
Brent Pension Fund	-3.9	*93*	0.9	*91*	1.4	*85*	2.6	*94*	4.0	*95*	6.2	*85*
Bromley Pension Fund	-1.9	*59*	1.5	*88*	1.5	*82*	4.3	*53*	5.3	*60*	6.5	*64*
Cambridgeshire Pension Fund	0.5	*34*	2.5	*47*	1.9	*69*	4.0	*64*	4.9	*75*	6.2	*80*
Camden Pension Fund	1.8	*19*	2.1	*62*	0.7	*96*	2.6	*92*	4.8	*83*	6.1	*90*
Cardiff & Glamorgan Pension Fund	-3.6	*90*	2.0	*74*	2.2	*56*	3.7	*77*	5.5	*58*	6.8	*44*
City of London Corporation Pension Fu	2.5	*14*	3.4	*11*								
Cornwall Pension Fund	-0.9	*48*	1.9	*76*	-0.4	*100*	-0.8	*100*				
Cumbria Pension Fund	4.7	*5*	0.5	*98*	0.8	*95*	5.1	*30*				
Devon Pension Fund	-2.2	*68*	2.7	*30*	2.5	*45*	3.0	*85*	4.9	*78*	6.4	*74*
Dyfed Pension Fund	-2.7	*73*	2.6	*39*								
Ealing Pension Fund	-3.4	*87*	2.2	*56*	2.8	*26*	5.7	*9*	5.8	*35*	7.2	*26*
East Riding Pension Fund	-3.4	*88*	1.8	*81*	2.3	*52*	3.9	*66*	5.2	*68*	6.1	*87*
East Sussex Pension Fund	3.2	*10*	3.2	*16*	3.3	*9*	6.9	*2*	6.7	*5*	7.5	*18*
Enfield Pension Fund	0.4	*36*	2.5	*46*	2.4	*50*	4.3	*58*	6.0	*28*	7.1	*28*
Flintshire (Clywd)	-3.4	*85*	0.3	*100*	0.9	*93*	3.7	*72*	4.7	*85*	6.6	*59*

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	**-0.3**		**2.6**		**2.5**		**4.5**		**5.7**		**6.9**	
Range of Results												
Top Quartile	1.1		2.8		2.8		5.2		6.1		7.2	
Median	-1.1		2.4		2.4		4.4		5.6		6.7	
Bottom Quartile	-2.8		1.9		1.8		3.7		4.9		6.4	
Gloucestershire Pension Fund	-2.8	*78*	2.2	*54*	2.0	*67*	4.8	*38*	5.6	*48*	6.8	*49*
Greater Manchester Pension Fund	-1.2	*53*	2.6	*40*	2.5	*43*	4.5	*49*	5.7	*40*	7.1	*36*
Greenwich Pension Fund	-2.8	*76*	2.2	*58*	1.9	*70*	4.4	*51*	5.7	*43*		
Gwynedd Pension Fund	-0.2	*44*	2.1	*67*	0.9	*89*	1.8	*96*	3.8	*100*	5.6	*100*
Hackney Pension Fund	1.5	*20*	2.8	*26*	2.7	*30*	5.2	*24*				
Hammersmith and Fulham	0.3	*39*	2.1	*63*	2.5	*46*	5.1	*34*	5.9	*30*	6.7	*51*
Haringey Pension Fund	3.5	*9*	2.8	*28*	3.0	*22*	5.8	*6*	6.5	*10*	7.6	*10*
Harrow Pension Fund	-1.2	*51*	3.0	*21*	3.2	*13*	6.4	*4*	7.0	*3*	7.8	*3*
Havering Pension Fund	5.6	*1*	6.0	*2*	4.4	*2*	7.5	*1*	7.2	*1*	8.1	*1*
Hillingdon Pension Fund	4.4	*7*	3.9	*5*	3.6	*6*	5.2	*24*				
Hounslow Pension Fund	-2.0	*65*	2.4	*51*	2.6	*37*						
Isle of Wight Pension Fund	-5.9	*100*	1.7	*83*	2.1	*61*	4.6	*47*				
Islington Pension Fund	-2.7	*71*	2.6	*42*	2.6	*39*	5.2	*26*	5.5	*55*	6.8	*46*
Kent Pension Fund	-1.7	*58*	2.1	*67*	2.2	*54*	3.5	*79*	4.8	*80*	6.7	*57*
Kingston upon Thames	-3.0	*80*	2.2	*53*	2.1	*63*	4.2	*60*	5.5	*53*	6.6	*62*
Lambeth Pension Fund	-0.1	*42*	7.4	*1*	5.2	*1*						
Lancashire Pension Fund	2.4	*17*	2.9	*23*	3.5	*8*	4.9	*36*	5.7	*45*	6.7	*54*
Lewisham Pension Fund	-2.0	*63*	1.5	*84*	2.1	*61*	5.5	*17*	6.6	*8*	7.7	*8*
Lincolnshire Pension Fund	-3.0	*83*	1.1	*90*	1.5	*83*	2.8	*87*	4.6	*88*	5.6	*98*
London Pension Fund Authority	-2.2	*66*										

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	**-0.3**		**2.6**		**2.5**		**4.5**		**5.7**		**6.9**	
Range of Results												
Top Quartile	1.1		2.8		2.8		5.2		6.1		7.2	
Median	-1.1		2.4		2.4		4.4		5.6		6.7	
Bottom Quartile	-2.8		1.9		1.8		3.7		4.9		6.4	
Merseyside Pension Fund	1.1	*26*	3.4	*9*	3.1	*17*	5.5	*15*	6.4	*13*	7.5	*13*
Merton Pension Fund	-1.4	*54*	2.8	*26*	2.5	*43*	5.6	*13*	6.4	*15*	7.2	*23*
Newham Pension Fund	2.7	*12*	3.6	*7*	3.2	*15*	3.9	*68*	5.6	*50*	6.4	*72*
Northamptonshire Pension Fund	2.4	*17*	2.7	*35*	2.7	*32*	4.3	*55*	5.7	*38*	6.9	*39*
Oxfordshire Pension Fund	0.8	*32*	3.2	*14*	3.0	*19*	5.1	*28*	6.1	*20*	7.2	*21*
Powys Pension Fund	0.8	*29*	2.1	*69*	1.8	*74*	4.6	*45*	6.1	*25*	7.5	*15*
Redbridge Pension Fund	-2.0	*61*	1.5	*86*	1.8	*76*	5.1	*34*	5.8	*33*	7.1	*33*
Rhondda Cynon Taf Pension Fund	-4.1	*98*	0.8	*95*	1.6	*78*	4.1	*62*	5.3	*63*	6.8	*44*
South Yorkshire Pension Authority	0.8	*31*	2.7	*32*	3.0	*20*	5.6	*11*				
Southwark Pension Fund	-2.5	*70*	2.0	*72*								
Strathclyde Pension Fund	-0.3	*46*	3.1	*19*	2.7	*35*	3.7	*75*	5.0	*73*	6.2	*82*
Suffolk Pension Fund	-1.6	*56*	2.7	*37*	2.2	*58*						
Surrey Pension Fund	-2.8	*76*	0.9	*93*	0.9	*93*	3.9	*70*	5.2	*68*	6.5	*67*
Sutton Pension Fund	5.1	*3*	4.4	*4*	3.6	*4*						
Swansea Pension Fund	-1.1	*49*	1.9	*77*	1.6	*80*	3.1	*83*	4.6	*90*	6.3	*77*
Torfaen (Gwent)Pension Fund	-4.0	*97*	2.6	*44*	2.8	*28*						
Tower Hamlets Pension Fund	0.4	*37*	2.1	*62*	1.0	*87*	2.7	*89*	4.3	*93*	5.9	*92*
West Yorkshire Pension Fund	1.3	*24*	1.8	*79*	2.4	*48*	4.7	*43*	6.3	*18*	7.7	*5*
Westminster Pension Fund	-3.0	*81*	2.0	*70*	2.0	*65*						
Wandsworth & Richmond Fund	1.1	*27*	3.1	*18*	2.8	*24*						

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	**19.0**		**11.0**		**9.8**		**10.0**	
Range of Results								
Top Quartile	24.4		13.1		12.0		11.8	
Median	16.1		9.9		8.6		9.1	
Bottom Quartile	10.5		7.5		6.7		6.9	
Avon Pension Fund	12.0	*67*	8.3	*66*	8.2	*58*	6.9	*75*
Barking and Dagenham	16.2	*49*	10.1	*46*	8.1	*61*	6.7	*78*
Barnet Pension Fund	39.9	*6*	18.3	*12*				
Berkshire Pension Fund	26.4	*20*						
Bexley Pension Fund	13.3	*64*	11.0	*40*				
Brent Pension Fund	14.8	*55*	4.6	*92*	5.7	*88*	9.9	*42*
Cambridgeshire Pension Fund	17.0	*46*	11.9	*34*	9.5	*40*	11.2	*28*
Camden Pension Fund	40.3	*4*	22.5	*4*	15.9	*12*	9.8	*45*
Cardiff & Glamorgan Pension Fund	29.6	*13*	19.4	*8*	16.4	*7*	14.6	*8*
City of London Corporation Pension Fu	8.1	*87*	7.1	*76*	5.8	*84*		
Cornwall Pension Fund	11.9	*69*	6.1	*86*	5.7	*86*	5.8	*89*
Cumbria Pension Fund	10.6	*73*	7.6	*72*	7.9	*65*	10.2	*36*
Devon Pension Fund	8.3	*86*	6.6	*82*	6.4	*79*	6.0	*83*
Dyfed Pension Fund	8.7	*84*	5.0	*90*				
Ealing Pension Fund	9.9	*80*	5.4	*88*				
East Riding Pension Fund	19.0	*36*	8.7	*58*	8.9	*47*	10.0	*39*
East Sussex Pension Fund	13.9	*62*	11.0	*40*	8.0	*63*	7.6	*58*
Enfield Pension Fund	27.1	*16*	13.8	*22*	9.0	*44*	9.7	*47*
Flintshire (Clywd)	22.6	*31*	10.6	*44*	8.4	*56*	6.9	*72*
Gloucestershire Pension Fund	14.3	*60*	7.9	*70*	7.2	*72*	5.9	*86*

ALTERNATIVES PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*
Universe Average	**19.0**		**11.0**		**9.8**		**10.0**	
Range of Results								
Top Quartile	24.4		13.1		12.0		11.8	
Median	16.1		9.9		8.6		9.1	
Bottom Quartile	10.5		7.5		6.7		6.9	
Greater Manchester Pension Fund	23.5	*29*	13.3	*24*	12.2	*23*	11.8	*22*
Greenwich Pension Fund	-20.9	*100*	-0.9	*100*	0.4	*100*	1.8	*100*
Gwynedd Pension Fund	28.4	*15*	25.8	*2*	24.9	*2*	19.2	*1*
Hammersmith and Fulham	13.1	*66*	8.3	*62*	6.0	*81*	5.5	*92*
Haringey Pension Fund	25.3	*22*	15.3	*14*	12.4	*19*	12.9	*14*
Harrow Pension Fund	11.7	*71*	8.3	*64*	7.9	*68*	11.8	*25*
Havering Pension Fund	10.4	*78*	6.7	*80*	1.6	*98*	2.9	*95*
Hillingdon Pension Fund	9.3	*82*	8.6	*60*	6.7	*75*	7.5	*64*
Hounslow Pension Fund	-1.2	*98*	2.6	*96*	2.6	*95*		
Islington Pension Fund	18.3	*40*	10.1	*48*	16.1	*9*		
Kensington and Chelsea	59.0	*1*	35.1	*1*	25.9	*1*	15.0	*6*
Kent Pension Fund	14.5	*58*	9.9	*50*	7.2	*70*	7.0	*70*
Lambeth Pension Fund	1.0	*96*	8.1	*68*	3.7	*91*		
Lancashire Pension Fund	26.5	*18*	12.8	*28*	12.3	*21*	12.1	*20*
Lewisham Pension Fund	22.1	*33*	11.9	*36*	9.4	*42*	7.5	*61*
Lincolnshire Pension Fund	24.3	*26*	12.1	*32*	9.7	*37*		
London Pension Fund Authority	15.0	*53*						
Merseyside Pension Fund	20.8	*35*	9.3	*54*	8.6	*54*	9.1	*50*
Merton Pension Fund	4.1	*93*	7.0	*78*				
Newham Pension Fund	30.9	*11*	12.5	*30*	10.3	*33*	12.7	*17*

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	**19.0**		**11.0**		**9.8**		**10.0**	
Range of Results								
Top Quartile	24.4		13.1		12.0		11.8	
Median	16.1		9.9		8.6		9.1	
Bottom Quartile	10.5		7.5		6.7		6.9	
Northamptonshire Pension Fund	23.9	*27*	10.9	*42*	8.6	*51*	2.4	*97*
Oxfordshire Pension Fund	36.6	*7*	21.6	*6*	16.7	*5*	16.6	*3*
Powys Pension Fund	36.4	*9*	15.0	*16*	11.9	*26*	8.5	*56*
Redbridge Pension Fund	6.5	*89*						
South Yorkshire Pension Authority	17.9	*44*	13.0	*26*	10.8	*30*	10.6	*33*
Southwark Pension Fund	5.5	*91*						
Strathclyde Pension Fund	24.5	*24*	14.2	*20*	13.3	*16*	14.3	*11*
Suffolk Pension Fund	10.6	*75*	7.4	*74*	6.4	*77*	7.4	*67*
Surrey Pension Fund	18.1	*42*	8.7	*56*	10.3	*35*		
Sutton Pension Fund	42.1	*2*	18.7	*10*	15.7	*14*		
Swansea Pension Fund	16.0	*51*	14.7	*18*	11.5	*28*	8.8	*53*
Torfaen (Gwent)Pension Fund	2.6	*95*	2.8	*94*				
Waltham Forest Pension Fund	14.6	*56*	0.6	*98*	3.6	*93*	6.4	*81*
West Yorkshire Pension Fund	18.3	*38*	9.6	*52*	8.7	*49*	10.7	*31*
Westminster Pension Fund	17.0	*47*						
Wandsworth & Richmond Fund	10.5	*76*	6.4	*84*				

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	**17.9**		**6.3**		**6.8**		**8.0**		**7.0**		**8.2**	
Range of Results												
Top Quartile	21.0		7.7		7.7		8.5		7.2		8.6	
Median	18.8		6.5		6.9		7.8		6.7		7.9	
Bottom Quartile	15.3		5.5		6.3		6.8		5.8		7.2	
Avon Pension Fund	14.2	*80*	4.9	*88*	5.8	*83*	7.3	*68*				
Barking and Dagenham	19.4	*38*	6.5	*50*	6.5	*65*	5.9	*98*	5.3	*92*	7.2	*75*
Barnet Pension Fund	11.6	*90*										
Berkshire Pension Fund	11.8	*88*										
Bexley Pension Fund	14.0	*82*	4.7	*89*	5.8	*82*	8.1	*38*				
Bromley Pension Fund	22.9	*7*	8.5	*9*								
Cambridgeshire Pension Fund	13.2	*85*	5.5	*73*	6.0	*80*	6.8	*77*	6.0	*67*		
Camden Pension Fund	16.4	*67*	4.7	*91*	5.6	*89*	7.8	*51*	6.7	*47*	7.9	*50*
Cardiff & Glamorgan Pension Fund	21.0	*25*	8.9	*1*	8.0	*13*	9.1	*11*				
City of London Corporation Pension Fu	9.3	*98*										
Cornwall Pension Fund	17.8	*55*	6.5	*54*	7.7	*28*	7.9	*43*				
Cumbria Pension Fund	21.1	*23*	7.5	*29*	7.4	*35*	9.0	*13*	8.3	*6*	9.8	*4*
Devon Pension Fund	18.8	*52*	8.7	*5*	8.8	*2*	8.7	*19*	7.0	*42*		
Dyfed Pension Fund	17.2	*58*	5.7	*70*								
Ealing Pension Fund	15.4	*73*	5.5	*77*	6.3	*74*						
East Riding Pension Fund	9.3	*100*	7.4	*30*	6.3	*72*	6.8	*79*	5.9	*70*	7.0	*82*
East Sussex Pension Fund	20.7	*28*	6.9	*41*	7.3	*39*	8.4	*26*	6.5	*56*	8.0	*43*
Enfield Pension Fund	19.3	*47*	7.7	*23*	6.9	*50*	6.2	*94*	5.0	*97*	7.2	*75*
Flintshire (Clywd)	16.8	*63*	7.0	*36*	7.3	*39*	8.8	*15*	7.2	*31*	7.6	*57*
Gloucestershire Pension Fund	19.4	*42*	7.0	*34*	7.5	*33*	9.1	*9*	8.6	*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	**17.9**		**6.3**		**6.8**		**8.0**		**7.0**		**8.2**	
Range of Results												
Top Quartile	21.0		7.7		7.7		8.5		7.2		8.6	
Median	18.8		6.5		6.9		7.8		6.7		7.9	
Bottom Quartile	15.3		5.5		6.3		6.8		5.8		7.2	
Greater Manchester Pension Fund	17.4	*57*	3.7	*97*	4.9	*96*	6.5	*89*	6.5	*53*	8.2	*39*
Greenwich Pension Fund	21.2	*22*	5.9	*66*	6.6	*63*	7.5	*60*	5.1	*95*		
Gwynedd Pension Fund	21.7	*13*	7.9	*14*	7.6	*30*	8.7	*24*	7.1	*33*	9.0	*11*
Hackney Pension Fund	20.5	*30*	6.9	*38*	6.9	*48*	8.3	*28*	7.9	*11*	8.9	*14*
Hammersmith and Fulham	11.2	*92*	6.9	*41*	7.6	*32*						
Haringey Pension Fund	19.4	*40*	5.5	*72*	6.4	*70*	7.5	*62*	6.4	*61*	7.1	*79*
Harrow Pension Fund	19.1	*48*	4.2	*95*	5.0	*95*	6.8	*77*	6.1	*64*	8.3	*36*
Havering Pension Fund	22.1	*12*	8.9	*4*	8.4	*6*	7.6	*58*				
Hillingdon Pension Fund	22.6	*8*	8.9	*2*	7.7	*22*	8.8	*17*				
Hounslow Pension Fund	24.3	*1*	6.5	*52*	6.6	*63*	7.8	*49*	7.7	*17*		
Isle of Wight Pension Fund	19.6	*37*	8.0	*11*	7.9	*17*	9.3	*4*	7.0	*36*	6.6	*97*
Islington Pension Fund	15.3	*75*	6.8	*45*	6.9	*48*	8.0	*41*				
Kensington and Chelsea	12.9	*87*	0.9	*100*	3.8	*98*	6.1	*96*				
Kent Pension Fund	20.2	*35*	7.9	*16*	8.5	*4*	10.4	*1*	9.7	*1*	10.2	*1*
Kingston upon Thames	18.0	*53*	6.3	*59*	6.2	*78*	6.7	*81*	5.4	*89*		
Lambeth Pension Fund	9.9	*97*	2.2	*98*	3.4	*100*						
Lancashire Pension Fund	16.2	*70*	6.6	*48*	7.8	*20*	7.3	*66*	7.4	*22*	8.7	*18*
Lewisham Pension Fund	20.7	*27*	7.4	*32*	7.7	*28*	8.3	*32*	6.4	*58*	7.5	*61*
Lincolnshire Pension Fund	23.2	*3*	7.7	*22*	7.0	*45*	6.7	*85*	5.7	*81*	6.9	*86*
London Pension Fund Authority	16.9	*62*										

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	**17.9**		**6.3**		**6.8**		**8.0**		**7.0**		**8.2**	
Range of Results												
Top Quartile	21.0		7.7		7.7		8.5		7.2		8.6	
Median	18.8		6.5		6.9		7.8		6.7		7.9	
Bottom Quartile	15.3		5.5		6.3		6.8		5.8		7.2	
Merseyside Pension Fund	22.3	*10*	6.4	*55*	6.7	*58*	8.7	*24*	7.6	*20*	8.4	*32*
Merton Pension Fund	23.2	*5*	8.6	*7*	8.3	*8*	6.9	*72*	5.8	*72*	7.9	*47*
Newham Pension Fund	15.9	*72*	6.0	*63*	6.5	*67*	7.5	*64*	5.5	*86*	6.4	*100*
Northamptonshire Pension Fund	16.9	*62*	4.3	*93*	5.6	*85*	6.4	*92*	5.7	*78*	8.6	*25*
Oxfordshire Pension Fund	18.8	*50*	6.2	*61*	6.9	*52*	7.8	*49*	5.5	*83*	6.9	*89*
Powys Pension Fund	21.3	*18*	7.7	*25*	7.7	*24*	6.7	*87*				
Redbridge Pension Fund	13.9	*83*	5.1	*84*	6.4	*69*	8.3	*30*	7.2	*31*		
Rhondda Cynon Taf Pension Fund	15.3	*77*	5.3	*82*	6.8	*54*	7.2	*70*				
South Yorkshire Pension Authority	15.2	*78*	6.4	*57*	6.3	*76*	7.6	*55*	7.8	*14*	8.7	*22*
Southwark Pension Fund	19.3	*47*	7.8	*18*	9.0	*1*	9.2	*6*	7.9	*8*	9.0	*11*
Strathclyde Pension Fund	21.4	*15*	6.9	*43*	7.3	*41*	9.5	*2*	7.2	*25*	8.5	*29*
Suffolk Pension Fund	20.5	*33*	6.7	*47*	6.6	*59*	8.2	*34*	6.7	*45*		
Surrey Pension Fund	19.3	*43*	5.5	*75*	7.1	*43*	7.7	*53*	5.8	*75*	7.2	*68*
Sutton Pension Fund	16.3	*68*	5.4	*80*	5.0	*93*						
Swansea Pension Fund	24.3	*2*	5.9	*64*	5.6	*89*	6.7	*83*				
Torfaen (Gwent)Pension Fund	20.5	*32*	7.8	*20*	7.9	*19*						
Tower Hamlets Pension Fund	21.3	*18*	7.6	*27*	8.0	*11*	8.2	*36*	7.0	*42*	7.9	*54*
Waltham Forest Pension Fund	10.0	*95*	5.0	*86*	5.0	*93*	4.1	*100*	3.9	*100*	6.6	*93*
West Yorkshire Pension Fund	16.6	*65*	5.8	*68*	8.2	*9*	7.9	*45*	6.7	*50*	7.2	*64*
Westminster Pension Fund	10.6	*93*	5.4	*80*	6.7	*56*						

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	**17.9**		**6.3**		**6.8**		**8.0**		**7.0**		**8.2**	
Range of Results												
Top Quartile	21.0		7.7		7.7		8.5		7.2		8.6	
Median	18.8		6.5		6.9		7.8		6.7		7.9	
Bottom Quartile	15.3		5.5		6.3		6.8		5.8		7.2	
Wandsworth & Richmond Fund	21.2	*22*	8.0	*13*	7.9	*17*						

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*
Universe Average	**4.7**		**5.1**		**3.5**	
Range of Results						
Top Quartile	7.3		6.6		4.4	
Median	4.2		4.3		3.3	
Bottom Quartile	3.1		3.6		2.8	
Avon Pension Fund	7.3	*18*	5.6	*33*	3.1	*61*
Barking and Dagenham	3.1	*75*	4.4	*45*	3.1	*65*
Barnet Pension Fund	2.9	*79*	8.0	*11*	5.7	*1*
Brent Pension Fund	5.0	*43*	5.9	*30*	4.0	*31*
Camden Pension Fund	6.5	*29*	6.6	*26*	4.7	*17*
Cornwall Pension Fund	9.1	*7*	8.0	*8*	5.5	*9*
Devon Pension Fund	7.3	*18*	3.0	*82*	2.9	*70*
Gloucestershire Pension Fund	7.3	*18*	4.5	*41*	2.8	*74*
Greenwich Pension Fund	1.2	*86*	0.6	*93*	-0.1	*96*
Hackney Pension Fund	-4.7	*97*	-0.5	*100*	-0.1	*100*
Hammersmith and Fulham	7.3	*22*	10.5	*1*	5.5	*4*
Haringey Pension Fund	7.3	*25*	10.0	*4*		
Harrow Pension Fund	4.2	*50*	4.3	*52*	3.3	*44*
Havering Pension Fund	5.7	*32*	6.7	*22*	4.5	*22*
Hounslow Pension Fund	4.2	*54*	3.5	*78*	3.6	*35*
Isle of Wight Pension Fund	3.8	*61*	3.9	*63*	3.3	*48*
Islington Pension Fund	3.6	*68*	6.8	*19*	5.1	*13*
Kingston upon Thames	4.8	*47*	5.1	*37*	3.3	*57*
Lewisham Pension Fund	0.0	*89*	0.1	*96*		
London Pension Fund Authority	11.3	*4*				

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*
Universe Average	**4.7**		**5.1**		**3.5**	
Range of Results						
Top Quartile	7.3		6.6		4.4	
Median	4.2		4.3		3.3	
Bottom Quartile	3.1		3.6		2.8	
Merton Pension Fund	5.3	*39*	4.3	*48*		
Newham Pension Fund	11.9	*1*	4.0	*59*	2.7	*83*
Northamptonshire Pension Fund	3.4	*72*	3.7	*70*	3.3	*52*
Oxfordshire Pension Fund	3.7	*64*	3.9	*67*	3.4	*39*
Redbridge Pension Fund	2.0	*82*	2.7	*85*	1.9	*87*
Southwark Pension Fund	-1.4	*93*	4.1	*56*		
Sutton Pension Fund	3.8	*57*	3.6	*74*	2.7	*78*
Torfaen (Gwent)Pension Fund	-5.0	*100*	1.8	*89*	0.4	*91*
Tower Hamlets Pension Fund	5.4	*36*	6.9	*15*	4.4	*26*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
Average	***52***	***56***	***18***	***17***	***17***	***14***	***9***	***8***	***2***	***2***	***2***	***2***
Range												
Top Quartile	*60*	*64*	*22*	*22*	*17*	*15*	*10*	*9*	*2*	*3*	*9*	*9*
Median	*54*	*57*	*18*	*18*	*11*	*8*	*9*	*8*	*1*	*1*	*0*	*0*
Bottom Quartile	*46*	*49*	*13*	*12*	*6*	*4*	*7*	*3*	*0*	*0*	*0*	*0*
Avon Pension Fund	*40*	*38*	*21*	*23*	*12*	*13*	*15*	*12*	*1*	*2*	*9*	*9*
Barking and Dagenham	*56*	*57*	*7*	*8*	*17*	*15*	*5*	*5*	*1*	*1*	*14*	*15*
Barnet Pension Fund	*48*	*46*	*25*	*27*	*9*	*6*	*4*	*4*	*4*	*3*	*10*	*13*
Berkshire Pension Fund	*45*	*44*	*15*	*15*	*25*	*24*	*13*	*13*	*2*	*4*	*0*	*0*
Bexley Pension Fund	*31*	*40*	*27*	*30*	*28*	*17*	*15*	*12*	*0*	*0*	*0*	*0*
Brent Pension Fund	*56*	*53*	*12*	*12*	*7*	*8*	*1*	*0*	*3*	*5*	*21*	*21*
Bromley Pension Fund	*65*	*67*	*28*	*29*	*0*	*0*	*6*	*3*	*1*	*0*	*0*	*0*
Cambridgeshire Pension Fund	*58*	*60*	*14*	*15*	*17*	*15*	*10*	*10*	*0*	*1*	*0*	*0*
Camden Pension Fund	*57*	*65*	*11*	*9*	*5*	*3*	*13*	*8*	*6*	*2*	*8*	*12*
Cardiff & Glamorgan Pension Fund	*63*	*63*	*23*	*25*	*4*	*4*	*7*	*7*	*3*	*2*	*0*	*0*
City of London Corporation Pension	*60*	*60*	*9*	*9*	*23*	*23*	*8*	*7*	*0*	*0*	*0*	*0*
Cornwall Pension Fund	*36*	*35*	*22*	*21*	*29*	*25*	*7*	*6*	*2*	*1*	*3*	*11*
Cumbria Pension Fund	*35*	*39*	*17*	*18*	*36*	*32*	*9*	*9*	*2*	*3*	*0*	*0*
Devon Pension Fund	*59*	*63*	*14*	*13*	*8*	*6*	*9*	*8*	*1*	*1*	*9*	*9*
Dyfed Pension Fund	*73*	*76*	*9*	*11*	*4*	*2*	*15*	*11*	*0*	*1*	*0*	*0*
Ealing Pension Fund	*59*	*56*	*24*	*27*	*7*	*5*	*9*	*9*	*1*	*4*	*0*	*0*
East Riding Pension Fund	*52*	*53*	*13*	*13*	*24*	*20*	*9*	*12*	*1*	*3*	*0*	*0*
East Sussex Pension Fund	*41*	*42*	*13*	*8*	*35*	*41*	*9*	*8*	*2*	*1*	*0*	*0*
Enfield Pension Fund	*43*	*43*	*29*	*28*	*17*	*16*	*6*	*6*	*5*	*7*	*0*	*0*
Flintshire (Clywd)	*20*	*21*	*36*	*36*	*36*	*35*	*6*	*6*	*3*	*2*	*0*	*0*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Average	**52**	**56**	**18**	**17**	**17**	**14**	**9**	**8**	**2**	**2**	**2**	**2**
Range												
Top Quartile	60	64	22	22	17	15	10	9	2	3	9	9
Median	54	57	18	18	11	8	9	8	1	1	0	0
Bottom Quartile	46	49	13	12	6	4	7	3	0	0	0	0
Gloucestershire Pension Fund	58	60	19	20	5	3	9	7	1	2	8	8
Greater Manchester Pension Fund	46	52	19	19	22	19	8	7	5	3	0	0
Greenwich Pension Fund	52	56	18	17	7	9	11	9	0	0	13	8
Gwynedd Pension Fund	62	65	20	19	8	8	9	8	1	0	0	0
Hackney Pension Fund	53	58	29	25	1	0	10	8	0	0	7	9
Hammersmith and Fulham	46	46	18	21	8	5	7	5	0	0	21	23
Haringey	48	51	19	19	10	10	11	11	2	1	10	8
Harrow Pension Fund	53	54	13	23	15	2	7	6	2	4	9	10
Havering Pension Fund	40	42	20	20	6	5	10	8	2	2	22	23
Hillingdon Pension Fund	46	46	28	27	11	14	14	12	1	1	0	0
Hounslow Pension Fund	65	64	15	15	12	13	5	4	0	0	3	3
Isle of Wight Pension Fund	54	57	21	21	1	0	6	5	2	0	16	16
Islington Pension Fund	56	55	13	15	8	7	17	16	0	0	6	8
Kensington and Chelsea	68	74	0	0	7	6	6	5	18	15	0	0
Kent Pension Fund	58	61	15	13	13	10	12	10	2	5	0	0
Kingston upon Thames	58	66	21	11	0	0	7	7	0	0	14	16
Lambeth Pension Fund	42	51	35	32	8	7	9	9	0	0	6	0
Lancashire Pension Fund	49	48	17	17	22	21	10	14	2	1	0	0
Lewisham Pension Fund	52	53	19	20	17	15	9	8	0	0	2	5

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Average	**52**	**56**	**18**	**17**	**17**	**14**	**9**	**8**	**2**	**2**	**2**	**2**
Range												
Top Quartile	60	64	22	22	17	15	10	9	2	3	9	9
Median	54	57	18	18	11	8	9	8	1	1	0	0
Bottom Quartile	46	49	13	12	6	4	7	3	0	0	0	0
Lincolnshire Pension Fund	55	64	16	16	17	16	7	1	4	4	0	0
London Pension Fund Authority	48	49	3	12	38	28	9	9	2	2	0	0
Merseyside Pension Fund	49	51	15	16	26	24	9	9	1	1	0	0
Merton Pension Fund	45	62	19	20	13	7	3	3	1	0	19	8
Newham Pension Fund	51	51	19	24	10	8	15	13	2	1	2	2
Northamptonshire Pension Fund	55	56	19	20	10	8	9	8	0	1	7	7
Oxfordshire Pension Fund	53	58	20	20	13	10	8	6	2	1	5	5
Powys Pension Fund	42	46	34	32	15	13	8	8	1	0	0	0
Redbridge Pension Fund	60	60	9	15	3	2	16	9	0	1	12	13
Rhondda Cynon Taf Pension Fund	68	73	24	21	0	0	8	6	0	0	0	0
South Yorkshire Pension Authority	47	49	19	21	25	19	9	9	1	1	0	0
Southwark Pension Fund	60	67	6	7	9	2	16	14	0	0	9	10
Strathclyde Pension Fund	50	54	22	22	15	13	11	10	2	1	0	0
Suffolk Pension Fund	45	42	14	20	30	29	10	9	2	1	0	0
Surrey Pension Fund	65	66	11	12	18	7	6	6	0	0	0	9
Sutton Pension Fund	54	60	23	18	4	3	7	6	0	0	12	12
Swansea Pension Fund	71	73	8	10	14	12	5	4	1	2	0	0
Torfaen (Gwent)Pension Fund	74	75	14	16	6	5	2	2	0	0	3	2
Tower Hamlets Pension Fund	57	59	10	11	2	0	10	8	1	1	21	20

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
Average	***52***	***56***	***18***	***17***	***17***	***14***	***9***	***8***	***2***	***2***	***2***	***2***
Range												
Top Quartile	*60*	*64*	*22*	*22*	*17*	*15*	*10*	*9*	*2*	*3*	*9*	*9*
Median	*54*	*57*	*18*	*18*	*11*	*8*	*9*	*8*	*1*	*1*	*0*	*0*
Bottom Quartile	*46*	*49*	*13*	*12*	*6*	*4*	*7*	*3*	*0*	*0*	*0*	*0*
Waltham Forest Pension Fund	*58*	*78*	21	*0*	*8*	*9*	*10*	*10*	*3*	*3*	*0*	*0*
West Yorkshire Pension Fund	*65*	*68*	13	*13*	*15*	*13*	*4*	*4*	*3*	*3*	*0*	*0*
Westminster Pension Fund	*65*	*71*	17	*19*	*4*	*2*	*7*	*4*	*6*	*3*	*0*	*0*
Wandsworth & Richmond Fund	*61*	*64*	*25*	*24*	*6*	*4*	*7*	*4*	*1*	*4*	*0*	*0*

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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ENFIELD Council

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Enfield Pension Fund Responsible Investment Policy and Carbon Intensity Audit Report**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report presents Enfield Pension Fund Responsible Investment Policy to remind and introduce to the new members of the Committee of decisions made and the work done in establishing the Fund's ESG approach to date.

2. This report also presents the results of a carbon risk audit carried out on the Fund's equity portfolios. The audit has been carried out by Trucost to measure the Fund's carbon footprint and exposure to future CO_2 emissions, and to assess progress made against the Fund's target to reduce exposure to future CO_2 emissions by 50% by 2025.

3. The outcome of the carbon risk audit reveals that the Fund public equity holdings has reduced its exposure to carbon reserves by 83.3% between September 2019 and March 2022. This places the Fund well over halfway to its target of 50% over 5 years, with over 80% of the target reduction already achieved by public equities which represent 43% of the total Fund assets. The Fund is therefore on track to achieve its target ahead of time and could even outperform it.

4. 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)

5. Pension Policy and Investments Committee are recommended to:

   i) Note, review and comment on the Responsible Investment Policy attached as Appendix 1 and Trucost Carbon Audit Report for Enfield Pension Fund using 31 March 2022 Fund Valuation attached as Appendix 2.

ii) Note the reduction in exposure to future CO2 emissions by 83.3% over 2 years, which places the Fund well over halfway to its target of 50% over 5 years.

iii) Agree that the strategy setting process will consider how the Fund can make a positive contribution to the transition to a low carbon economy, through investment in renewable infrastructure and other suitable asset classes.

Reason for Proposal(s)

6. 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 £1.5 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.

7. 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.

8. 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

9. Good homes in well-connected neighbourhoods.

10. Build our Economy to create a thriving place.

11. Sustain Strong and healthy Communities.

Background

12. 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.

13. 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.

14. 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 2030 goal and other schemes are looking at or have committed to 2040 or 2050, in line with the Paris agreement.

15. 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.

16. 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 will be reflected in the Action Plan that will be brought to the next Committee meeting of September 2021.

17. 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

18. 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.*

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. Members of the Pension Fund place their trust in the Pension Policy and Investment 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

25. 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.

26. 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

27. 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.

28. 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

29. 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.

30. 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.

31. 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.

Climate Change and Fossil Fuel Divestment

32. 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.

33. 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.

34. 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.

35. 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’

<u>Moving Towards Low Carbon Investments and a Reduced Exposure Fossil Fuels</u>

36. 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.

37. 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.*

38. 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.

39. 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 audit work 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.

40. After careful consideration of how carbon risk could best be reduced within the investment management framework in which LGPS funds operate, and after taking proper advice, the Committee considered it appropriate to propose a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions. The Committee agreed that the Fund should:

i) Reduce its relative exposure to future emissions from fossil fuel reserves (measured in MtCO2e – million tonnes of CO2 emissions) by 50% over 2 valuation cycles (6 years)

ii) Measure the reduction relative to the Fund's position as at July 2016 and adjusted for Assets Under Management (£AUM)

41. 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 this 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.

42. 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.

43. 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.

44. 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.

45. 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.

46. 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.

47. 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.

48. 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.

49. 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.

50. 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.

51. 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.

52. 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."

53. 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.

54. 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

55. 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.

56. 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.

57. 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).

58. 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

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

64. **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.

65. 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.

66. **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.

67. 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.

68. So the proposition 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.

69. 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.

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

71. 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.

72. 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.

73. **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.

74. 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

75. 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.

76. 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.

77. 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%).

78. 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.

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

80. 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.

81. 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.

82. 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.

83. 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.

84. 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. The Fund has put a quarterly reporting regime in place.

Trucost Carbon Risk Audit

85. 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.

86. The Fund's view is that exposure to future emissions must accurately represents the risk to the Fund from investing in fossil fuel companies. Assessing exposure to emissions from reserves in this way helps the Fund to take a view on its exposure to potentially stranded assets that may become unusable as a result of the transition to a low carbon economy.

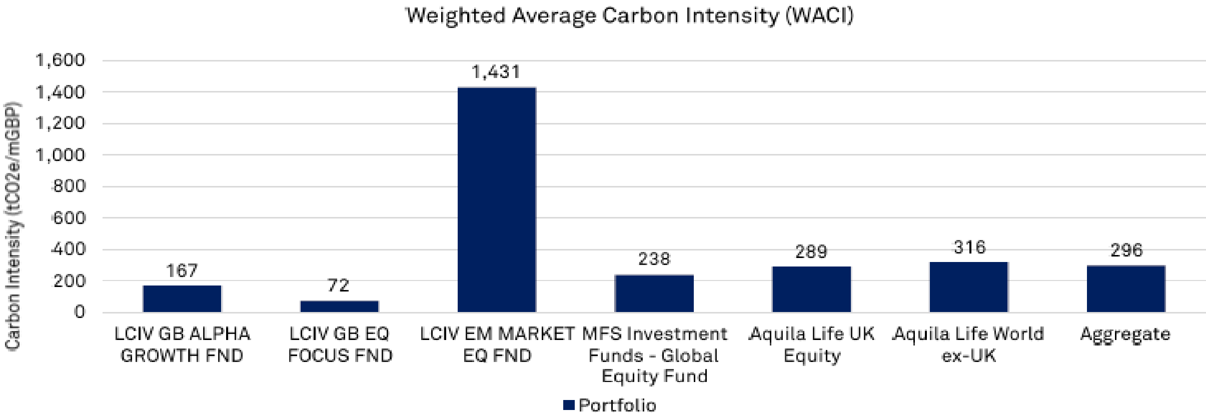
87. The carbon footprint audit was carried out on the Fund equity holdings with the following portfolios: Blackrock Aquila UK Equity (FTSE), Blackrock Aquila Global Equity (MSCI), MFS (GE) (MSCI), LCIV (EM) (MSCI), LCIV Longview (GE) (MSCI) and LCIV BG (GE) (MSCI).

88. The table below summarises the carbon exposure of each equity portfolio as at 30th September 2019.And the aggregate portfolio had 296 tCO2e/mGBP of weighted average carbon intensity (WACI). This was the Fund aggregate equity portfolio's exposure to carbon intensive companies as at 30th September 2019.

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

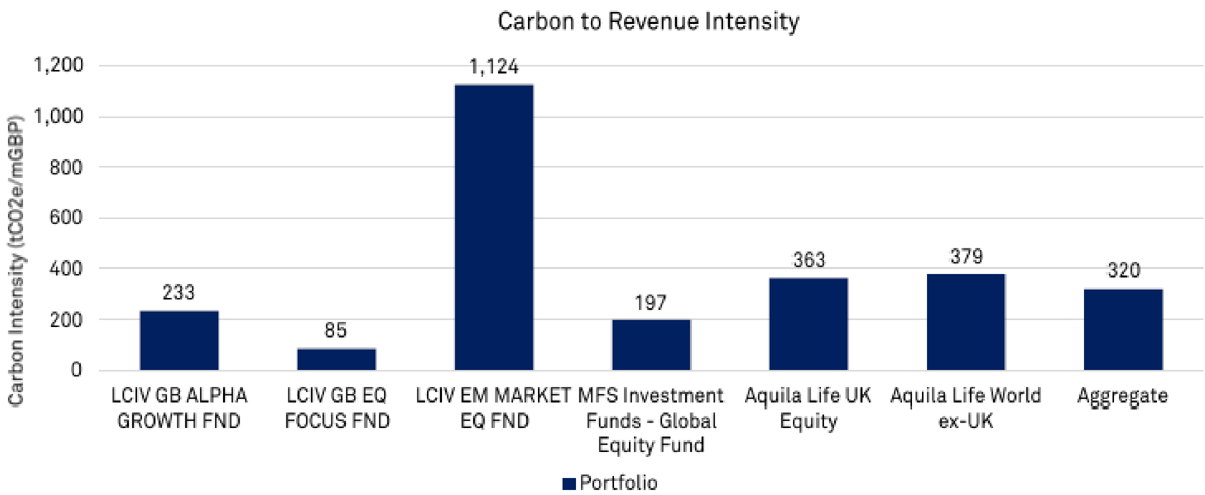
AQUILA UK	289	229	+60 or -26%	Very inefficient
AQUILA WORLD	316	229	+87 or -38%	Highly inefficient
AGGREGATE	**296**	**229**	**+67 or -29%**	Very inefficient

89. The graphical outcomes produced by Trucost are shown below:



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

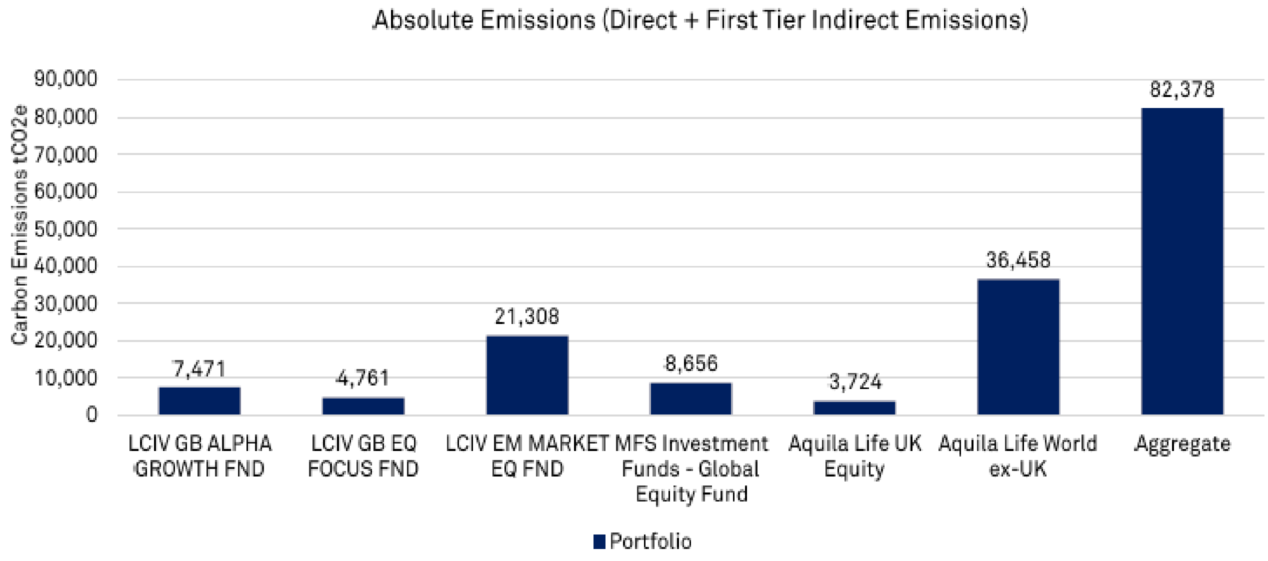
90. The carbon to revenue intensity outcome is shown in the below graph and the aggregate portfolio for the Fund exhibits 320 $tCO_2e/mGBP$, this indicates how operationally efficient the companies are in terms of carbon emitted per unit of "output".



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

91. Trucost has analysed the carbon emissions embedded within the fossil fuel reserves that are disclosed by the underlying companies within the Fund's equity portfolio. The emissions measured are the potential future amounts of CO_2 that could be released if the fuel reserves disclosed were to be burnt.

92. Although proposition is to measure performance against our target using emissions intensity, Trucost have also measured the absolute exposure to future CO2 emissions as shown in the below chart. The total exposure within the Fund's equity portfolio as at 30th September 2019 was 82,378 tonnes CO2e.

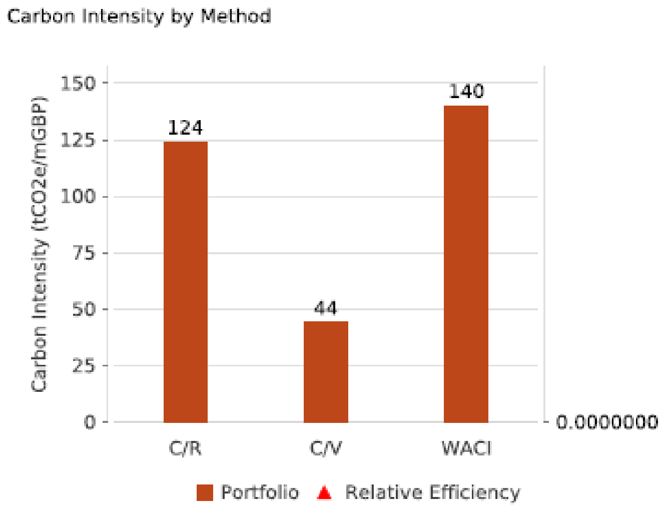


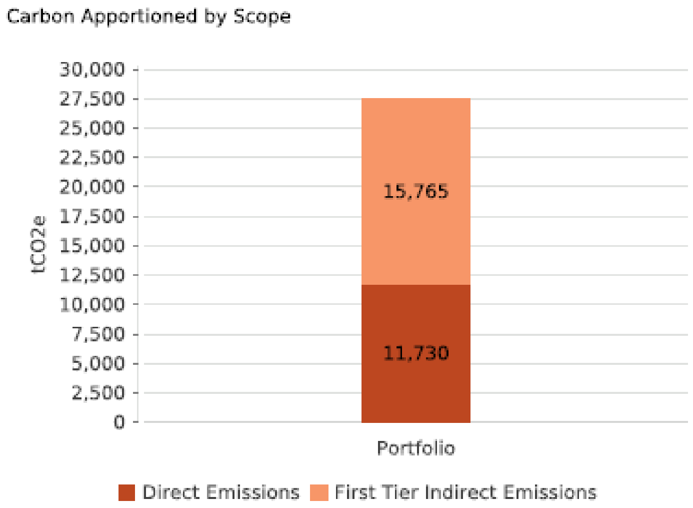
Total Carbon Emissions allocated to the portfolio in absolute terms.

93. The carbon footprint audit was carried out in summer 2022 using the Fund's equity holdings as at 31st March 2022 of the following portfolios: Blackrock Low Carbon Equity Fund, MFS (GE), LCIV JPMorgan (EM), LCIV Longview (GE) and LCIV BG (GE).

94. Carbon exposure analysis offers a systematic assessment of the carbon risks and opportunities within a portfolio or index at a point in time. The analysis quantifies greenhouse gas emissions (GHG) embedded within a portfolio presenting these as tonnes of carbon dioxide equivalents (tCO2e). Comparing the total GHG emissions of each holding relative to either revenues generated, or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography.

95. The **Total Carbon Emissions, Carbon to Value Invested (C/V), Carbon to Revenue (C/R),** and **Weighted Average Carbon Intensity (WACI)** are all presented below.





96. The 'WACI Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. In other words, it is a measurement of how much a specific holding effects the carbon performance of the portfolio

97. The table below summarises the total carbon emissions allocated to each portfolio of the Fund's equity holdings as at 31st March 2022 comparing it with the outcome of September 2019. The Fund aggregate equity portfolio's exposure to carbon intensive companies as at 31st March 2022 was 124 tCO2e/mGBP of weighted average carbon intensity (WACI).

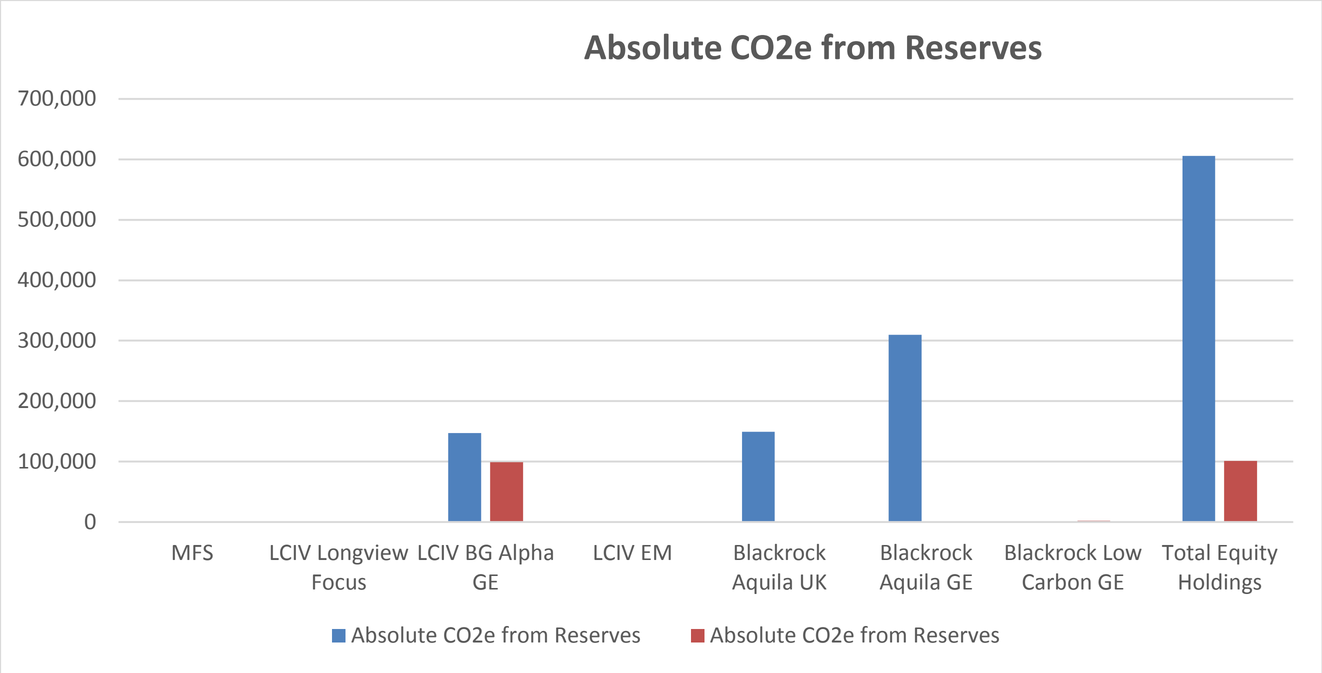
Portfolio	**Total CO2 Footprint per £m holding (tCo2e/£m revenue) as at Sept. 2019**	**Total CO2 Footprint per £m holding (tCo2e/£m revenue) as at Mar. 2022**	**Differences**	**Comments**
LCIV GB ALPHA	167	245	+78 or 47%	Carbon intensity has increased generously over the period by 47%
LCIV GB FOCUS	72	48	-24 or 33%	Carbon intensity decreased strongly over the period by 33%
LCIV EM FUND	1,431	116	-1,315 or 92%	Carbon intensity decreased significantly over the period by 92%
AQUILA UK	289	-	-	-
AQUILA WORLD	316	-	-	-
BLACKROCK LOW CARBON	-	83	-	-
MFS	238	233	-5 or 2%	Carbon intensity decreased slightly over

				the period by 2%
AGGREGATE	**296**	**124**	**-172 or 58%**	Carbon intensity decreased generously over the period by 58%

98. The table below summarises the total carbon embedded emissions intensity of each portfolio of Enfield Pension Fund's equity holdings as at 31st March 2022 comparing it with the outcome of September 2019.

Portfolio	**Absolute Emissions in tonnes as at Sept. 2019**	**Absolute Emissions in tonnes as at Mar. 2022**	**Comments**
LCIV GB ALPHA	7,471	9,425	Carbon intensity has increased over the period by 26%
LCIV GB FOCUS	4,761	2,414	Carbon intensity decreased generously over the period by 49%
LCIV EM FUND	21,308	916	Carbon intensity decreased significantly over the period by 96%
MFS	8,656	8,656	Carbon intensity remain the same over the period
AQUILA UK	3,724	-	-
AQUILA WORLD	34,458	-	-
BLACKROCK LOW CARBON	-	6,084	-
AGGREGATE	**82,378**	**27,495**	Carbon intensity decreased generously over the period by 67%

99. The below graph demonstrates the total embedded CO2 emissions from reserves for the Enfield Pension Fund Equity holdings from 30th September 2019 valuation audit to be 0.606 m tonnes and for 31st March 2022 the total embedded CO2 emissions from reserves was 0.101 m tonnes.



Safeguarding Implications

100. 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

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

Equalities Impact of the Proposal

102. 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

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

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

104. 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

105. 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

106. 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.

107. The Pension Policy and Investment Committee acts as Scheme Manager for the Pension Fund and is therefore responsible for the management of £1.5 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. 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 pension promises, which are underwritten by statute.

108. The Fund recognises that investment in fossil fuels and the associated exposure to potential stranded assets scenarios pose material financial risks. These risks apply not only to the Fund's investment portfolio but also, when considered on a wider scale, to long term global economic growth.

109. In recognising the risks that climate change and stranded assets scenarios could pose to the Fund, the Committee needs to understand where these risks might apply and how they can best be mitigated within the investment management framework within which LGPS funds operate.

110. This report provides the Committee with a greater understanding of where climate risks are concentrated within its investment portfolio, which can then be used to help mitigate those risks within its investment strategy.

111. The Executive Director is very pleased to report the reduction in exposure to future CO_2 emissions in the Fund public equity holdings by 83% over 2 years, which places the Fund well over halfway to its target of 50% over 5 years. The Fund is therefore on track to achieve its target ahead of time and might even outperform it.

Legal Implications

112. 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.

113. 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

114. 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

115. None

Other Implications

116. None

Options Considered

117. The Committee could decide not to monitor the progress of achieving the target set 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

118. The Pension Fund set a goal of making its investment portfolios to be net zero carbon emissions by 2030. The initial stage in this approach was 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 has resulted in a reduction in the carbon emissions and intensity of these portfolios, through changing the universe of shares that can be invested in.

119. 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.

120. 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.

121. 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.

122. 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.

123. 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.

124. The Committee set a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions as stated below:

i) the Fund to reduce its relative exposure to future emissions from fossil fuel reserves (measured in MtCO2e – million tonnes of CO2 emissions) by 50% over 5 years (by 30th September 2025)

ii) measure the reduction relative to the Fund's position as at September 2019 and adjusted for Assets Under Management (£AUM)

125. The audit carried out by Trucost as at 31st March 2022, reveals a significant reduction in exposure to future CO2 emissions in the Fund public equity holdings by 83% over 2 years, which places the Fund well over halfway to its target of 50% over 5 years. The Fund is therefore on track to achieve its target ahead of time and might even outperform it. The reduction is fully compatible with the Fund's wider investment strategy and has been achieved

with no negative impact on performance; the Fund's performance has improved relative to its peer group (other local authority pension funds) over the 2 year period since the introduction of the target.

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

Date of report 14th September 2022

Appendices
Appendix 1 – Responsible Investment Policy
Appendix 2 – Trucost Carbon Audit Report for Enfield Pension Fund for 31 March 2022 Fund Valuation

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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)

Trucost Portfolio Analytics

Trucost
ESG Analysis
S&P Global

Enfield Pension Fund : 2022

Enfield Aggregate Portfolio

July 19, 2022

About Trucost

Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy. S&P Global'â¬s commitment to environmental analysis and product innovation allows us to deliver essential ESG investment-related information to the global marketplace. For more information, visit www.trucost.com.

About S&P Global

S&P Global (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. For more information, visit www.spglobal.com.

Contacts

UK: trucostinfo@spglobal.com
North America: trucostnorthamerica@spglobal.com
Europe: trucostemea@spglobal.com
Asia: trucostasiapacific@spglobal.com
South America: trucostsouthamerica@spglobal.com
Telephone (UK): +44 (0) 20 7160 9800
Telephone (North America): +1 800 402 8774
www.trucost.com

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Benefits of Trucost Portfolio Analysis

It is well-documented that overuse of environmental resources and emission of pollutant gases is not only unsustainable for the planet but could also have widespread economic and social consequences. As governments, capital markets and consumers start to challenge the status quo, those companies that use resources less efficiently than peers, or are more carbon intensive, could lose their market share, licences to operate and ability to source from suppliers. This has possible operational and financial implications for revenues, profit, cost of capital and valuations.

Trucost's portfolio analysis provides investors with essential intelligence to appraise large numbers of holdings or investments for potential exposure to carbon and other environmental impacts, regardless of asset class, geography or investment style. This report provides an invaluable tool for investors to understand:

- Exposure to rising carbon costs
- Carbon performance of holdings within a sector
- Materiality of different environmental impacts
- Engagement opportunities
- Exposure to possible stranded assets
- The baseline against which to measure improvement over time

Summary of Coverage

Portfolio: Enfield Aggregate Portfolio

Benchmark:

Analysis Date: July 19, 2022

Holdings Date: March 31, 2022

Asset Classes: Mixed

Apportioning Factor: Market capitalization

Largest Contributor Level: Companies

	VoH Covered GBPm	Coverage Rate (% of Starting VOH)	Number of Instruments Analysed	Number of Companies Analysed
Portfolio	631.029	98.02	3227/3294	3214

Summary of Results

		Unit	Portfolio
Carbon	Carbon to Revenue	tCO2e/mGBP	123.58
	Carbon to Value Invested	tCO2e/mGBP	43.57
	Weighted Average Carbon Intensity	tCO2e/mGBP	139.73
	Absolute CO2e	tonnes	27,495
Fossil Fuels & Stranded Assets	Extractive Industries Revenue Exposure (apportioned)	%	0.40
	Extractive Industries Revenue Exposure (weighted average)	%	0.37
	Extractive Industries Revenue Exposure (VOH)	%	0.67
	Reserves Exposure (VOH)	%	0.83
	Absolute CO2e from Reserves	tonnes	100,772
	Absolute Fossil Fuel CAPEX	GBP	47,658
	Coal Revenue Exposure (apportioned)	%	0.04
	Coal Revenue Exposure (weighted average)	%	0.06
	Coal Revenue Exposure (VOH)	%	0.39
Energy Transition	Absolute Fossil Fuel Power Generation	GWh	0.252
	Absolute Renewable Power Generation	GWh	1.269
	Absolute Other Power Generation	GWh	0.033
	Fossil Fuel Power Revenue Exposure (apportioned)	%	+0.00
	Fossil Fuel Power Revenue Exposure (weighted average)	%	+0.00
	Fossil Fuel Power Revenue Exposure (VOH)	%	+0.00
	Renewable Power Revenue Exposure (apportioned)	%	0.05
	Renewable Power Revenue Exposure (weighted average)	%	0.09
	Renewable Power Revenue Exposure (VOH)	%	0.15
	Other Power Revenue Exposure (apportioned)	%	+0.00
	Other Power Revenue Exposure (weighted average)	%	+0.00
	Other Power Revenue Exposure (VOH)	%	+0.00

Carbon

Introduction

Carbon exposure analysis offers a systematic assessment of the carbon risks and opportunities within a portfolio or index at a point in time. The analysis quantifies greenhouse gas emissions (GHG) embedded within a portfolio presenting these as tonnes of carbon dioxide equivalents (tCO2e). Comparing the total GHG emissions of each holding relative to either revenues generated or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography.

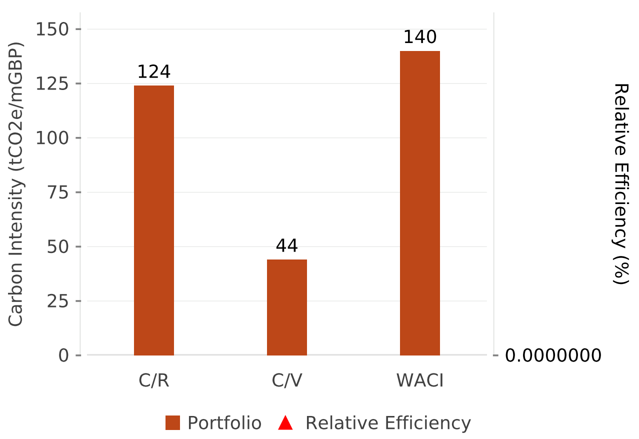
The **Total Carbon Emissions, Carbon to Value Invested (C/V), Carbon to Revenue (C/R),** and **Weighted Average Carbon Intensity (WACI)** are all presented below. For more information on methodological approaches please refer to Appendix 2 and 3.

The scope used in this analysis was Direct Emissions, First Tier Indirect Emissions. For more information on scopes please refer to Appendix 1.

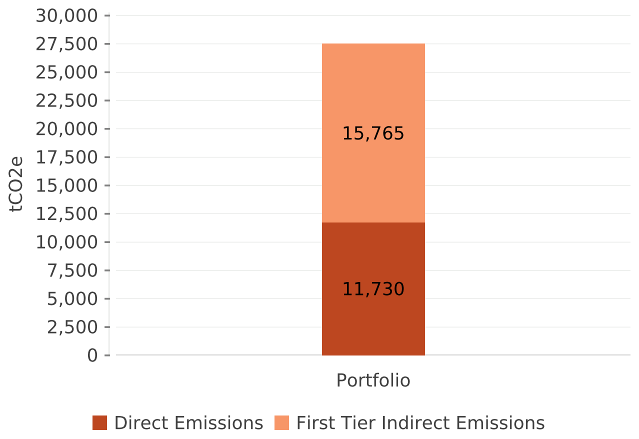
The disclosure rate is measured against the value of holdings (VOH), the share of apportioned GHGs, and number of companies. For details, please refer to Carbon Appendix 4.

Key Findings

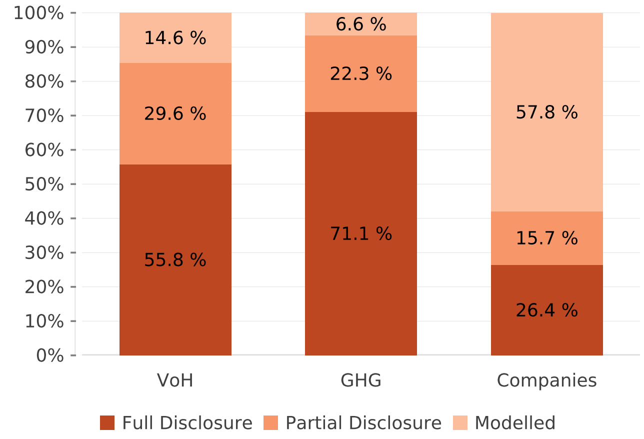
Carbon Intensity by Method



Carbon Apportioned by Scope



Portfolio Disclosure



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Carbon

Largest Contributors - Carbon to Revenue

The largest contributors to the portfolio's carbon intensity are shown below. Note that a company may appear due to the proportion owned/financed, rather than because it is the most carbon intensive held. The 'C/R Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. In other words, it is a measurement of how much a specific holding effects the carbon performance of the portfolio.

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	C/R Intensity Contribution (%)	Data Source (Scope 1)
CRH Plc	1.755	Materials	11.45	1,965.07	N/A	-10.81	Full Disclosure
Ryanair Holdings Plc	1.902	Industrials	7.14	1,809.11	N/A	-6.68	Partial Disclosure
Danone S.A.	2.146	Consumer Staples	5.44	896.14	N/A	-4.73	Full Disclosure
Linde plc	3.790	Materials	4.44	1,857.11	N/A	-4.16	Full Disclosure
Martin Marietta Materials, Inc.	2.920	Materials	3.79	1,887.21	N/A	-3.55	Full Disclosure
Reliance Industries Limited	2.714	Energy	2.84	773.91	N/A	-2.39	Partial Disclosure
L'Air Liquide S.A.	1.458	Materials	2.45	1,614.51	N/A	-2.26	Full Disclosure
Nestle SA	5.361	Consumer Staples	2.77	554.00	N/A	-2.17	Partial Disclosure
Rio Tinto Group	1.840	Materials	2.18	944.86	N/A	-1.90	Full Disclosure
Wizz Air Holdings Plc	0.409	Industrials	1.94	1,611.27	N/A	-1.80	Full Disclosure

Largest Modelled Contributors - Carbon to Revenue

In order to highlight for engagement purposes, we have identified the largest contributors for which up-to-date disclosures were not available. These are ranked according to the size of their impact on your carbon intensity as estimated by Trucost, using our proprietary environmental profiling model.

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	C/R Intensity Contribution (%)	Data Source (Scope 1)
Yakult Honsha Co.,Ltd.	0.124	Consumer Staples	0.18	913.06	N/A	-0.16	Modelled
Brookfield Renewable	0.334	Utilities	0.13	522.42	N/A	-0.10	Modelled
Avantor, Inc.	0.135	Health Care	0.11	704.36	N/A	-0.09	Modelled
SMC Corporation	1.224	Industrials	0.14	238.23	N/A	-0.07	Modelled
Hoshizaki Corporation	0.408	Industrials	0.12	179.57	N/A	-0.04	Modelled
Koito Manufacturing Co., Ltd.	0.058	Consumer Discretionary	0.05	214.21	N/A	-0.02	Modelled
Kweichow Moutai Co., Ltd.	0.524	Consumer Staples	0.03	364.38	N/A	-0.02	Modelled
Old Dominion Freight Line, Inc.	0.296	Industrials	0.03	255.72	N/A	-0.02	Modelled
Broadcom Inc.	1.545	Information Technology	0.08	144.47	N/A	-0.01	Modelled
Newell Brands Inc.	0.034	Consumer Discretionary	0.03	200.89	N/A	-0.01	Modelled

Carbon

Largest Contributors - Carbon to Value Invested

The largest contributors to the portfolio's carbon intensity are shown below. Note that a company may appear due to the proportion owned/financed, rather than because it is the most carbon intensive held. The 'C/V Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. In other words, it is a measurement of how much a specific holding effects the carbon performance of the portfolio.

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/V Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	C/V Intensity Contribution (%)	Data Source (Scope 1)
CRH Plc	1.755	Materials	11.45	1,794.37	N/A	-11.20	Full Disclosure
Ryanair Holdings Plc	1.902	Industrials	7.14	1,031.35	N/A	-6.86	Partial Disclosure
Danone S.A.	2.146	Consumer Staples	5.44	697.22	N/A	-5.12	Full Disclosure
Linde plc	3.790	Materials	4.44	322.44	N/A	-3.87	Full Disclosure
Martin Marietta Materials, Inc.	2.920	Materials	3.79	356.97	N/A	-3.34	Full Disclosure
Reliance Industries Limited	2.714	Energy	2.84	287.31	N/A	-2.42	Partial Disclosure
L'Air Liquide S.A.	1.458	Materials	2.45	461.59	N/A	-2.22	Full Disclosure
Nestle SA	5.361	Consumer Staples	2.77	142.17	N/A	-1.94	Partial Disclosure
Rio Tinto Group	1.840	Materials	2.18	325.03	N/A	-1.89	Full Disclosure
Wizz Air Holdings Plc	0.409	Industrials	1.94	1,305.09	N/A	-1.88	Full Disclosure

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Largest Modelled Contributors - Carbon to Value Invested

In order to highlight for engagement purposes, we have identified the largest contributors for which up-to-date disclosures were not available. These are ranked according to the size of their impact on your carbon intensity as estimated by Trucost, using our proprietary environmental profiling model.

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/V Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	C/V Intensity Contribution (%)	Data Source (Scope 1)
Arrow Electronics, Inc.	1.277	Information Technology	0.91	196.17	N/A	-0.71	Modelled
HCA Healthcare, Inc.	4.346	Health Care	0.96	60.43	N/A	-0.27	Modelled
MediPal Holdings Corporation	0.140	Health Care	0.26	516.46	N/A	-0.24	Modelled
Yakult Honsha Co.,Ltd.	0.124	Consumer Staples	0.18	409.38	N/A	-0.16	Modelled
Wayfair Inc.	0.494	Consumer Discretionary	0.18	99.68	N/A	-0.10	Modelled
Iida Group Holdings Co., Ltd.	0.108	Consumer Discretionary	0.12	296.81	N/A	-0.10	Modelled
Walmart Inc.	0.676	Consumer Staples	0.20	80.54	N/A	-0.09	Modelled
Avantor, Inc.	0.135	Health Care	0.11	223.74	N/A	-0.09	Modelled
Brookfield Renewable	0.334	Utilities	0.13	107.80	N/A	-0.08	Modelled
Costco Wholesale Corporation	1.437	Consumer Staples	0.29	56.28	N/A	-0.07	Modelled

Carbon

Largest Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. In other words, it is a measurement of how much a specific holding effects the carbon performance of the portfolio

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	WACI Contribution (%)	Data Source (Scope 1)
Linde plc	3.790	Materials	4.44	1,857.11	N/A	-7.43	Full Disclosure
Martin Marietta Materials, Inc.	2.920	Materials	3.79	1,887.21	N/A	-5.81	Full Disclosure
CRH Plc	1.755	Materials	11.45	1,965.07	N/A	-3.64	Full Disclosure
Marriott International, Inc.	1.066	Consumer Discretionary	0.46	3,124.86	N/A	-3.62	Full Disclosure
Ryanair Holdings Plc	1.902	Industrials	7.14	1,809.11	N/A	-3.61	Partial Disclosure
Nestle SA	5.361	Consumer Staples	2.77	554.00	N/A	-2.54	Partial Disclosure
L'Air Liquide S.A.	1.458	Materials	2.45	1,614.51	N/A	-2.44	Full Disclosure
Canadian Pacific Railway	3.405	Industrials	0.69	721.54	N/A	-2.26	Full Disclosure
Reliance Industries Limited	2.714	Energy	2.84	773.91	N/A	-1.96	Partial Disclosure
Canadian National Railway	2.904	Industrials	0.86	724.83	N/A	-1.94	Full Disclosure

Largest Modelled Contributors - Weighted Average Carbon Intensity

In order to highlight for engagement purposes, we have identified the largest contributors for which up-to-date disclosures were not available. These are ranked according to the size of their impact on your carbon intensity as estimated by Trucost, using our proprietary environmental profiling model.

Company Name	Holding (mGBP)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mGBP)	Rank in Benchmark Sector	WACI Contribution (%)	Data Source (Scope 1)
Brookfield Renewable	0.334	Utilities	0.13	522.42	N/A	-0.14	Modelled
SMC Corporation	1.224	Industrials	0.14	238.23	N/A	-0.14	Modelled
Kweichow Moutai Co., Ltd.	0.524	Consumer Staples	0.03	364.38	N/A	-0.13	Modelled
Yakult Honsha Co.,Ltd.	0.124	Consumer Staples	0.18	913.06	N/A	-0.11	Modelled
Avantor, Inc.	0.135	Health Care	0.11	704.36	N/A	-0.09	Modelled
Old Dominion Freight Line, Inc.	0.296	Industrials	0.03	255.72	N/A	-0.04	Modelled
Hoshizaki Corporation	0.408	Industrials	0.12	179.57	N/A	-0.02	Modelled
Generac Holdings Inc.	0.106	Industrials	0.01	273.65	N/A	-0.02	Modelled
Broadcom Inc.	1.545	Information Technology	0.08	144.47	N/A	-0.00	Modelled
Snap-on Incorporated	0.043	Industrials	0.02	278.07	N/A	-0.00	Modelled

Fossil Fuels & Stranded Assets

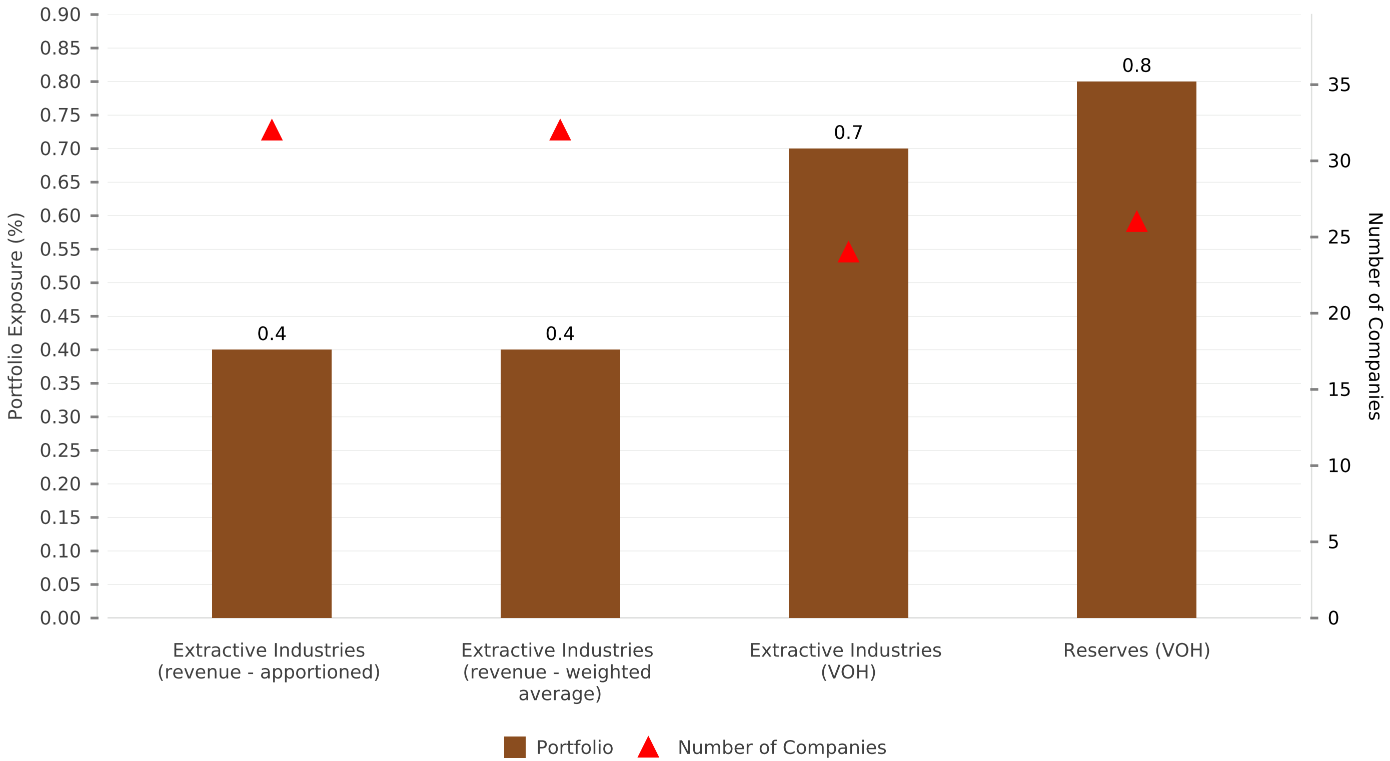
Introduction

Future emissions from fossil fuel reserves far outweigh the allowable carbon budget that will limit global warming to 2 degrees Celsius above pre-industrial levels. Industry experts refer to assets that may suffer from unanticipated or premature write-downs, devaluations or conversion to liabilities as 'stranded assets'. Trucost assesses exposure to such assets by highlighting holdings with business activities in extractive industries, as well as holdings in companies that have disclosed proven and probable fossil fuel reserves in the portfolio. This helps to identify potentially stranded assets that would become apparent as economies move towards a 2 degree alignment.

The portfolio's exposure to potentially stranded assets has been assessed on both a value of holdings (VOH) basis and a revenue basis. For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 5%. For more details on the methodology please refer to Appendix 5.

Key Findings

Exposure to Extractive Industries and Reserves



Extraction-related activities include the following sectors

- **Crude petroleum and natural gas extraction**
- **Tar sands extraction**
- **Natural gas liquid extraction**
- **Bituminous coal underground mining**
- **Bituminous coal and lignite surface mining**
- **Drilling oil and gas wells**
- **Support activities for oil and gas operations**

Fossil fuel reserves may include the following types:

- **Coal (metallurgical, thermal or other)**
- **Oil (conventional or unconventional)**
- **Gas (natural and shale)**
- **Oil and/or gas (where no specification has been provided)**

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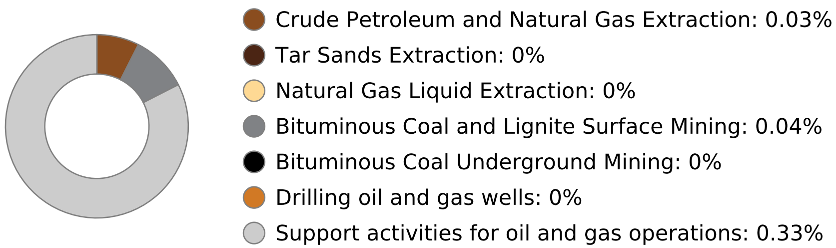
Fossil Fuels & Stranded Assets

Extractives Revenue Exposure by Sector

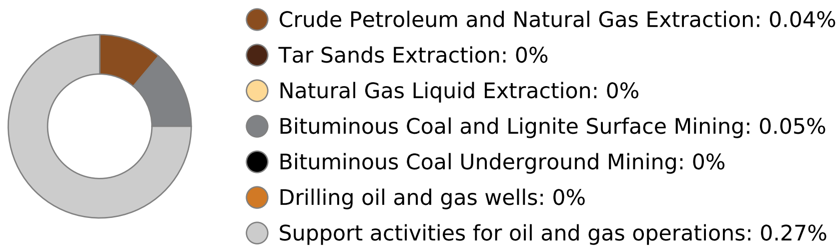
Below is a breakdown of the portfolio's extractive revenue exposure by sector, as a share of total revenue. Both the apportioning and the weighted average methods are displayed.

	Bituminous Coal and Lignite Surface Mining	Bituminous Coal Underground Mining	Crude Petroleum and Natural Gas Extraction	Natural Gas Liquid Extraction	Drilling oil and gas wells	Tar Sands Extraction	Support activities for oil and gas operations	Total Extractives Exposure
Portfolio - apportioned	0.04	+0.00	0.03	+0.00	+0.00	+0.00	0.33	0.40
Portfolio - weighted	0.05	+0.00	0.04	+0.00	+0.00	+0.00	0.27	0.37

Portfolio - Apportioning Method



Portfolio - Weighted Average Method



Fossil Fuels & Stranded Assets

Embedded Emissions

Trucost is able to analyse the carbon emissions embedded within the fossil fuel reserves which have been disclosed by companies in the portfolio or benchmark. Companies may disclose both 1P and 2P reserves (1P refers to those held with 90% confidence, 2P are those held with 50% confidence). Both 1P and 2P are used when assigning embedded emissions to a company.

The chart below shows the total tonnes of apportioned CO2 from reserves, broken down by reserve type. It also shows the reserves 'intensity' by normalizing the apportioned embedded emissions by the VOH.

The total embedded CO2 emissions from reserves is 0.101 m tonnes.

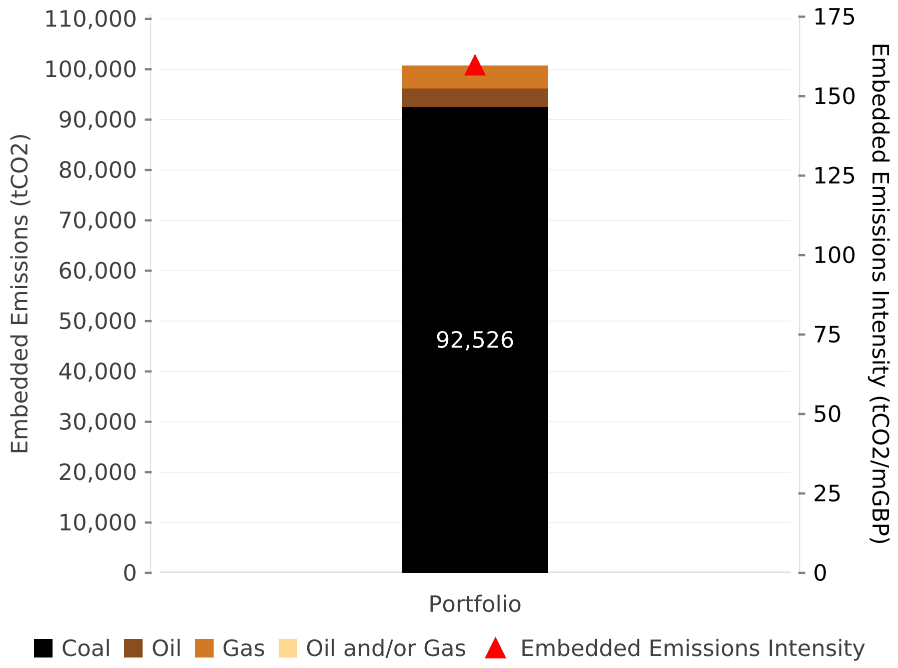
Fossil Fuel CAPEX

In addition to reserves, Trucost collects data on the capital expenditure set aside for fossil fuel related activities such as further exploration and extraction in order to provide additional quantitative insights on stranded asset risk.

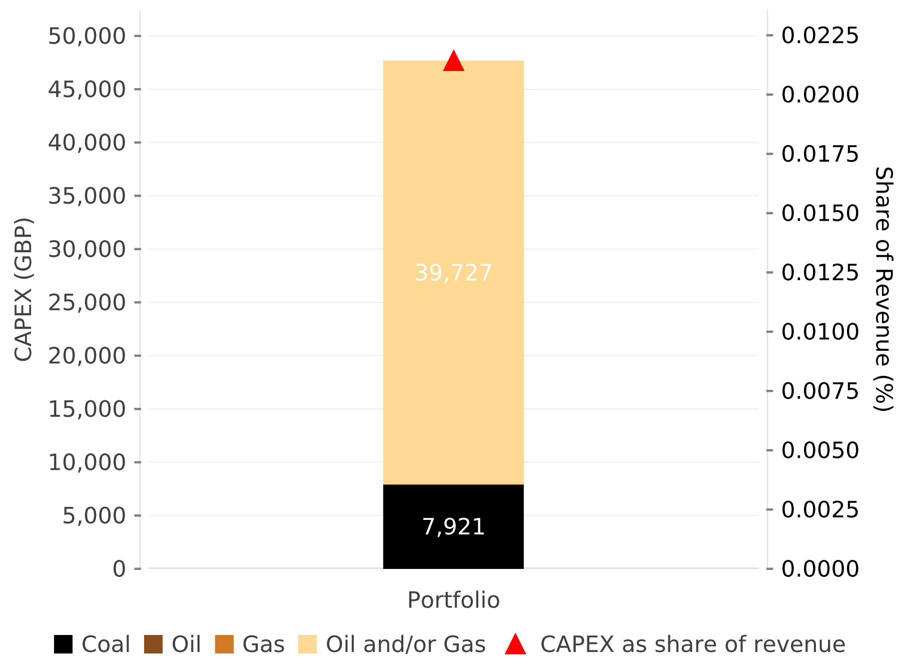
The chart below shows the total apportioned capital expenditure on fossil fuel related activities by reserve type. It also normalizes the CAPEX by showing it as a share of apportioned revenue.

The total apportioned fossil fuel CAPEX is 0.048 mGBP.

Apportioned Future Emissions by Reserve Type



Apportioned CAPEX by Reserve Type



Fossil Fuels & Stranded Assets

Largest Contributors - Extractives Revenue & Embedded Emissions

The table below shows the largest contributors towards the portfolio's apportioned **extractives** revenue. It is displayed as a percentage of the portfolio's total apportioned revenue. The degree to which the company's own revenues are derived from extractive activities is also shown in the adjacent column.

Company Name	Holding (mGBP)	Sector	Portfolio level extractives revenue exposure (% of total)	Company level extractives revenue exposure (% of total)	Portfolio Level Future Emissions From Reserves (MtCO2)	Company Level Future Emissions From Reserves (MtCO2)
Halliburton Company	1.704	Energy	0.33%	100.00%		
BHP Group Limited	2.467	Materials	0.06%	23.68%	0.097	5,870.540
Reliance Industries Limited	2.714	Energy	+0.00%	0.40%	0.002	128.100
Chevron Corporation	0.011	Energy	+0.00%	27.85%	+0.000	4,176.630
ConocoPhillips	0.005	Energy	+0.00%	100.00%	+0.000	1,694.670
Exxon Mobil Corporation	0.012	Energy	+0.00%	8.15%	+0.000	5,717.010
Occidental Petroleum	0.002	Energy	+0.00%	79.89%	+0.000	1,077.120
BP p.l.c.	0.002	Energy	+0.00%	8.94%	+0.000	6,820.290
Eni S.p.A.	0.002	Energy	+0.00%	14.46%	+0.000	2,501.220
TotalEnergies SE	0.009	Energy	+0.00%	3.53%	+0.000	4,444.280

The table below shows the largest contributors towards the portfolio's apportioned **embedded emissions**. The absolute contributions are shown in the second to last column, while final column shows the company's total level of emissions from reserves.

Company Name	Holding (mGBP)	Sector	Portfolio level extractives revenue exposure (% of total)	Company level extractives revenue exposure (% of total)	Portfolio Level Future Emissions From Reserves (MtCO2)	Company Level Future Emissions From Reserves (MtCO2)
BHP Group Limited	2.467	Materials	0.06%	23.68%	0.097	5,870.540
Reliance Industries Limited	2.714	Energy	+0.00%	0.40%	0.002	128.100
TotalEnergies SE	0.009	Energy	+0.00%	3.53%	+0.000	4,444.280
Exxon Mobil Corporation	0.012	Energy	+0.00%	8.15%	+0.000	5,717.010
BP p.l.c.	0.002	Energy	+0.00%	8.94%	+0.000	6,820.290
Chevron Corporation	0.011	Energy	+0.00%	27.85%	+0.000	4,176.630
Glencore Plc	0.002	Materials	+0.00%	4.01%	+0.000	6,179.570
Eni S.p.A.	0.002	Energy	+0.00%	14.46%	+0.000	2,501.220
Shell plc	0.005	Energy	+0.00%	3.75%	+0.000	3,373.980
ConocoPhillips	0.005	Energy	+0.00%	100.00%	+0.000	1,694.670

Fossil Fuels & Stranded Assets

Coal Exposure

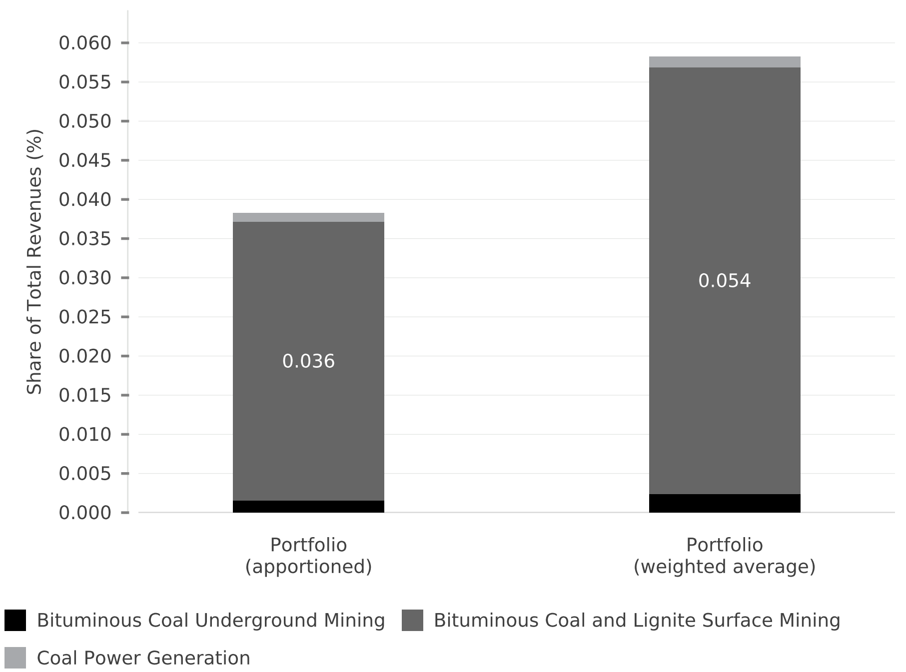
Coal related activities are widely understood to be among the largest contributors to anthropogenic carbon emissions. As such, an increasing number of investors are strategizing around coal exposure and positioning for a transition to a low carbon economy. This may include strategies such as implementing reduction targets for exposure to the embedded emissions, or adopting an assess-engage-monitor-divest approach to individual holdings involved in coal mining or coal power activities.

Trucost has assessed both the VOH and revenue exposure at the portfolio level to the following activities:

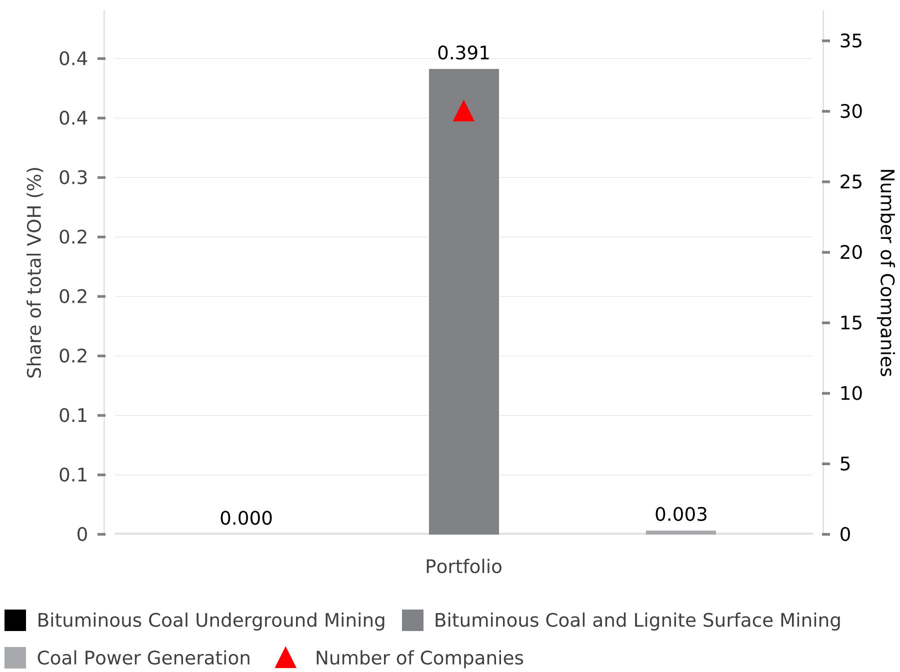
- **Bituminous coal underground mining**
- **Bituminous coal and lignite surface mining**
- **Coal power generation**

For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 5%. For more details on the methodology please refer to Appendix 5.

Coal Revenue Exposure by Sector



Coal VOH Exposure by Sector



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Fossil Fuels & Stranded Assets

Largest Contributors - Coal Revenue

The table below shows the largest contributors towards the portfolio's apportioned coal revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own revenues are derived from coal mining and/or power generation.

Company Name	Holding (mGBP)	Company Level Coal Extracted (m tonnes)	Company Level Coal Surface Mining Exposure (% of revenues)	Company Level Coal Underground Mining (% of revenues)	Company Level Coal Power Generation Exposure (% of revenues)	Company Level Total Coal Exposure (% of revenues)	Portfolio Level Apportioned Revenues From Coal (GBPm)
BHP Group Limited	2.467	82.961	13.93%	0.61%		14.54%	0.082
Orsted	0.189				2.15%	2.15%	+0.000
Duke Energy Corporation	0.003				17.34%	17.34%	+0.000
Glencore Plc	0.002	106.200	3.55%	0.39%		3.95%	+0.000
Tohoku Electric Power	+0.000				25.06%	25.06%	+0.000
Electric Power Development	+0.000				59.49%	59.49%	+0.000
VERBUND AG	0.238				0.42%	0.42%	+0.000
Berkshire Hathaway Inc.	0.023				1.39%	1.39%	+0.000
Enel SpA	0.003				2.62%	2.62%	+0.000
Kyushu Electric Power	+0.000				21.29%	21.29%	+0.000

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Energy Transition

Introduction

While carbon footprints can help to identify the most carbon efficient companies within a portfolio, they do not recognise those companies that are contributing positively to the low carbon economy by offering climate-mitigation or adaptation solutions. As the energy generating sectors are critical to this transition, Trucost has analysed physical units of power production embedded within the portfolio to highlight aggravators (fossil fuels) vs. mitigators (renewables). The generation types within each category are as follows:

- **Renewable Energy Generation:** solar, wind, wave & tidal, geothermal, hydroelectric, biomass
- **Fossil Fuel Energy Generation:** coal, petroleum, natural gas
- **Other Energy Generation:** nuclear, landfill gas, any other unclassified power generation

For more details on the apportioning methodology please refer to Appendix 2.

Generation Mix

The table below breaks out the apportioned Gigawatt hours (GWh) by generation type. Hydroelectric and biomass have been separated from the 'Other renewables' due to their potential for controversy relating to implementation or sourcing, which can bring in to question their 'sustainability' credentials.

	Fossil Fuels			Renewable			Other	
	Coal (GWh)	Petroleum (GWh)	Natural Gas (GWh)	Hydroelectric (GWh)	BioMass (GWh)	Other Renewables (GWh)	Nuclear (GWh)	Other Sources (GWh)
Portfolio	0.037	0.002	0.213	1.005	0.048	0.217	0.030	0.003

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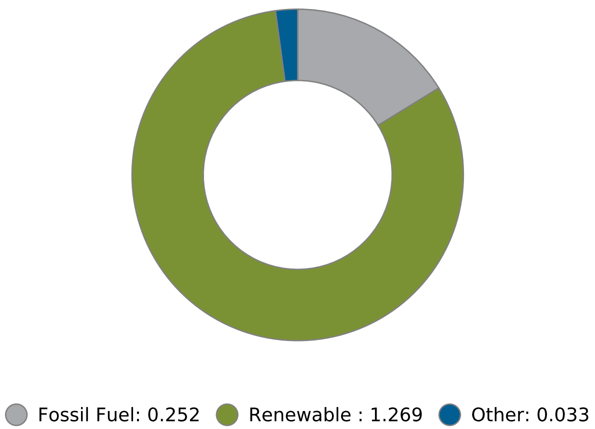
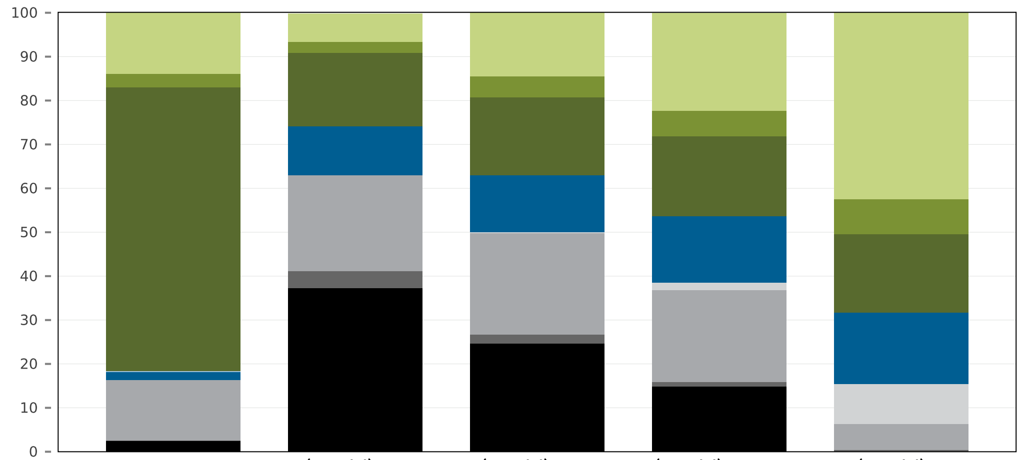
Portfolio - Apportioned GWh



Energy Transition

2 Degree Alignment

Investors are increasingly asking how they can align their portfolio with globally agreed forward-looking targets to mitigate climate change - so called two degree targets. Historically, portfolios have been measured against traditional financial benchmarks which generally reflect the economy today rather than the low carbon economy - as suggested by the International Energy Agency (IEA) - we need for tomorrow. This over-represents traditional fossil fuel energy sectors and under-represents greener energy providers. To overcome this issue, Trucost compares the current energy mix of a portfolio to the IEA's two degree scenarios, showing investors how to work toward an energy transition goal. This allows them to redirect capital to have the highest "transition" impact and help to finance the low carbon economy.



	Portfolio	IEA (World) 2016 2 Degree Scenario	IEA (World) 2025 2 Degree Scenario *	IEA (World) 2030 2 Degree Scenario *	IEA (World) 2050 2 Degree Scenario *
Other renewables	13.93%	6.39%	14.60%	22.31%	42.52%
Biomass	3.08%	2.63%	4.65%	5.92%	7.91%
Hydroelectric	64.63%	16.67%	17.84%	18.16%	17.91%
Other sources (incl. landfill gas)	0.20%	0.05%			
Nuclear	1.94%	11.14%	12.97%	15.06%	16.29%
Fossil energy with CCS		0.04%	0.19%	1.62%	8.98%
Natural Gas	13.69%	21.94%	23.07%	21.04%	6.04%
Petroleum	0.16%	3.84%	2.00%	0.96%	0.27%
Coal	2.36%	37.31%	24.68%	14.94%	0.08%

* The content within table above was prepared by S&P Trucost Limited, with data derived from the 2 Degree Scenarios developed by the International Energy Agency. Â©OECDIEA 2017. The content within the table above does not necessarily reflect the views of the International Energy Agency.

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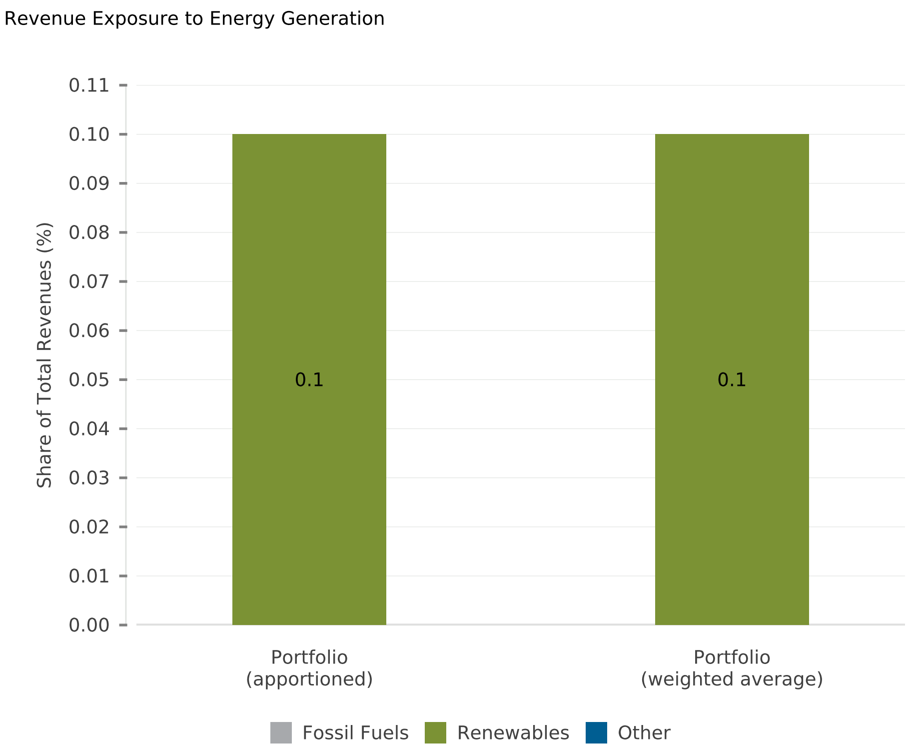
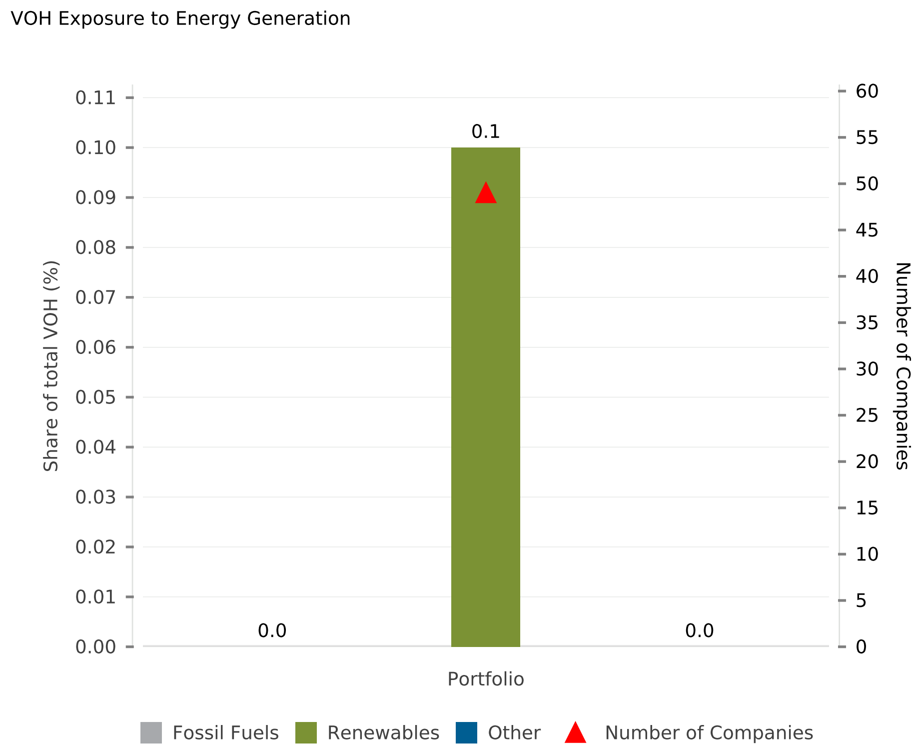
Energy Transition

Energy Generation Revenue Exposure

The analysis above has focused on the physical units of power generated by companies within the portfolio. As not all energy companies disclose this information, it is also useful to determine exposure to 'aggravators' and 'mitigators' based on sources of revenue. Trucost has assessed both the value of holding (VOH) and revenue exposure to fossil fuel, renewable, other power generation for the portfolio and benchmark.

For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 5%. For more details on the methodology please refer to Appendix 5.





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Energy Transition

Largest Contributors - Renewable & Fossil Fuel Energy Revenue

The table below shows the largest contributors towards the portfolio's apportioned renewable energy revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own energy revenues are derived from renewable generation.

Company Name	Holding (mGBP)	Company Level Renewables Revenue (% of total)	Company Level Fossil Fuels Revenue (% of total)	Company Level Other Revenue (% of total)	Company Level Total Energy Revenue (% of total)	Renewables Share (% of total energy revenue)	Portfolio Level Total Apportioned Renewables Revenue (GBPm)
Brookfield Renewable	0.334	100.00%			100.00%	100.00%	0.069
Meridian Energy Limited	0.148	64.31%			64.31%	100.00%	0.024
VERBUND AG	0.238	39.21%	1.25%		40.46%	96.91%	0.010
Orsted	0.189	19.99%	3.37%		23.36%	85.56%	0.006
Enel SpA	0.003	43.49%	9.82%	2.17%	55.48%	78.38%	0.002
Orkla ASA	0.181	1.08%			1.08%	100.00%	0.001
TotalEnergies SE	0.009	5.38%	4.00%		9.38%	57.38%	+0.000
United Utilities Group Plc	0.172	0.79%		1.96%	2.75%	28.77%	+0.000
Iberdrola, S.A.	0.004	11.05%	6.20%	5.63%	22.88%	48.32%	+0.000
NextEra Energy, Inc.	0.006	26.40%	48.45%	22.45%	97.30%	27.13%	+0.000

The table below shows the largest contributors towards the portfolio's apportioned fossil fuel energy revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own energy revenues are derived from fossil fuel generation.

Company Name	Holding (mGBP)	Company Level Renewables Revenue (% of total)	Company Level Fossil Fuels Revenue (% of total)	Company Level Other Revenue (% of total)	Company Level Total Energy Revenue (% of total)	Fossil Fuel Share (% of total energy revenue)	Portfolio Level Total Apportioned Fossil Fuel Revenue (GBPm)
L'Air Liquide S.A.	1.458		2.16%		2.16%	100.00%	0.009
Orsted	0.189	19.99%	3.37%		23.36%	14.44%	+0.000
Duke Energy Corporation	0.003	5.87%	48.09%	29.10%	83.06%	57.90%	+0.000
Enel SpA	0.003	43.49%	9.82%	2.17%	55.48%	17.71%	+0.000
NextEra Energy, Inc.	0.006	26.40%	48.45%	22.45%	97.30%	49.79%	+0.000
VERBUND AG	0.238	39.21%	1.25%		40.46%	3.09%	+0.000
TotalEnergies SE	0.009	5.38%	4.00%		9.38%	42.62%	+0.000
The Southern Company	0.003	6.24%	36.54%	8.97%	51.75%	70.61%	+0.000
The Kansai Electric Power	+0.000	7.27%	38.57%	17.79%	63.63%	60.62%	+0.000
Tohoku Electric Power	+0.000	7.85%	48.24%		56.09%	86.00%	+0.000

APPENDIX

1. Scopes

Before beginning a carbon or environmental audit, an investor must decide on what scopes to include in their analysis. Some believe that only operational impacts/emissions should be considered when calculating a company's exposure, i.e. the resources/pollutants owned or controlled by the reporting entity. This casts the net around impacts that the investee (and, to a lesser extent, the investor) has a direct sphere of influence over. It also avoids the possibility of double counting. However, as risks may be passed on through the supply chain in the form of higher prices, it may sometimes be more pragmatic to include emissions originating from suppliers.

CARBON: Trucost collects greenhouse gas data covering Scopes 1, 2 and 3 upstream emissions, as well as additional data relating to non-Kyoto Protocol greenhouse gases. Definitions of the available scopes are shown below:

- **Scope 1** = CO2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
- **Scope 2** = CO2e emissions generated by purchased electricity, heat or steam.
- **Scope 3** (upstream) = CO2e emissions generated by a company's non-electricity supply chain.
- **Direct** = Scope 1 plus CO2e emissions from four additional sources, CCl4, C2H3Cl3, CBrF3, and CO2 from Biomass.
- **First Tier Indirect** = Scope 2 plus emissions from direct (or "Tier 1") upstream Scope 3 emissions.
- **Remaining Indirect** = Tier 2 and onward upstream Scope 3 emissions.

ENVIRONMENT: As with carbon analysis, the scopes available for an environmental audit are Direct, First Tier Indirect, and Remaining Indirect impacts. Direct impacts result from a company's own operations and include emissions from fuel combustion (boilers and company owned vehicles), pollution from water abstracted, natural resource use, and waste generated from industrial production. Indirect impacts from supply chains occur because of the goods or services a company procures. Indirect impacts are broken down between those in the first tier of the supply chain and those in the remaining tiers.

2. Apportioning

Many of the exposure metrics calculated by Trucost rely on the apportioning of company owned resources/pollutants to the portfolio or benchmark. Apportioning, as an approach, is built on the principle of ownership. That is, if an investor owns - or in the case of debt holdings, finances - 1% of a company, then they also 'own' 1% of the company's resources/pollutants.

For equity only portfolios the apportioning factor is usually obtained by dividing the value of holding by the company's market capitalisation on the date of analysis. For debt only, or mixed portfolios, enterprise value usually replaces market capitalization as the denominator. The company level resources/pollutants are then multiplied by the apportioning factor to arrive at resource/pollutant quantities specific to each holding. The portfolio level resources/pollutants is the sum of all of these quantities.

APPENDIX

3. Carbon & Environmental Intensity Calculation

Portfolios with larger assets under management will typically have a higher amount of total apportioned resources/pollutants than smaller portfolios because of their size. As most portfolios have a remit to grow assets under management, it is important to normalise these absolute quantities to allow for fair comparison year on year against other portfolios or benchmarks. The three most common approaches to normalizing emissions/impacts are:

1. Dividing the apportioned emissions/impacts by the amount invested.
2. Dividing the apportioned emissions/impacts by the apportioned annual revenues.
3. Summing the product of each holding'â¬s weight in the portfolio with the company level carbon/environmental revenue intensity.

For ease of reference, Trucost has defined these as **Carbon to Value Invested, Carbon to Revenue,** and **Weighted Average Carbon Intensity** respectively.

The first gives an indication of carbon or environmental 'efficiency' with respect to shareholder value creation. The second gives an indication of 'efficiency' with respect to output (as revenues are closely linked to productivity). The third approach circumvents the need for apportioning ownership of carbon, revenue or environmental impacts to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change or ecosystem damage, the weighted average method seeks to show an investor's exposure to carbon/environmentally intensive companies, i.e. is not an additive in terms of carbon budgets.

4. Carbon Disclosure

The level of carbon disclosure is based on each company's Scope 1 emissions, and can be classified as fully disclosed, partially disclosed, or modelled.
- **Full Disclosure** refers to when exact figures have been extracted from annual reports, 10Ks, financial account disclosures, CDP disclosures, environmental/CSR reports, or from personal communication with a company.
- **Partial Disclosure** refers to when Trucost has needed to derive, adjust, or scale any of the data acquired from the sources described above.
- **Modelled** refers to when Trucost has calculated estimates using its proprietary environmentally enhanced input-output model, due to the unavailability or unreliability of up-to-date disclosures.

The overall level of disclosure in the portfolio is assessed using the following three approaches:

- **Value of Holdings**: This is the sum of the weights of each holding within each of the three disclosure categories.
- **GHG**: This is the sum of the portfolio's apportioned Scope 1 CO2e within each of the three disclosure categories.
- **Number of companies/instruments**: This is the number of companies/instruments within each of the three disclosure categories.

APPENDIX

5. Revenue & Reserves Exposure

When assessing exposure to extractive industries, coal, or energy generation revenues, three approaches are used.

1. Apportioned Revenue Exposure
2. Weighted Average Revenue Exposure
3. VOH Exposure

The first represents the share of apportioned revenues from the sectors in question as a percentage of the total apportioned revenues from any sector (for more information on apportioning please refer to Appendix 2). The second is calculated by summing the product of each holding's weight in the portfolio with the company level revenue dependency on the sector in question. The third is calculated by summing the weights of any holdings in companies that have a revenue dependency on the sectors in question above a predefined threshold. The reason for the threshold is to allow users to exclude companies whose revenue dependency on the sectors in question may not be considered material.

In the case of reserves, holdings in any company disclosing any amount of reserves is included in the VOH exposure metric. Companies that have reserves, but do not disclose them, will not be captured by the analysis.

6. CO2 Equivalent (CO2e)

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Each greenhouse gas differs in its ability to absorb heat in the atmosphere. HFCs and PFCs are the most heat-absorbent. Calculations of greenhouse gas emissions are presented in units of millions of metric tons of carbon equivalents (MMTCE), which weights each gas by its GWP value, or Global Warming Potential. The Global Warming Potentials used in Trucost analysis are:

Carbon Dioxide - 1
Methane - 21
Nitrous Oxide - 310
Sulphur Hexaflouride - 23,900
Per Fluoro Carbons - 7,850
Hydro Flouro Carbons - 5,920

These conversion figures are taken from the publically available 2006 Intergovernmental Panel on Climate Change's (IPCC) 'Guidelines for National Greenhouse Gas Inventories'.

APPENDIX

7. Environmental Valuation

Why apply valuations to environmental impacts? Traditional approaches to environmental impact measurement provide a variety of different metrics. For example, carbon and other pollutants are measured in tonnes, for water it is cubic meters. This makes it difficult to compare the relative contribution of each impact and therefore prioritise risks. Trucost addresses this problem by applying monetary valuations to each impact, thereby providing an overarching common metric to assess risk and opportunity across companies and portfolios.

The analysis applies the chosen valuations to the impacts associated with a company's own business activities and those of its upstream suppliers, all the way back to raw material extraction. Environmental impacts are often concealed within global supply chains, therefore we use environmentally extended input output (EEIO) modelling to reveal liabilities at each tier of the value chain for holistic risk and opportunity analysis.

ENVIRONMENTAL KPIs:

Greenhouse Gases:
The categories included in the environmental footprint are carbon dioxide, methane, nitrous oxide, sulphur hexaflouride, per fluoro carbons as well as hydro flouro carbons and nitrogen trifluoride.

Water Abstraction:
The categories included in the environmental footprint are direct cooling and direct process water, as well as purchased water (i.e. the water acquired from utility companies).

Waste Generation:
The categories included in the environmental footprint are waste incineration, landfill waste, nuclear waste (e.g. from the manufacture of products, the combustion of nuclear fuel or other industrial and medical processes) and recycled waste.

Air Pollutants:
The categories included in the environmental footprint are all emissions released to air by the consumption of fossil fuels and production processes which are owned or controlled by the company. This includes acid rain precursors (e.g. nitrogen oxide, sulphur dioxide, sulphuric acid, ammonia), ozone depleting substances (HFCs and CFCs), dust and particles, metal emissions, smog precursors and VOCs. Each has a set of impacts on human health, buildings and/or crop and forest yields.

Land & Water Pollutants:
The categories included in the environmental footprint are pollutants from fertiliser and pesticides, metal emissions to land and water, acid emissions to water, and nutrient and acids pollutant.

Natural Resource Use:
The categories included in the environmental footprint are extraction of minerals, metals, natural gas, oil, coal, forestry, agriculture and aggregates.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	Fossil Fuel Exposure Report as of 30th June 2022
Cabinet Member:	Cllr Leaver
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

Purpose of Report

1. This report informs Members, the Pension Fund exposure to fossil fuel as of 30 June 2022 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 30th June 2022.

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. 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.1.8% of Fund value, or c.£26.4m as at 30 June 2022.

12. Comparing this period value to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m is lower but higher than the exposure reported by Aon as of 31 March 2022 which was 1.2%, or £17.9m in sterling terms and has doubled the exposure reported as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.

13. The equity asset class was one of the main driver of the increase with the exposure increasing by 0.9% or c.£4.4m in sterling term due to outperformance of energy stocks over the quarter leading to increased weightings of these holdings by equity managers.

14. The increase was also driven by a 1.2% average increase in fossil fuel exposure from the bond holdings over the quarter, amounting to an increase of c.£3.6m in sterling terms, though this is mainly attributable to the lack of availability of a granular sector breakdown of the PIMCO fund which was added to the LCIV MAC Fund over the quarter.

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

Workforce Implications

16. 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

17. None

Other Implications

18. None

Options Considered

19. There are no alternative options.

Conclusion

20. 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.1.8% of Fund value, or c.£26.4m as at 30 June 2022.

21. This period value has doubled the value of exposure found and stated as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.

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

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

Date of report 14th September 2022

Appendices
Appendix 1 – Enfield Pension Fund Exposure to fossil fuels as of 30 June 2022

Review of fossil fuel exposure

Quantifying the Fund's holdings as at 30 June 2022

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.1.8% of Fund value**, or **c.£26.4m** as at 30 June 2022.
  - 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: 30 June 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.

Q2 2022	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
Equities	**595.8**	**41.0**	**1.9**	**11.1**
Private Equity*	**121.3**	**8.3**	**2.8**	**3.4**
Hedge Funds**	**70.7**	**4.9**	**8.1**	**5.7**
UK Property	**96.7**	**6.6**	**-**	**-**
PFI & Infrastructure	**72.5**	**5.0**	**-**	**-**
Bonds	**299.9**	**20.6**	**2.1**	**6.2**
Inflation protecting illiquids	**115.7**	**8.0**	**-**	**-**
Cash	**82.0**	**5.6**	**-**	**-**
Total Assets	**1454.7**	**100.0**	**1.8%**	**26.4**

*Data as at 31 March 2022, as 30 June 2022 data not available at time of writing.
**where the funds have long and short positions, figures only consider long positions.

Were there any limitations?

Due to the limited sector breakdown available to us, for the PIMCO holdings within the LCIV MAC fund (“Bonds”) we have included all companies within the energy sector, although this is likely to be overestimating the exposure to fossil fuels. This has led to a substantial increase in reported exposure of the LCIV MAC fund from 2.4% as at 31 March 2022 to 9.7% as at June 2022.

Elsewhere within the Fund’s Bond holdings, there was some omission of data reported due to difficulty in categorisation of certain underlying securities, however this had a negligible impact on the asset class’s fossil fuel exposure.

The Fund’s private equity manager was unable to provide data as at 30 June 2022 as this information was not available at time of writing. We have therefore used lagged information as at 31 March 2022 for this mandate.

Finally there may be companies that some managers have included in their ‘fossil fuel’ subset that are not directly affiliated with oil, gas or coal production, extraction or exploration as a material part of its business model. We have avoided manipulation of the data provided by the underlying manager data to minimise risk involved in production of the report.

Daniel Carpenter
Associate Partner
0207 086 9043
daniel.carpenter@aon.com

Max Meikle
Investment Consultant
0207 086 1042
Max.meikle.2@aon.com

Jennifer O'Neill
Associate Partner – Responsible Investment
0131 456 3034
jennifer.oneill.2@aon.com

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**LGPS Latest Developments and Update**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report provides an update on several general developments affecting the Local Government Pensions Scheme. One of the functions of the Committee is to meet the Councils duties in respect of the efficient management of the pension fund.

2. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:

   i) note the contents of this report;

   ii) note the consultation for LGPS to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for Local Government Pension Scheme Governance and reporting of climate change risks; and

   iii) note the proposals in the consultation Governance and reporting of climate change risks and are asked to share their views for inclusion in the consultation response before 18 November 2022.

Reason for Proposal(s)

4. For effective and efficient management of the Fund.

5. 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.

6. **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

Task Force on Climate-Related Financial Disclosures (TCFD)

10. The long-awaited consultation on climate risk disclosures in the Local Government Pension Scheme (LGPS) finally dropped on 1 September. Department for Levelling Up Housing and Communities (DLUHC) is consulting on proposals for new requirements on LGPS administering authorities. The consultation is for 12 weeks to 24 November 2022.

11. This consultation seeks views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

12. Under the proposals, from 2024 all funds in England and Wales will need to prepare an annual Climate Risk report following Task Force on Climate-Related Financial Disclosures (TCFD) principles.

13. The new requirements on which they are consulting are discussed throughout this document. https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

14. For ease, the key proposals are summarised below.

Summary of proposals

15. Each LGPS Administering Authorities (AA) must complete the actions listed below and summarise their work in an annual Climate Risk Report.

16. The proposed regulations will apply to all LGPS Administering Authorities. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.

17. AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. AAs must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.

18. AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.

19. AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.

20. AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.

21. AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below.

    i) **Metric 1** - will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.

    ii) **Metric 2** - will be an emissions intensity metric. Whereby all AAs would report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report.

    iii) **Metric 3** - will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable.

    iv) **Metric 4** - will be the Paris Alignment Metric. Under the Paris Alignment metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.

    v) Metrics must be measured and disclosed annually.

22. AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.

23. AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. DLUCH propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.

24. DLUCH propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the

targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.

25. DLUCH propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

26. Members are asked to note the proposals and share their views for inclusion in the consultation response before 24 November.

Employee exit payment consultation

27. On 8 August HM Treasury published the latest instalment of the £95k exit cap saga. https://www.gov.uk/government/consultations/public-sector-exit-payments-a-new-controls-process-for-high-exit-payments

28. Rather than apply an absolute cap to exit payments, the new proposal seeks to tighten up the approval process and to give the relevant department's Secretary of State the final say on whether a £95,000 plus payment can be made. The expectation is that approval will only be granted in exceptional circumstances. The consultation relates only to central government, which means that it will cover academies and it will also include pension strain in the £95k calculation. It remains to be seen whether DLUHC will seek to apply something similar to local authorities.

GAD Cost cap results

29. On 29 June 2022, the Government Actuary's Department published the results of the first cost cap valuation for LGPS (England and Wales). The cost cap was introduced by the Public Service Pensions Act 2013. The Act requires the setting of an employer cost cap rate against which changes in the cost are to be measured. If the cost changes and falls outside a two per cent corridor above / below the rate, action must be taken to bring the cost back to the rate.

30. The results of the first valuations show that the cost has remained within the two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed. The employer cost cap rate for LGPS (England and Wales) is 14.6 per cent. The results for the valuation as at 31 March 2016 show that the cost is 1.2 per cent below the cost cap rate.

31. A new Regulation passed on 13 July 2022 now increases the specified margins for the cost cap introduced by the Public Service Pensions Act 2013. Regulation 3 – the specified margins are the margins in which scheme costs must remain before corrective action is taken. The margins are currently set at two percentage points above and below the employer cost cap rate. The new regulations amend this to three percentage points. HMT intends that all three changes will be in place for the 2020 cost cap valuation.

Academy Guarantee

32. Government confirms academy guarantee will continue after a reassessment; the Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

33. In 2013, the Government introduced the academy guarantee. The guarantee provides that, in the event of an academy closing, any outstanding liabilities will not revert to the LGPS fund. Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities. The Scheme Advisory Board in England and Wales has also published a news article on this. Pensions

HMRC Clarification on annual allowance changes

34. These was in respect of new requirements on administering authorities to recalculate annual allowance amounts for previous years in certain situations when the employer informs the scheme of changes in pay that result in recalculations. Where the recalculation shows an annual allowance excess, the authority must issue a pension savings statement to the member and inform HMRC about this on an event report.

35. Administering Authorities must tell “HMRC within three months of the date the statement is sent to the member, or if later, by 31 January following the tax year to which the [event] report relates. The LGA’s understanding although yet to be clarified is that “the tax year to which the report relates” refers to the tax year in which the authority issues the statement to the member. For example, an authority issues the statement on 1 October 2023 telling a member they exceeded the annual allowance in tax year 2019/20.

36. The deadline under 3(9)(a) would be 31 December 2023. The deadline under 3(9)(b) would be 31 January 2025. However, LGA are unsure whether their understanding was correct as it would mean the deadline in 3(9)(a) could never apply. HMRC will consider amending the regulations to remove the redundant deadline in 3(9)(a). Administering authorities are to ensure that their processes are in line with HMRC’s clarification.

Updated TPR guidance

37. Earlier this month it was announced that The Pensions Regulator (“TPR”) would take responsibility for the regulation of certain duties of governing bodies from the Competition and Markets Authority. These include the requirements to set strategic objectives for investment consultants and the process for appointing fiduciary managers. The transfer will take place on 1 October 2022. No material changes in the regulations are planned though TPR has taken the opportunity to extend the range of schemes to which they apply and to tighten the requirements relating to the review of objectives/performance. Governing bodies must continue to self-certify compliance with the regulations. As a result, we expect the transfer to have limited impact on most funds. https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-

press-releases/revised-tendering-for-fmps-and-setting-objectives-for-fiduciary-managers-guidance-by-tpr

Good Governance gets ministerial approval

38. After some delay, it is heartening to learn that DLUHC ministers have agreed to take forward the SAB's Good Governance recommendations. Summarised below are the key points:

i) DLUHC have broadly accepted all recommendations (subject to consultation).

ii) The plan is to bring the recommendations into law using both secondary legislation and statutory guidance.

iii) There will be an additional requirement to implement a workplace strategy around planning and resourcing.

iv) Timescales are a bit vague, but a draft regulation is expected late this year and guidance early next year.

v) The Scottish SAB might ask Scottish ministers to introduce Good Governance in Scotland.

PLSA publishes 'Cyber Risk Made Simple' guide

39. Further to our article last month, The Pensions and Lifetime Savings Association have now published the latest in its series of Made Simple guides. Produced in partnership with Aon and Crowe, the guide aims to help pensions professionals understand cyber risk and the skills and processes needed to deal with it.

40. The guide includes analysis of Aon's cyber scorecard, which is also now produced in partnership with PLSA and the summer 2022 version is still available for funds to complete.

41. The link to the document: https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Cyber-Risk-Made-Simple-June-2022.pdf

Dashboard Update and PDP consultation

42. Department of Works and Pensions ("DWP") responds to consultation on the draft pensions dashboards regulations on 14 July 2022. The key areas of the response that affect LGPS administering authorities are set out below.

43. The staging deadline for the LGPS and all other public service pension schemes will be deferred from 30 April 2024 to 30 September 2024. Schemes will be expected to meet the required standards (connection, security and technical) by 30 September 2024.

44. They must also, by that date, be able to respond to find requests, complete matching and provide administrative and signpost data on request.

Administering authorities will need to be able to provide value data (accrued and projected values) by 1 April 2025. Though they can provide this earlier if they wish.

45. The key headline for Public Sector Schemes (PSS) is that the staging deadline has been delayed from 30 April 2024 to 30 September 2024 to provide more time for the McCloud remedy to be implemented.

46. PSS will not need to provide value data (accrued and projected pension values) for members immediately – the LGPS will need to provide this by 1 April 2025 but can volunteer this before then. The other PSS will need to provide this at the earlier date of 1 April 2025, or the date that they issue the member with a Remediable Service Statement.

47. Hot on the heels of DWP’s response, the Pensions Dashboards Programme (PDP) launched a consultation on dashboard standards and guidance and a call for input on the design standards. The consultation and call for input will close on 30 August 2022.

48. Dashboard standards will set out what providers and pension schemes are compelled to do by law and will include mandatory requirements to ensure the dashboard ecosystem is secure and puts members first. Non-compliance with standards could result in regulatory sanctions from the Pensions Regulator. The following seven standards are published for consultation:

i) Operational standards

ii) Security standards

iii) Service standards

iv) Data standards

v) Reporting standards

vi) Application programming interface standards

vii) Technical (other) standards

49. The dashboards guidance doesn’t have full legal status but sets out what providers and schemes must have regard to and therefore should be treated as best practice. There are four sets of guidance published for consultation:

i) Connection guidance

ii) Data usage guidance

iii) Technical overview guidance

iv) Early connection guidance

50. It is expected that legislation will be in place in November or December 2022, at which point the final standards and guidance will be confirmed and issued.

51. Planning ahead of the launch of Pensions Dashboards continues. The PASA has published a checklist to help schemes prepare for the provision of 'value data' (about accrued and projected benefits). https://www.pasa-uk.com/wp-content/uploads/2022/08/Dashboards-Pensions-Values-Guidance-FINAL.pdf

52. **The FRC** is looking for pension funds and investment consultants to participate in a new project exploring ***how people use asset managers' stewardship reports.*** The deadline for volunteering is 16 September. https://www.frc.org.uk/news/august-2022/call-for-participants-stewardship-reporting

53. **The Government has launched the Public Sector Fraud Authority**, with the purpose of tackling fraud against the public purse (including public sector pensions). https://www.gov.uk/government/news/government-launches-fraud-squad

54. The High Court has dismissed a judicial review claim by three large private sector schemes against the Government over plans by the UK Statistics Authority to align the Retail Prices Index (RPI) with the housing cost-based version of the Consumer Prices Index (CPIH) from 2030. https://www.judiciary.uk/wp-content/uploads/2022/09/BT-Pension-Scheme-Trustees-v-UKSA-summary-010922.pdf

Safeguarding Implications

55. None.

Public Health Implications

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

Equalities Impact of the Proposal

57. 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

58. 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

59. 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.

60. The monitoring arrangement for the Pension Fund and the work of the Pension Board 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

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

Financial Implications

62. 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. There are no immediate financial implications arising from this report as this report provides an update on several general developments affecting the Local Government Pensions Scheme.

Legal Implications

63. This report provides an update on several general developments affecting the Local Government Pensions Scheme. One of the functions of the Pensions Board is to meet the Councils duties in respect of the efficient management of the pension fund. And so it is appropriate, having regard to these matters, for the Committee to receive information about general developments affecting the Local Government Pensions Scheme. The Committee’s consideration of the information in the report contributes towards the achievement of the Council’s statutory duties.

Workforce Implications

64. 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

65. None

Other Implications

66. None

Options Considered

67. No alternative options considered.

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

Date of report 16th September 2022

Appendices
None

Background Papers
None

PRIVATE AND CONFIDENTIAL

ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Enfield Pension Fund Procurement Update and Plans 2022/23**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. This report gives the procurement update on fund's global custodian search and set out the procurement plans for actuarial services and independent adviser.

Proposal(s)

2. Pension Policy and Investments Committee are recommended to note, consider and agree the contents of this report.

Reason for Proposal(s)

3. 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.

4. The Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Council has a Global Custodian, Investment Consultant, Independent adviser and a Scheme Actuary to assist in the proper management of the Fund. The responsibility for the strategic oversight of all aspects of the Pension Fund has been given to the Pension Policy and Investments Committee (PPIC).

5. Within the PPIC's Terms of Reference, is the requirement: 'to make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and periodically to review those arrangements.' The existing contracts for these functions have not been reviewed recently and, in order to demonstrate Best Value, it is now necessary to carry out relevant procurement exercises to achieve that aim.

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. Further to the report on procurement plan for 2021/22 tabled at this Committee back in November 2021, to undertake procurement of services using the National LGPS Framework for Scheme Actuary and Global Custodian Services as all the major suppliers of custody services and scheme actuary services to LGPS are appointed under the Framework Agreement following a rigorous evaluation.

10. This briefing paper provides an update to the Committee regarding the progress of the tendering processes for these services for the Pension Fund.

11. The major suppliers for custody services to LGPS included in the Framework seldom submit a bid for a single Fund procurement exercise hence officers have gone out collaborating with other nine London Local Authorities with the London Borough of Wandsworth acting as a lead authority by taking forward a collaborative procurement process on behalf of the London Boroughs of Enfield, Hackney, Sutton, Waltham Forest, Royal Borough of Kingston upon Thames, and the Royal Borough of Windsor and Maidenhead with the intention of procuring a single provider to supply Global Custody Services (under separate call-off contracts).

12. **The Global Custodian** - is responsible for the safekeeping of the fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:

i) settlement of purchases and sales
ii) advising managers of cash available for investment
iii) safe custody of securities and cash
iv) acting as banker to the fund
v) cash reconciliations
vi) collection of dividends, income and overseas tax reclaims
vii) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with
viii) ensuring the necessary approvals are in place to invest in certain overseas markets
ix) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

13. For ease of reference, an indicative procurement timetable is set out below.

Key Actions	Dates
Further Competition Issued (Procurement Launched)	19 July 2022

Deadline for Further Competition responses	12:00 Noon, 02 September2022
Tender Evaluation	05 September – 8 Sepember2022
Interviews/Service Provider Moderation Interviews and System Demonstration	w/c 12 September 2022
Internal consultation on Imps for Delegated Authority Report (Authority to Award)	*TBC [late September 2022]*
Call-In Periods (Pre-publication and publication etc.)	*TBC [Autumn 2022]*
Wandsworth to issue intention to award letters	*TBC [26 September 2022]*
Standstill Period	*TBC [27 September – 06 October 2022]*
Contract Award	*TBC [07 October 2022]*
Service Commencement	*TBC [01 November 2022]*

14. The scheme actuary procurement has been paused due to the 31 March 2022 Formal Triennial Valuation. This process is commencing from November 2022, and it would be a 'call-off' from the National LGPS Frameworks, as this will result in considerable procurement costs savings.

15. For the independent adviser, this exercise will be undertaken through human resource recruitment and selection process, advertising the position/role in specific dedicated LGA/LGPS websites and national newspapers and on the Council website.

16. The Committee are reminded of the functions undertaken by the various professionals:

17. **Independent Adviser to give advice** on:

    a. asset allocation strategies

    b. the selection of new managers and custodians

    c. the preparation of the various strategy documents required under LGPS regulations

    d. to assist in reviewing and monitoring managers' performance

18. **The scheme actuary** is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will**:**

    a. prepare fund valuations, including setting employer's contribution rates, after agreeing valuation assumptions with the administering authority

    b. agree a timetable for the valuation with the administering authority

c. prepare timely advise and calculations in connection with transfers to other funds and schemes and advise on benefit matters

d. undertake new employer contribution calculations and cessation valuations for employers leaving the scheme

19. Officers will be undertaking a procurement exercise using the National LGPS Framework for Actuarial and Benefits Services. All the major suppliers of actuarial and benefit services to LGPS are included in the Framework following a rigorous evaluation of their submissions including an evaluation of their costs.

20. The tender document for the Scheme Actuarial and Global Custody will be prepared by officers and this will be made available to the in-house procurement team and legal team for their review as we envisage seeking tender for this service by 31st December 2022. The procurement exercise for the Independent Adviser is anticipated to commence from 31st March 2023.

21. Once the council's legal team approved the relevant procurement documentation, an invitation to tender (ITT) pack will be released and we will give the service providers three weeks to respond to the tender. Officers should be able to evaluate responses/submissions within one week and there will be a presentation from successful service providers.

3.6 Following that process, a short list of 2 providers for the scheme actuary service could be invited to a separate meeting of the PPIC for clarification interviews. A final evaluation will then be completed, considering all elements of the process, to determine contract award. Contract award is scheduled for 30th April 2023 with an estimated contract start date 1st July 2023. An indicative timetable for the scheme actuary procurement exercise is set out below, however at this stage, it should be stressed that this is indicative as there may be a need for some additional detailed legal work on the contract clauses and the appropriate approach to the termination of the existing advisers position in the event that they are not the successful tenderer from this exercise.

TENDER TIMETABLE

The indicative tender timetable is as follows:

Event	**Date**	**Comments**
Tender documents issued	31 January 2023	
Deadline for receipt of Clarification questions	14 February 2023	12:00 noon
Date of customer response to supplier questions	21 February 2023	17:00
Tender return deadline	28 February 2023	12:00

Tender evaluations	01-08 March 2023	
Post tender clarifications	13-17 March 2023	
Pension Committee meeting		
Telephone references	March 2023	
Preferred supplier notification and award	March 2023	Proposals for contract award to be finalised, signed off internally and communicated to Tenderers.
Contract signatory	April - June 2023	
Implementation commencement	03 July 2023	

Safeguarding Implications

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

Public Health Implications

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

Equalities Impact of the Proposal

24. 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

25. 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

26. The report is for noting.

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

27. The monitoring arrangement for the Pension Fund and the work of the Pensions 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.

28. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities. The use of professional advisers is a key element in maximising investment returns and it is important that appointments are regularly reviewed to ensure that best value is being obtained from advisers.

29. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

Financial Implications

30. The use of the National Frameworks for the procurement of global custodian and scheme actuary would result in a significant savings in comparison to a full OJEU process. The Fund could also achieve a significant savings from the current ongoing cost of these services.

Legal Implications

31. The Council has the power under s.1(1) Localism Act (2011) to do anything individuals generally may do providing it is not prohibited by legislation and subject to Public Law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as proposed in this report. Under s.111 Local Government Act (1972) local authorities may do anything, including incurring expenditure or borrowing which is calculated to facilitate or is conducive or incidental to the discharge of their functions. The proposals outlined in this report are incidental to the functions of the Council.

Workforce Implications

32. 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.

Property Implications

33. None

Procurement Implications

34. All procurement should be carried out in line with the Councils Contract Procedure Rules, EU & UK regulations. All procurement over £25,000 must take place via the London Tenders Portal and once awarded promoted to the contract register and contracts finder. It is expected that services will carry out effective contract management once awarded.

Options Considered

35. To procure the service by following a full OJEU process.

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

Date of report 24th September 2022

Appendices
Appendix 1 – Roles and Duties of Service Providers

Background Papers
None

Appendix 1 - Roles and Duties of Service Providers

The Global Custodian - is responsible for the safekeeping of the Fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:

a) settlement of purchases and sales;
b) advising managers of cash available for investment;
c) safe custody of securities and cash;
d) acting as banker to the fund;
e) cash reconciliations; collection of dividends, income and tax reclaims;
f) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with;
g) ensuring the necessary approvals are in place to invest in certain overseas markets; and
h) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

The Scheme Actuary is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will:

a) Fund Triennial Valuation and Rates and Adjustment Certificate
b) Draft Funding Strategy Statement (FSS)
c) Actuarial advice about outsourcing or new employers' bodies including initial funding position, employer contribution rate and bond value for new employers
d) Cessation valuations and post cessation funding agreements
e) Bond value assessments and advice relating to other forms of security
f) FRS102, FRS17 and IAS19 accounting reports
g) Employer covenant assessments
h) Cashflow projections and related advice
i) Data quality reports, advice and support on data cleansing (as required)
j) Commenting on consistency of FSS with Investment Strategy Statement and proposed changes to investment strategy
k) Reviewing administration strategy statement, admission and other policies (as required)
l) Advice concerning administration service structure, processes and targets (as required)
m) Attendance at meetings (as required)
n) Providing training to Members and officers (as required)
o) IDRP support (as required)
p) Advice and support on GMP reconciliations (as required)

Independent Advisor: general role and duty is to advise and support members of the committee and officers by the following activities:

a) To participate in any discussions relating to investment issues arising out of actuarial studies affecting the Fund;
b) To contribute towards determining the asset allocation policy of the Fund and the development of customised benchmarks;
c) To monitor and comment upon the ongoing relevance of the benchmark;
d) To advise on the appropriateness of the management arrangements, targets and mandates adopted by the Fund;
e) To monitor the performance of the investment managers against the mandates and ensure that they are carrying out their duties;
f) To advise as required on the selection of managers;
g) To monitor and identify appropriate investment issues as necessary;
h) To advise on the most appropriate asset allocation and provide market intelligence and comment;
i) To produce a formal report on the Fund's performance annually;
j) To provide advice on other related issues as requested or as the Panel considers appropriate.
k) To assess the main picks taken against the benchmark, the changes over the quarter and analyse, understand and comment on what has worked well and what hasn't;
l) To review the Fund's progression relative to the asset and liability assumptions adopted when setting the benchmark;
m) To comment upon interest rate risk, inflationary expectations, active versus passive management, long term investment returns, etc.;
n) To assess the external influences affecting investment returns and comment upon industry developments, etc.;
o) To monitor the economic and investment climate and report accordingly.

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