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## **LOCAL PENSION BOARD**

**Wednesday, 13th December, 2023 at 10:00am in the e Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA**

### MEMBERS:

Councillors: Ergin Erbil, Guney Dogan, Chris Joannides:

(Chair) Pauline Kettless (Employee Side)  
Paul Bishop (Employee Side)  
Tracey Adnan (Employee Side)  
Alison Cannur (Employer Side)

### **AGENDA – PART 1**

**1. WELCOME & INTRODUCTION**

**2. DECLARATION OF INTERESTS**

To receive any declarations of interest.

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

To agree the minutes of the previous meeting held on 13 September 2023

**4. ENFIELD PENSION FUND QUARTERLY ADMINISTRATION REPORT (Pages 5 - 18)**

**5. PENSIONS ADMINISTRATION STRATEGY (Pages 19 - 38)**

To note the draft Enfield Pension Fund Administration Strategy.

**6. COMMUNICATIONS POLICY REVIEW** (Pages 39 - 50)

To note the draft Enfield Pension Fund Communication Policy.

**7. CONFLICT OF INTEREST POLICY REVIEW** (Pages 51 - 66)

To note the draft Enfield Pension Fund Conflict of Interest policy

**8. ENFIELD PENSION FUND ANNUAL REPORT** (Pages 67 - 248)

Enfield Pension Fund's annual report for 2022/23

**9. LAPFF QUARTERLY ENGAGEMENT UPDATE FOR SEPTEMBER 2023**  
(Pages 249 - 266)

An update on various Environmental, Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been engaged with for the quarter ending September 2023.

**10. MINUTES OF PPIC** (Pages 267 - 268)

To note the draft minutes of the last Pension, Policy and Investment Committee meeting held on 15 November 2023.

**11. AOB**

**12. DATES OF FUTURE MEETINGS**

To note the dates of the future meetings:

Wednesday 13 March 24

**LOCAL PENSION BOARD - 13.9.2023****MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD HELD ON WEDNESDAY, 13TH SEPTEMBER, 2023****MEMBERS:**

(Chair) Pauline Kettless (Employee Nominated Member)  
Cllr Ergin Erbil (Employer Side Nominated Member)  
Cllr Chris Joannides (Employer Side Nominated Member)  
Paul Bishop (Employee Nominated Member)  
Tracey Adnan (Employee Nominated Member)  
Alison Cannur (Employer Nominated Member)

**Officers:** Ravi Lakhani, (Head of Pension Investments), Julie Barker (Head of Exchequer Services), Tim O'Conner (Exchequer Manager, Pension) and Petra Stephenson (Governance Officer)

**1. WELCOME & INTRODUCTION**

The Chair welcomed everyone to the meeting.

Apologies for absence were received from Julie Barker and Cllr Ergin Erbil.

Apologies for lateness were received from Paul Bishop and Tracy Adnan.

**2. DECLARATION OF INTERESTS**

Pauline Kettless declared a non-pecuniary interest as she is in receipt of a LGPS Pension from Enfield.

**3. MINUTES OF PREVIOUS MEETING**

AGREED minutes of the meeting held 28 June 2023.

**4. ENFIELD PENSION FUND RISK MANAGEMENT POLICY**

Ravi Lakhani, Head of Pension Investments provided an overview of the report which sets out the Risk Management Policy and approach to internal controls for the London Borough of Enfield Pension Fund in accordance with the Public Services Pensions Act 2013.

Pension Investment Internal controls were missing of last year's policy, going forward it will be included as part of an investment risk register which will be attached to the Pension Board risk register and seen by the PPIC, as it's vitally important to recognise associated risks.

The report and appendix were **Noted**

## LOCAL PENSION BOARD - 13.9.2023

### 5. PENSIONS UPDATE REPORT

RECEIVED an update report from Tim O'Connor, Pensions Manager on current pension issues, developments, and performance in accordance with the Local Government Pension Scheme (LGPS). The following points were highlighted:

New factors are more favourable for those Members taking early retirement and transfers currently.

There has been issues with the current AVC provider, procurement is underway for a framework for AVC providers. Following updates to the Annual and Lifetime allowances, AVCwise have conducted various online presentations relating to the changes. The admin team are also in discussion with AON on conducting some presentations on the affects of changes in the area of Annual and Lifetime allowances.

Dashboards have been pushed back but the main area of concentration is data cleaning by 31<sup>st</sup> October 2026.

One area of data cleansing being conducted is reconciling pensions in payment between the payroll system (SAP) and the Pensions payroll system (Altair) and also addresses to ensure both match. This is a large-scale piece of work; a report will be brought to a future pension board in 2024.

Both investments and admin are working on the SF3 return. This will be submitted by the due date.

The Chair asked to partake in the LGA Fundamentals training 2023. Ravi will send an email to all members of the Board to offer the training and enable booking. **Action:** Ravi

Tim to provide the new structure chart at the next Board meeting in December. **Action:** Tim

### 6. REPORT ON NEW JOINERS AND LEAVERS

Tim O'Connor gave an update on current trends, opt-outs and cost of living issues that impact members of the pension scheme currently.

To get a better picture of why members opt out, the admin team are looking at why members are opting out, this will be via a survey, possibly online and will be voluntary. There is no clear evidence of an increase in members opting out at the moment due to the cost-of-living crisis.



**LOCAL PENSION BOARD - 13.9.2023**

It was agreed that the Pensions Administration section will look to carry out further work with new starters to educate them on the benefits of the scheme and explore options to capture details of why members are leaving the scheme. Currently this information is not asked for and it will remain voluntary for members to give their reasons.

The report was **NOTED**

**7. LAPFF QUARTERLY ENGAGEMENT UPDATE FOR JUNE 2023**

An update on various Environment, Social and Governance issues that the LAPFF has been engaged with in the last Quarter was provided by Ravi Lakhani.

Ravi pointed out that the issue of Governance is often given less emphasis than environmental and social issues.

Companies that the Enfield Pension Fund have invested in through the Blackrock Low Carbon Tracker are doing well on ESG metrics as can be expected.

The report was **Noted**.

**8. MINUTES OF PPIC 19 JULY 23**

An overview of the minutes was provided by Ravi Lakhani, who highlighted key points including the Government consultation on "Pooling of Funds". Enfield will respond to the consultation.

The report was **Noted**.

**9. DATES OF FUTURE MEETINGS**

Wednesday 13<sup>th</sup> December 2023

Wednesday 13<sup>th</sup> March 2024

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## London Borough of Enfield

<b>Report Title</b>	Enfield Pension Fund Quarterly Administration Report
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 <sup>th</sup> December 2023
<b>Cabinet Member</b>	
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	<i>Tim O'Connor</i> <i>Tim.O'Connor@enfield.gov.uk</i>
<b>Ward(s) affected</b>	
<b>Key Decision Number</b>	Non Key
<b>Classification</b>	Part 1 Public
<b>Reason for exemption</b>	

### Purpose of Report

1. The purpose of this report is to provide the Local Pension Board with an update on current pension issues, developments, and performance in relation to the Local Government Pension Scheme (LGPS)

### Recommendations

- |  |
|--|
| <ol style="list-style-type: none"> <li>I. To note the contents of this report</li> </ol> |
|--|

## **1. Background and Options**

### **1.1 SCAPE discount rate and actuarial factors - Update**

#### **Superannuation Contributions Adjusted for Past Experience (SCAPE)**

SCAPE is the process for setting employer contribution rates at valuations of unfunded public service pension schemes.

#### **SCAPE discount rate and actuarial factors – fourth batch**

On 2<sup>nd</sup> October 2023, the LGA emailed administering authorities confirming that DLUHC has issued the fourth batch of factors. The new factors came into force from 2<sup>nd</sup> October 2023, except the Club transfer factors, which are effective from 1<sup>st</sup> October 2023. This completes the review of the factors after the change to the SCAPE discount rate in March 2023.

The transitional arrangement table set out how administering authorities must implement the new factors.

### **1.2 LGPS statistics for 2022/23 published**

On 25<sup>th</sup> October 2023, the Department for Levelling up and Communities (DLUHC) published the LGPS statistics for England and Wales: 2022 to 2023.

This summarises the financial and membership position of all LGPS funds in England and Wales for the year 2022-23, as collected on the SF3 forms.

Highlights include:

- £15.2 billion total expenditure, an increase of 5.1% on 2021/22
- £17.3 billion total income, an increase of 8.5% on 2021/22
- £8.4 billion employers' contributions, an increase of 7.8% on 2021/22
- £2.8 billion employees' contributions, an increase of 9.5% on 2021/22
- The market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9%
- There were 6.2 million scheme members on 31<sup>st</sup> March 2023 - 2 million active members, 1.9 million pensioners and 2.3 million deferred members.
- There were 87,129 retirements, a decrease of 8% compared with 2021/22.

Please refer to Appendix 1 for more information

### **1.3 Consumer Prices Index (CPI) rate of inflation - September 2023**

On 18<sup>th</sup> October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7%.

Government policy in recent years has been to base increases, under the Pensions (Increase) Act 1971 and revaluation of pension accounts under, Section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government on the April 2024 increase.

Please refer to Appendix 2 for more information

#### **1.4 Knowledge and Skills survey**

The SAB Compliance and Reporting Committee issued a survey for completion by pension committee and local pension board members. The survey closed on 6<sup>th</sup> November 2023.

The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers. The data collected will not be shared on an individual or identifiable basis.

Shared and completed by Enfield Pension Board members.

#### **1.5 HMRC - Newsletter 153**

HMRC published newsletter 153 on 26<sup>th</sup> October 2023. The newsletter includes updates on the Managing Pension Schemes Service, and covered:

- migrating to the service
- using the service to create, compile and view event reports in-year for the tax year 2023/24 onwards.
- using the service to submit pension scheme returns for tax years from 2023/24.

Please refer to Appendix 3 for more information

#### **1.6 Public service pensions remedy newsletter**

HMRC has published the remedy newsletter – October 2023.

The newsletter introduces the ‘calculate your public service pension adjustment service’. This is for members who need to correct their tax position because of the McCloud remedy. The service will help members to:

- work out any repayments they are due for a lifetime allowance or annual allowance charge they have previously paid.
- work out new, reduced or extra lifetime allowance or annual allowance charges that they may have to pay.
- submit information for HMRC to review.
- The newsletter also announces the launch of interactive guidance for members to check if they are affected by the McCloud remedy.
- full guidance on the remedy for members
- full guidance on the remedy for administrators. The guidance for administrators covers the pension tax rules they need to follow when implementing the McCloud remedy.

A separate LGPS section covers top-ups to pensions, pension commencement lump sums, trivial commutation lump sums, dependants’ pensions, serious ill-health lump sums, and lifetime allowance excess lump sums.

Please refer to Appendix 4 for more information

## **1.7 McCloud**

### Initial prioritisation policy

On 12<sup>th</sup> October 2023, the DLUHC, emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.

The policies are not yet final. They will be discussed with the McCloud statutory guidance working group. DLUHC will also consult on the policies before a final version is issued early next year. You can view each policy on the:

Please refer to Appendix 5 for more information

## **1.8 McCloud - Teachers' excess service – TPS communications in England & Wales**

The Teachers' Pension Scheme (TPS) has issued its first communications to employers in England and Wales about the McCloud remedy for teachers with excess service. Administering authorities may start to receive queries from employers about this issue.

A teacher has excess service if they have a part time teaching post as well as a fulltime role. Unprotected teachers in this group will become retrospectively eligible for membership of the LGPS for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2022.

The October 2023 TPS employer bulletin directs employers to the transitional protection and members with LGPS linked excess service page of their website. The member page for teachers with excess service includes links to additional pages of information for members who may be affected.

Please refer to Appendix 6 for more information

## **1.9 Disclosure article (McCloud)**

The article satisfies the requirements set out in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Administering authorities must inform all members who might be affected by the changes as soon as possible and, in any event, by no later than 31<sup>st</sup> December 2023.

## **1.10 Pensions dashboards**

The Pensions Dashboards Programme (PDP) published a blog on common questions.

At its meeting of 29<sup>th</sup> September 2023, the National LGPS Technical Group agreed to form a sub-group to look at AVCs and dashboards. The sub-group will work with all LGPS AVC providers to establish common approaches on matching and providing value data.

The Pensions Regulator (TPR) has published a blog encouraging schemes to follow their dashboard checklist. The blog also warns schemes they need to start preparing for dashboards now, as it will take time and involve a lot of work. Schemes should not lose focus of this while they wait for their target connection dates.

The Pensions Management Institute (PMI) also issued a guide on what to expect from dashboards.

Please refer to Appendix 7 for more information

### **1.11 Local Government Association (LGA) Training Programme 2024**

The training programme includes training for employers, administrators, pension committee and local pension board members.

Please refer to Appendix 8 for more information

### **1.12 The Pension Regulators General Code**

It is expected that the TPRs code will be published before the end of 2023.

### **1.13 Communications Working Group – minutes from meeting October 23**

Main points of interest:

#### **Accessibility Accreditation**

The member website has received accessibility accreditation from Shaw Trust after a prolonged testing and correction process. More work needs to be done on the new McCloud pages to ensure the interactive sections work for as many users as possible.

Seeing how people with different disabilities navigate websites was most useful.

#### **McCloud Section**

The Communications group provided very positive feedback about the new McCloud section of the member website.

Most funds are linking directly to the national site (The Enfield Fund website links to the relevant pages).

It was welcomed that the messaging on the website confirms clearly that members do not need to do anything, and that funds will take time to review all records.

Members who do not appear to be in scope of protection will need to be given an opportunity to tell their pension fund about previous membership that means they do qualify. Funds are deciding how to do this. Some may add a paragraph to retirement and transfer out letters to offer this opportunity.

It may be more effective to wait until differentiated messages can be sent to those who are protected and those who appear not to be.

The Enfield Fund is currently considering how best to reach this group.

### **McCloud Letter**

The McCloud amendments constitute a material change to the scheme rules and members who may be affected must be informed within three months to satisfy the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

A new McCloud letter includes a newsletter article that administering authorities can use to inform members about the regulation change.

The group discussed the requirement to inform members about the McCloud Scheme changes under disclosure rules:

- This must be done within three months – this is the deadline for general information only, not information about how an individual member is affected.
- Funds plan to communicate electronically by uploading information to the member portal or by email.
- Funds will write to members who have opted out of digital communications.
- Differences of opinion on how to treat ‘black hole’ members who have not opted out of digital communications but have not provided an email address. If a fund has contacted members three times to inform them that information will be made available on a portal or by email, there is no requirement to write to this group, but it may be good practice to do so. Some funds will take this opportunity to send the member an activation code for the portal with the McCloud information.

### **Pensions dashboards Latest update**

There have been no formal announcements following the dashboards reset. Funds are still awaiting guidance that will include the new staging timetable. All schemes are encouraged to continue with data improvement plans and engaging with software and ISP providers. An LGPS Framework for dashboard ISP providers is expected to be launched in early 2024.

### **Lifetime and Annual allowance**

I raised a question about the possibility of a new Government re-introducing the Lifetime Allowance (LTA).

The LGA will add information including a news article to the website if this happens.

The group discussed what they offer to higher earners affected by pension tax:

- Group sessions delivered by actuaries or another outside organisation, with the option for a one-to-one session which the member pays for
- Event for higher earners paid for by the fund – those who exceed the annual allowance, or the LTA are invited.
- Providing specific contact details for queries from those affected by pension tax.
- Recorded webinar on how to complete tax forms. Some employers arrange these services for their high earners.



- The group agreed that independent advisers do not have the knowledge of the scheme needed to deal with tax queries from members. Offering this type of service saves time. Some funds have seen high earners opting back into the Scheme as a result of the removal of the LTA.

### **Member Engagement**

West Midlands Fund currently runs a project to engage younger members, they are due to feed back at the April meeting on how it went.

A number of funds have launched videos for members on topics including:

- How to register for member self-service
- Guidance on annual benefit statements and deferred benefit statements
- How to use the retirement calculator
- Animated video for new starters – top 5 features of your pension, 12-month time limit for transfers
- More detailed information for members at different stages – what to think about if you are new to the Scheme, mid-career life events and your pension and approaching retirement.
- Most funds found videos useful for transactional events. They provide a different way to help people use a tool or understand a statement and are provided alongside written and telephone support.

The group discussed how to contact opted out members. Employers might be keen to encourage younger members to join the scheme as the valuation approaches.

The communications group agreed to set up a subgroup to consider the possibility of producing two videos. One for new members and another for opted out members, possibly to be linked to automatic enrolment and encouraging the member not to opt out again. These would be longer than the existing videos which are generally limited to 90 seconds.

Please refer to Appendix 9 for more information

## **1.14 National LGPS Technical Group – September meeting**

Main points of interest:

**DLUHC update - OASIS / Academies.** The Technical Group are due to meet Department for Education colleagues later this month to discuss next steps on the consolidation.

### **Removing the five-year limit on the payment of 2014 refunds**

DLUHC are looking at removing the five-year limit on the payment of 2014 refunds, which is causing administration issues and is anomaly.

There are approximately around 150,000 deferred refunds that fall into this area. If the change is approved, it will be included in the amending statutory instrument covering survivor benefits.

## **Transport for London (TfL)**

Technical discussions between Government and Transport for London have started on the potential transfer of the TfL Pension Scheme into the Local Government Pension Scheme and TfL's consultation paper planned for next Summer.

### **Forfeiture policy change**

On 26<sup>th</sup> November 2018, the National LGPS Technical Group recommended to the Scheme Advisory Board (SAB) in England & Wales to change the policy behind the forfeiture regulations. Currently, the wording does not address historical events coming to light, which are now more frequent in today's society.

On 27<sup>th</sup> September 2019 SAB wrote to the Parliamentary Under Secretary of State (Luke Hall MP) recommending the changes be considered by the Department. SAB confirmed on 18<sup>th</sup> November 2019 that MHCLG (now DLUHC) would be happy to take forward this recommendation for change. Over three years since the initial recommendation, nothing has moved and the group request DLUHC to provide a definitive timescale by when a change can be expected.

On 9<sup>th</sup> September 2023 DLUHC confirmed they are currently developing a consultation document for survivor benefit reforms (application of the Goodwin case and removal of nomination requirement), with the associated checks and processes to follow before publishing the consultation. This consultation will also feature proposed reforms to the rules on forfeiture within the LGPS, which are planned to launch later this year and will include:

- extension of the time limit from three to six months for a scheme employer to submit a forfeiture application, with the timer to begin at sentencing rather than conviction.
- the removal of the requirement for the convicted person to have left their employment because of the offence they committed.

To date, no further update received.

### **AVCs used to purchase additional pension**

On 13<sup>th</sup> December 2019, the National LGPS Technical Group recommended to the Scheme Advisory Board (SAB) in England & Wales, to change the policy behind the regulations that restrict a deferred member who left the Scheme before 1<sup>st</sup> April 2014, from using their AVC pot to purchase additional pension in the Scheme. Currently, only members who left the Scheme after 31<sup>st</sup> March 2014 are able to make use of this provision. On 16<sup>th</sup> December 2019 the SAB Secretariat proposed the change to MHCLG (now DLUHC).

Over three years since the initial recommendation, nothing has moved and the group request DLUHC to provide a definitive timescale by when a change can be expected.

DLUHC confirmed they will progress when they have available resources.

### **Sharia report**

The Board has progressed with the project to obtain an opinion from an expert in Islamic finance to provide evidence on a range of issues involving the LGPS from an Islamic perspective. The report is currently being prepared and will be available on the Board website soon.

### **Data on Optants out**

The SAB secretariat team are continuing its research in how to obtain the most up to date information on the number employees who opt out of the LGPS. Following a survey issued to funds in 2022, it was found that the data on optants out of the scheme may not be a true reflection of the actual number of optants out and the data may not be held in a consistent format. The team are considering other approaches to obtaining more data from LG employers and/or the Pensions Regulator

Please refer to Appendix 10 for more information

## **1.15 Pensions Admin Team Update**

Restructure – shortlisting and interviews currently taking place.

Interviews for Pension Officers, Communications & Employer Liaison Officer and Data and Projects Team Leader are due to take place between 22<sup>nd</sup> & 24<sup>th</sup> November.

One Pensions Officer will be commencing flexible retirement on 1<sup>st</sup> April 2024.

Client meetings with Convera (formerly part of Western Union – this was a useful meeting and has resulted in the team having access to Convera’s online portal which will allow us to track overseas payments and queries, rather than raising a request with Convera.

Client meeting with AVC Wise – discussed information given to members around Annual Allowance.

Client meeting with Prudential planned for December to discuss opening up more funds for members.

Risk Register is due for review, reset and update – 1<sup>st</sup> January 2024.

New pensions website – this has now been completed, pending sign off by Heads of Service and will be presented at the next Pensions Board meeting.

**1.16 Pension Team Key Performance Indicators**

Quarter 2 (July 2023 to September 2023)

Turnover of admin work	Performance
2,307	Work completed within timescales
339	Work completed outside timescales
2,646	Total of work completed
87.19%	Overall completion % rate

Process	No. of cases commenced in Q2	No. of cases completed within timescale	Good Practise timescales	% completed in Q2
Deaths – initial letter acknowledging death of members	36	20	2 months	55.55%
Retirements – letter notifying estimate retirement benefits	33	30	2 months	90.91%
Retirements – letter notifying actual retirement benefits	122	100	2 months	82.67%*
Deferment – calculate and notify deferred benefits	176	167	2 months	94.89%
Transfers in/out – letter detailing transfer quote	116	88	2 months	75.86%
Transfers in/out – letter detailing actual transfer	92	60	2 months	65.22%
Refund – Process & pay a refund	29	28	2 months	96.55%
Divorce quote – letter detailing cash equivalent value and other benefits	7	6	2 months	85.71%
Divorce settlement – letter detailing implementation of pension sharing orders	0	0	3 months	0%
Joiners – notification of date of enrolment	388	388	2 months	100.00%

There were no IDRPs received during Q2.

### 1.17 Pension Team Risk Register

Area	Risk Register	Risk Rating Impact	Likelihood	X	Level of Risk	Project work	Cause of Risk	Risk Owner	Impact	Controls in place	Further action required	Review date
Benefits	Processing of Benefits	2	2	4	Low	No	Pension benefits not paid out accurately or at the right time	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Members identified with reporting controls in place and contacted in time. Benefits are checked by another officer and audit checks in place.	Controls and checks in place to be continued to be reviewed to ensure no errors.	01/04/2024
	Scope - Change of factors	2	3	6	Medium	No	Backlog of work building up due to delay in receiving new factors required for calculation	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Team informing affected members of delay	Some factors have been issued but need to be updated into Pension software system by Heywoods - this is a national issue	01/08/2023
	Overage deferred records not paid	1	4	4	Low	No	Benefits not paid out to eligible members as not claimed by member	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	All identified have been written to but a Project plan in progress to find these members required	Project plan in progress to use external outsource to find missing members addresses. Systems Team to identify amount.	31/12/2023
	Over 75 benefits not paid insert figures	1	4	4	Low	No	Benefits not paid out to eligible members	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Members identified and payroll notified. Members identified when reporting	Systems team to run future reports for 2021 to identify any future members reaching 75 this year. Missing member address tender required	31/08/2023
	AVCs at leaving	2	3	6	Medium	No	PF not notifying member of AVCs held so they are either not claimed or forgotten by the member	Pensions Administration Team	member not paid, could cause financial hardship. Also financial and reputational damage to pension fund	Checks are completed and further discussion is due with new client managers at Prudential	Constant communication with Prudential has been required to ensure work is on track	31/08/2023
	AVCs -Prudential annual statements	3	1	9	Medium	No	Prudential not notifying member of AVCs held within the agreed timescales so they are either not claimed or forgotten by the member	Pension Fund	Reputational damage and complaints direct to the fund regarding Prudentials poor service.	Prudential have informed us that they have informed the Pension Regulator	To ask Prudential for proof to also look at other AVC providers	30/09/2022
Projects	Aggregation of benefits - pre and post April 14	2	3	6	Medium	Yes	Failure to offer linking of member services.	Pensions Administration Team	member not notified of benefits. Plus financial and reputational damage to pension fund	Project in place - new training and review took place in August 21	Historical Members identified - administration team working through both old and new cases as they appear each month	31/03/2024
	McCloud review	2	3	6	Medium	Yes	Government lost a test case which resulted in all public sector funds to review their data to ensure no one has lost out	Systems Team	member not paid the correct benefits. Plus financial and reputational damage to pension fund	Systems Team are currently working on identifying members who may be in scope	Ensure new legislation updates are reviewed. Systems Team to contact employers re data retention - esp hours previously held	31/10/2023
Projects	Annual Allowance	1	3	3	Low	Yes	All cases identified and notified within timelines	Andreas Andrea	Tax implications for both member and member if incorrectly notified	project team in place - actions left to complete -	Andreas to produce project plan for 2020 and involves Rebecca Moore in delivery	01/11/2023
	Lifetime Allowance [INCLUDE PROTECTIONS]	1	3	3	Low	Yes	All processed correctly?	Andreas Andrea	Tax implications for both member and member if incorrectly notified	All complex queries are referred to risk owner	Andreas to produce project plan for 2020 and involves Rebecca Moore in delivery	01/11/2023
	GMP - HMRC	1	4	4	Low	Yes	All GMP related work to have been completed in line with the close down of GMP related work at the DWP.	Tim O'Connor	Incorrect data on records leading to incorrect payment. Taking on the responsibility of cases because we have no data cleansed sufficiently.	Final Cut of data now received from HMRC - and referred to on a daily basis for each member coming into payment	project plan in place	31/12/2023
	ABS	1	3	3	Low	Yes	Sent out correctly and in line with prescribed timescales	Systems Team with support from Tim O'Connor	Incorrect statements can lead to members making incorrect financial decisions. Causing reputational damage.	Project plan in place - completed for 2023	Review in January for letters and also include online feedback survey	31/08/2024
	Workflow aligning with SLAs and all procedures captured	1	4	4	Low	Yes	Workflow completion timescales are currently more generous and consequently out of sync with SLA timescales and with disclosure of Regulations timescales this means our KPIs are reporting inaccurate data	Tim O'Connor with support from Systems Team	This could incur fines from the Pensions Regulator. Also impossible to plan resources when KPIs giving a different slant on work completion/outstanding.	Project plan in place	Project to align all the workflows to SLA and Disclosure of Regs timescales. This needs to be documented in test as steps within the workflows.	31/03/2024
	Correctly uploading factor tables	1	1	1	Low	No	are the correct factors in place in Altair?	Andreas Andrea	Incorrect factor tables could lead to incorrect payments of benefits if anomalies are not identified by the Benefits Team	Project plan in place - work is double checked by system team	None required at present	31/03/2024
	Event reporting	2	3	6	Medium	No	Capturing all area's of work	Andreas Andrea	HMRC fines for both fund and member. Reputational damage to fund in the event of any fine.	Project plan in place	System team to complete a written procedure for the procedure matrix	31/08/2023
	Missing Addresses	1	3	3	Low	No	Could lead to personal data going to a wrong address or benefits not claimed.	Tim O'Connor with support from the Systems Team	Not having the ability to contact the member to notify or pay our benefits	Project plan in place - working presently on payroll pensioner addresses	Tender required to outsource missing members addresses to a tracing agency. Systems Team to identify amount.	31/01/2024
	End of year updating (LGPS 2023 scheme and employer data issues)	3	3	9	Medium	Yes	Year updating of Altair IT System. Pensions Increase programme. Plus EOY factor tables. Employee data for salaries and contributions - if incorrect. Member could be wrongly paid.	Andreas Andrea	Impact on both members payments and incorrect ABS	Project plan in place - work is double checked by system team - completed for 2023	None required at present - a written procedure to be produced for new systems team members to follow	31/03/2024
	Data cleansing meeting TRP record-keeping	1	3	3	Low	No	Establish a clear and consistent data cleansing programme. Expansion of pensions dashboard.	Tim O'Connor with support from both administration and Systems teams	Without a clear, consistent and routine data cleansing programme, the fund cannot be confident that errors will not occur. Pension Regulator targets will not be met causing reputational damage	project plan in place	Establishment of a comprehensive suite of routine data cleansing processes as part of a full programme. Procedure to capture this area of work.	31/12/2023
Management	Procedure matrix	3	3	9	Medium	Yes	procedures all captured and up to date?	Tim O'Connor with support from both administration and Systems teams	Without an up to date procedure matrix it will be impossible to know who is following the correct procedure. This could lead to cases been incorrect benefits been paid, also	Procedure project in progress	Team Leaders to routinely capture any missing processes and monthly reviews on updates	31/03/2024
	Training matrix	3	3	9	Medium	No	Up to date with all training work - 2 new members in systems currently learning. 2 experienced admin members going on maternity leave in autumn, new cover required	Tim O'Connor	Without an up to date training matrix it will be impossible to know who is skilled in what area, what training is required and this could lead to incorrect calculations due to a lack of knowledge	unknown - risk owner to confirm update	to complete upto date training matrix	31/03/2024
	KPI - statistic's	1	4	4	Low	No	Accurate and up to date	Tim O'Connor	Without accurate and clear data it is impossible to plan the resources of the team. This has several risks	Yes	Review and annual update - new tasks to add	31/03/2024
	Discretions Employers	1	2	2	Low	No	All admin auth discretions made	Tim O'Connor and Andreas Andrea	Members may suffer if Employers have not been a clear discretions policy as required.	Project plan in place as part of employer specific work	To chase remaining Employers to obtain a written discretions policy - arrange and visit remaining employers, i.e. attendance at town council meetings. Briefing paper to outline this area.	31/12/2023
	Staffing levels	2	3	6	Medium	No	Capacity issues: 2 Senior members of staff going on maternity leave - first in July.	Tim O'Connor & Julie Barker	Resourcing work and all other projects will be hindered or slowed down by lack of experienced team members plus training for new staff.		Completion of restructure and recruitment to new posts must be expediated	30/09/2023
	LGA Bulletins – bullet points being actioned	1	4	4	Low	No	all action points addressed by Managers?	Tim O'Connor, Andreas Andrea, Tracey Rogers	Action from Bulletin not completed could have financial implications for members. Risk of reputational damage	Bulletins are reviewed monthly, actions required	To review at Monthly team meeting	31/12/2023
	Data Protection / Cyber training	2	3	6	Medium	No	Everyone adhering to the new data protection rules?	All	Member or other body wrongly notified of personal data. Heavy Fine from ICO plus reputational damage to pension fund.	training, procedures. Routine reminders.	Annual refresher training before end of 31/05/2021 required. Auditing of cases on a routine basis.	31/03/2024

Governance	Local Pension Board - administration papers	1	3	3	Low	Yes	Providing administration data to the LPB	Tim O'Connor	Board members not being able to access information at the right time.	Yes. Dates of meetings and also dates of issue of papers to Committee members to be confirmed	To ensure all administration reports are sent by the deadline given - dates of issue to the Committee to be confirmed from Bola Tobun.	31/12/2023
	Employer data provided on time	1	2	2	Low	No	Work received from all employers in a timely manner on a monthly basis which contains minimal errors	Karen Bennett	member could be paid incorrectly. Plus financial and reputational damage to pension fund	unknown - risk owner to confirm	establishment of procedure and routine monitoring of performance against targets	31/03/2024
Employer	Legal turnaround times for Admission Agreements	2	3	6	Medium	No	Internal legal not responding to request or moving work in a timely manner.	Julie Barker with support from Tim O'Connor	Reputational risk with employers and lead to commercial issues occurring.	Project plan in place as part of employer specific work	SLA with HOP to discuss with legal to establish agreed turnaround times.	31/03/2024
	Communications Quality Assurance	1	4	4	Low	No	letters, newsletters, website, emails, telephone calls clinics.	Tim O'Connor with support from all Pensions Team	Members not been updated at the right time.	Yes	Employer newsletter being worked on. Active & Pensioner newsletter to start work on.	31/12/2023
Communications	Website	1	4	4	Low	No	not up to date and new branding to add to the site	Tim O'Connor with support from Systems Team	Members reading incorrect information could lead to incorrect decisions been made	Yes - project plan and review in place at present - Investment areas to add	some additions ready to now add re governance page and AVCwise information and year end information	30/09/2023
	Presentations/online	1	4	4	Low	No	Various Managers trying to cover both this role and their own. Developing new online webinars for scheme members	Tim O'Connor with support from the Pensions Team	Not having the resources to cover adequately. Information not getting to the right people at the right time.	Yes	look at recording online presentations to be held on the website and sent as a link to members.	31/12/2023
	Pension Webinars	1	4	4	Low	Yes	EPF indicated Fund would hold these in 2020 but the pandemic meant cancelling. These could be introduced in an online facility	Tim O'Connor with support from the Pensions Team and with HR for online Pre-retirement courses	Members don't receive the service and are not as well informed as they should be.	Yes	1:1 online pension meetings - post issue of ABS to be set up with booking system	30/11/2023
	Member Self Service	1	3	3	Low	Yes	Lack of access for all members	Systems Team	Members don't receive the service and are not as well informed as they should be.	Yes - a Systems team project plan is also in place - to look at when pensioners invited to see if any similar issue	Pensioners access plus development of MSS	31/03/2024
	Cyber security	2	3	6	Medium	Yes	Increased risk of online attack due to pandemic	Julie Barker with support from Tim	Fraud, reputational damage	Yes	Await results of AON cyber security report	31/12/2023
Security												

## 2. Preferred Option and Reasons for Preferred Option – n/a

## 3. Relevance to Council Plans and Strategies

The Local Pension Board is responsible for ensuring that the Enfield Administering Authority complies with LGPS regulations and associated legislation as well as adhering to requirements as set out by The Pensions Regulator.

This report is to assist members of the Local Pension Board with their role and responsibilities. The Pension Team are required to provide regular updates.

## 4. Financial Implications – n/a

## 5. Legal Implications – n/a

## 6. Equalities Implications

The Enfield Pension Fund is committed to fairness for all to apply throughout all work and decisions made. The Administration Authority serves all members of the Enfield Pension Fund and employees who are eligible to join the scheme fairly, tackling inequality through the provision of excellent services for all.

## 7. HR and Workforce Implications – n/a

## Appendices

### 1. LGPS statistics for 2022/23

<https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-and-wales-2022-to-2023>

### 2. Consumer Prices Index (CPI) rate of inflation - September 2023

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2023>

### 3. HMRC

<https://www.gov.uk/government/publications/pension-schemes-newsletter-153-october-2023/newsletter-153-october-2023>

### 4. Public service pensions remedy newsletter

<https://www.gov.uk/government/publications/public-service-pensions-remedy-newsletter-october-2023>

<https://www.gov.uk/guidance/calculate-your-public-service-pension-adjustment>

### 5. McCloud

[https://lgpslibrary.org/assets/gas/ew/McC\\_Prioritisation.pdf](https://lgpslibrary.org/assets/gas/ew/McC_Prioritisation.pdf)

### 6. McCloud - Teachers' excess service – TPS communications in England & Wales

<https://www.teacherspensions.co.uk/employers/resources/employer-help/-/media/f14ad584962a4b188bf1c24c95b6dae1.ashx>

<https://www.teacherspensions.co.uk/news/employers/2023/10/transitional-protection-and-members-with-local-government-pension-scheme-lgps-linked-excess-service.aspx>

<https://www.teacherspensions.co.uk/members/scheme-changes/local-government-pension-scheme.aspx>

### 7. Pensions dashboards

<https://www.pensionsdashboardsprogramme.org.uk/2023/10/12/common-questions-on-dashboards/>

TPR Pensions Dashboard blog;

<https://blog.thepensionsregulator.gov.uk/2023/10/18/tick-off-tasks-one-by-one-with-our-pensions-dashboards-checklist/>

<https://www.pensions-pmi.org.uk/knowledge/reports-and-guides/the-pmi-s-dashboards-industry-guide-2023/>

## **8. Local Government Association (LGA)**

Training programme for 2024

<https://lgpslibrary.org/assets/bulletins/2023/243Training%20programme%202024.pdf>

## **9. Communications Working Group – minutes from meeting October 23**

[https://lgpslibrary.org/assets/minutes/CWG\\_20231012\\_minutes.pdf](https://lgpslibrary.org/assets/minutes/CWG_20231012_minutes.pdf)  
<https://www.accessibility-services.co.uk/certificates/local-government-pension-scheme/>

## **10. National LGPS Technical Group – September meeting**

<https://lgpslibrary.org/assets/minutes/TG20230929.pdf>

Documents library

<https://lgpslibrary.org/assets/minutes/TG20230929MD.pdf>

## **Background Papers**

None





## London Borough of Enfield

<b>Report Title</b>	Pension Administration Strategy
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 December 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Julie Barker (Head of Exchequer Services). Julie.barker@enfield.gov.uk
<b>Ward(s) affected</b>	Part 1 Public
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. To present to the Pension Board the draft Enfield Pension Fund Administration Strategy.

### Recommendations

- I. The Board are asked to note the contents of the report.

## **Background**

2. Enfield Council acts as the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of Scheme Employers (the Employer) and Scheme Members (the member) who participate in the LGPS through the Enfield Pension Fund (the Fund).
3. Regulation 59 of the LGPS Regulations 2013 allows an Administering Authority to prepare a Pension Administration Strategy (the Strategy) for the purpose of improving the administrative processes within their Fund.
4. The aim of the Strategy is to set out roles and responsibilities and performance targets to ensure that an efficient, effective, and compliant pension service is delivered, not only to Employers but also members of the Fund and associated stakeholders.
5. The Strategy applies to all Employers, including Enfield Council who act as a Employer as well as the Administering Authority.
6. The Strategy will be kept under review and is subject to amendment, as and when required following changes to relevant legislation and when the Fund implements service improvements.

## **Preferred Option**

7. The draft Pension Administration Strategy is presented to members of the Pension Board who are asked to provide feedback.

## **Relevance to Council Plans and Strategies**

8. N/A

## **Financial Implications**

9. N/A

## **Legal Implications**

10. N/A

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**Appendix**

Appendix 1- Enfield Pension Fund Pension administration strategy

**Background Papers**

**None**

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## Pension Administration Strategy

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    - [8.2.2 50/50 Section Contributions](#)
    - [8.2.3 Employer Contributions](#)
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- [10. Auto Enrolment](#)
- [11. Performance Monitoring](#)
- [12. Improving Employer Performance](#)

## 1. Introduction

Enfield Council acts as the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of Scheme Employers (the Employer) and Scheme Members (the member) who participate in the LGPS through the Enfield Pension Fund (the Fund).

The Fund and Employers are required to comply with LGPS Regulations, associated legislation, and the Pension Regulators Code of Practice.

Regulation 59 of the LGPS Regulations 2013 allows an Administering Authority to prepare a Pension Administration Strategy (the Strategy) for the purpose of improving the administrative processes within their Fund.

The aim of the Strategy is to set out roles and responsibilities and performance targets to ensure that an efficient, effective, and compliant pension service is delivered, not only to Employers but also members of the Fund and associated stakeholders.

The effective delivery of the benefits of the LGPS is dependent on good working relationships with Employers, quality of data, effective, robust, and compliant administrative processes, and effective communications.

The Strategy sets out the expected levels of performance, including performance monitoring of the Fund and Employers. It also sets out what action may be taken when persistent failure occurs.

The Strategy applies to all Employers, including Enfield Council who act as a Employer as well as the Administering Authority.

The Strategy will be kept under review and is subject to amendment, as and when required following changes to relevant legislation and when the Fund implements service improvements.

## 2. Background

The Local Government Pension Scheme (LGPS) is one of the largest Public Sector Pension Schemes in the UK and represents a significant benefit to members.

The Enfield Fund has over 40 Employers and approximately 26,000 members which includes active, deferred and pensioners.

The Pensions Regulator plays a key role in overseeing Public Service Pension Schemes, including setting standards of administration and governance.

The Enfield Pension Board provides an independent role to ensure the Fund is statutory compliant and has robust governance controls. The Board ensures policies are in place and they are monitored and reviewed. The Board also monitors performance and ensures there are effective communication channels in place. It acts as a 'critical' friend to ensure members of the Fund receive an effective, efficient, and informative service.

### 3. Purpose and Aims

The purpose of this strategy is to set out the roles and responsibilities, and performance standards expected of the Fund and that of the Funds Employers. It seeks to promote good working relationships, improve efficiency, and enforce quality amongst Employers of the Fund.

The Fund aims to provide expert guidance in a friendly, cooperative manner to Employers, members, and stakeholders.

The Fund seeks to assist Employers to understand the LGPS Regulations and the responsibilities they have as a Scheme Employer. The Fund will ensure Employers have appropriate skills and knowledge and will work to ensure a collaborative and effective working relationship is established.

The Strategy will outline the roles and responsibilities of the Pension Fund and Scheme Employers and will ensure performance and compliance is monitored and reported. The Strategy therefore includes performance standards and timescales.

The Fund seeks to improve and maintain the understanding of the Scheme with LGPS members so they are aware of the benefits available to them and can make informed decisions regarding their pension benefits.

The Fund seeks to work proactively and productively with Employers. The Strategy sets out how Employer's performance will be monitored and where improvement is required if something goes wrong, timeframes are missed, or inaccurate data is provided. It also provides details where financial penalties may be imposed.

The Strategy will help ensure that Employers provide accurate and timely data to allow the Fund to provide accurate benefit information to members.

### 4. Key Objectives

The Enfield Fund's key objectives relating to administration are as follows:

- Provide a statutory compliant, high quality, informative, timely and customer focused service to members of the Fund, Employers, and stakeholders.
- Administer the Fund in a cost effective and efficient manner utilising appropriate technology.
- Be accountable and take responsibility for our actions.
- Ensure benefits are paid accurately to, and income collected from, the right people at the right time.
- Maintain accurate records and ensure data is always protected.
- Put in place standards for the Fund and its Employers and ensure these standards are monitored and developed as necessary.
- Ensure we communicate effectively to all members in a timely and easy to understand manner.

## 5. Communication

Effective communication between the Fund and its members is key to the successful delivery of the service. It reduces errors, improves efficiency, and leads to good working relationships.

More information regarding how we communicate to members can be found in our Communications Policy, the main areas, in summary are set out below.

### 5.1 Communication with Employers

- Employers will be provided with a list of key contracts within the Pension Administration Team.
- Comprehensive guidance and information is provided to Employers via the Enfield Fund website: <https://new.enfield.gov.uk/pension/employers>
- The Fund will issue a periodic newsletter to Employers which will include useful information relating to changes to Scheme rules and Employer procedures or responsibilities.
- Training sessions for Employers will be run when required or by request.
- The Fund will host Employer forums periodically. They will include updates on recent developments within the LGPS and/or information regarding the Fund valuations.

### 5.2 Communication with Members

- The Enfield Fund website <https://new.enfield.gov.uk/pension> contains comprehensive information about the LGPS in an easy to read and informative way.
- Member Self Service (MSS) is an on-line self-service facility which provides members to:
  - view their personal and membership details.
  - run their own retirement projections/estimates.
  - view their annual benefit statements.
  - view annual allowance figures.
  - request and receive information.
- Annual Benefit Statements are sent to active and deferred members annually. These are currently posted directly to members however a copy can be found on MSS.
- Currently an annual newsletter is sent to pensioners. The Fund will be issuing a periodic newsletter to all members in future which will highlight key benefit information and changes to Scheme rules.
- Additional Voluntary Contribution (AVC) Seminars are provided to non-members and existing members of the Scheme on a regular basis.
- Pension related presentations are regularly given to staff. They include pre-retirement and general pension information as part of an Employers induction training. On request the Pension Team can tailor training sessions to meet Employer requirements.



## 6. Roles, Responsibilities

Employers and the Administering Authority (Enfield Pension Fund) have statutory responsibilities under the LGPS Regulations, these are set out below.

### 6.1 Policy Discretions

Employer Responsibilities	Pension Fund Responsibilities
<p>Formulate, publish, and review an Employer Discretions Policy as required under the LGPS Regulations.</p> <p>The policy must detail how the employer will use their discretionary functions which are available to them within the Regulations.</p> <p>The policy must be kept under review and where amendments are made, a copy must be provided to the Fund and be made available to all employees who are members of the Scheme.</p>	<p>Formulate, publish, and review an Administering Authority Discretions Policy as required under the LGPS Regulations.</p> <p>Review the policies and update them within 6 months of any relevant change to the Regulations.</p> <p>Where the Fund does not have an up-to-date discretions policy from an Employer, the Fund will not process anything which involves Employer discretions.</p>

### 6.2 Employment data - New Starters, Auto Enrolment and Data Maintenance

Employer Responsibilities	Pension Fund Responsibilities
<p>Ensure that information relating to the pension Scheme, including access to the Membership form is included as part of any induction process.</p>	<p>Ensure Employers have up to date Scheme information.</p>
<p>Ensure that all employees subject to automatic admission are brought into the Scheme from the date of appointment.</p> <p>Provide the Fund with a completed LGPS Membership form within 1 month of an employee starting.</p>	<p>Accurately record and update member records on the pension system.</p> <p>Issue statutory notifications within 2 months of receiving the correct information.</p>
<p>Where there is more than one contract of employment with the same Employer, provide separate employment/contract data.</p>	<p>Accurately record and update member records on the pension system ensuring separate membership data is maintained.</p>
<p>Inform the Fund when the Employer is carrying out an auto-enrolment exercise.</p>	<p>Ensure staff resources are available to undertake additional work / queries</p>
<p>Notify the Fund of any eligible employees, subject to automatic entry, who do not wish to join, or elect to leave the Scheme within three months of appointment.</p>	<p>Accurately record and update member records on the pension system within 1 month of receipt of the notification.</p>
<p>Notify the Fund of all changes to a member's employment, personal and payroll data within 1 month of the change.</p>	<p>Provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.</p> <p>Accurately record and update member records on the pension system.</p>

### 6.3 Member Leaving: Opting Out / Retirements

Employer Responsibilities	Pension Fund Responsibilities
<p>Opting out: Refund employee contributions of any member who elects to leave the Scheme within 3 months of appointment and complete leavers form to notify the Fund within 1 month of the opt out.</p> <p>Complete leavers form for a member who elects to leave the Scheme after 3 months of becoming a member and notify the Fund within 1 month of the opt out.</p>	<p>Provide details to the Employer of all opt outs within 1 month of receiving opt out forms.</p> <p>Accurately record the opt out on the pension system once leavers form received from the Employer.</p>
<p>Over 55 years old: Voluntary &amp; Redundancy Retirement: Notify the Pension Team by completing a leavers form when a member is due to retire or be made redundant, at least 30 days prior to the retirement or redundancy date. Provide accurate final pay details, reason for retirement, last day of service.</p>	<p>Issue members with a retirement letter and information within 10 working days of notification.</p> <p>Issue a final retirement letter and ensure payment of any lump sum is made within 10 working days of receipt of all relevant forms and certificates subject to being after the date of retirement.</p> <p>Pay any pension payment on the last working day of each month, following retirement.</p>
<p>Under 55 years old: Notify the Pension Team of a member leaving by completing leavers form at least 14 days prior to the leaving date. Provide accurate final pay details, reason for leaving and last day of service.</p>	<p>Accurately record and update member records on the pension system.</p> <p>Inform members, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within 2 months of leaving.</p>
<p>Death in Service: Immediately inform the Fund of the death of a member, providing next of kin details.</p>	<p>Provide information to next of kin in an appropriate and considerate manner 2 days after receipt of a death notification.</p> <p>Ensure pension benefits are paid promptly.</p>
<p>Flexible Retirement: Ensure a flexible retirement policy is in place and reviewed periodically.</p> <p>Provide authorised flexible retirement forms to the Fund.</p>	<p>Provide flexible retirement estimates on request in a timely manner.</p> <p>Ensure that benefit payments are paid within 10 working days of receipt of all relevant forms subject to being after the date of retirement.</p>

#### 6.4 Member leaving: Ill Health

Employer Responsibilities	Pension Fund Responsibilities
<p>Active Members:</p> <p>Determine, based on the medical opinion from an approved Independent Medical Registered Practitioner, whether an ill health award is to be made and determine which tier: 1, 2 or 3.</p> <p>Submit the application to the Pension Team at least one month before retirement, where possible but in all cases no later than 15 working days after retirement date.</p>	<p>Issue members with a retirement letter and information within 10 working days of notification.</p> <p>Issue a final retirement letter and ensure payment of any lump sum is made within 10 working days of receipt of all relevant forms and certificates subject to being after the date of retirement.</p> <p>Pay any pension payment on the last working day of each month, following retirement.</p>
<p>Deferred Members:</p> <p>On application for ill Health Retirement from a former employee, determine based on the medical opinion from an approved Independent Medical Registered Practitioner, whether an ill health award is to be made.</p> <p>Submit the application to the Pension Team at least one month before retirement, where possible but in all cases no later than 15 working days after retirement date.</p>	<p>Issue members with a retirement letter and information within 10 working days of notification.</p> <p>Issue a final retirement letter and ensure payment of any lump sum is made within 10 working days of receipt of all relevant forms and certificates subject to being after the date of retirement.</p> <p>Pay any pension payment on the last working day of each month, following retirement.</p>

### 6.5 Contributions and Employer Payments

Employer Responsibilities	Pension Fund Responsibilities
Determine each member's pensionable pay and arrange for the correct deduction of employee contributions in accordance with the LGPS contribution bandings as set out in the Regulations.	Accurately record and update member records on the pension system.
Ensure that the Employer payroll provider pays over contributions to the Fund no later than the 19th of the month following deduction (re: electronic payment method).	Ensure contributions are deducted and paid into the Fund's bank account and reconcile the pension contributions deducted (both employees and employers) against pensionable pay reported every month and agreed Employer contribution rate as notified tri-annually.
Ensure that the payroll provider reviews each member's pensionable pay annually and re-band accordingly to ensure the correct employee's contributions are deducted.	Ensure contributions are deducted and member record updated.
Reimburse the Fund for all pension payments made which are not to be borne by the Fund e.g., early retirement capital costs.	Check payments have been received and consider charging interest for late payments as detailed in the LGPS Regulations
Ensures that the payroll provider pays over to the Fund's AVC provider, all member AVC payments no later than the 19th of the month following the deduction (re: electronic payment method).	Ensure that the level of service provided to members from the AVC is of a high standard.  Ensure members are aware of the AVC scheme by arranging regular briefings and publishing information.
Ensure that member Additional Pension Contributions (APC's) are deducted from payroll and payment to the Fund is made no later than the 19th of the month following deduction (re: electronic payment method).	Ensure APCs are deducted and paid into the Fund's bank account and reconcile the contributions deducted against the amount the member elected to pay held on their pension record.

### 6.6 Benefit Estimates

Employer Responsibilities	Pension Fund Responsibilities
Redundancy: Provide a list of members and date of redundancy.	Issue quotations and capital costs within 10 working days of receipt of the request.
If Employers are not using the Enfield Payroll Service, Employers must provide up to date payroll data or the latest data on the pension system will be used.	Timescales for bulk requests to be agreed separately.  Ensure Members Self Service (MSS) portal is updated thus allowing members to run 'estimate' benefit calculations: Voluntary Retirement Redundancy Retirement Deferred Benefits Death in Service

### 6.7 Annual Benefit Statements & Annual Allowance Notifications

Employer Responsibilities	Pension Fund Responsibilities
<p>Ensure that the Fund is informed of any changes to payroll data and personal information within 30 days of the change and where requested provide a Year End return by the 30th April each year.</p>	<p>Provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.</p> <p>Accurately record and update member records on the pension system.</p> <p>Issue Annual Benefit statements by 31st August of each year.</p> <p>Calculate member's Annual Allowance under HMRC Legislation and notify members, where appropriate by the 6th October of each year.</p>

### 6.8 Disputes - Internal Dispute Resolution Procedure (IDRP)

Employer Responsibilities	Pension Fund Responsibilities
<p>Ensure that a nominated, named person (the adjudicator) is identified to whom applications under Stage 1 of the IDRP should be submitted.</p> <p>The name, job title and contact details of this nominated person must be kept current by the Pension Team.</p>	<p>Ensure members and Employers are aware of the IDRP and that the process is followed in a timely and efficient manner.</p>

## 6.9 Fund Performance Targets

Governance	Performance Targets
Publish and keep under review the Enfield Pension Fund Administration Strategy	Review periodically and publish within three months any changes to the Strategy.
Review and issue and keep up to date the pension website, Scheme guides and all information issued to members.	Review periodically. Issue guidance and information to new Employers within 30 working days of admission to the Scheme or within 30 working days of change/ amendment thereafter.
Formulate and publish policies in relation to all areas where the Fund may exercise a discretion within the Scheme.	Within 30 working days of policy being agreed by the Enfield Pension Fund Pension Policy and Investment Committee.
Organise training sessions for Employers.	As and when required.
Notify Employers and members of changes to LGPS Scheme rules or relevant legislation.	Within one month of the change(s) coming into effect.
Notify Employers of issues relating to the Employer's or their payroll provider's poor performance.	Within 5 working days of performance issue becoming apparent.
Notify Employers of a decision to recover additional costs associated with the Employer's or their payroll provider's poor performance (including any interest that may be due).	Within 10 working days of Employer's failure to improve performance, as agreed
Issue Annual Benefit Statements to all active and deferred members.	By 31st August of each year.
Issue Annual Allowance letters.	6th October of each year.
Issue formal Pension Fund triennial valuation results (including individual Employer details).	10 working days from receipt of results from the Fund Actuary, (but in any event no later than 31 March following the triennial valuation date).
Publish and keep under review the Enfield Pension Fund Funding Strategy Statement	To be reviewed at each triennial valuation, following consultation with Employers and the Fund's Actuary. Revised statement to be issued with the final valuation report.
Publish the Pension Fund Annual Report and any report from the Auditor.	In line with Regulation timescales.
Agree Admission Agreements with new Employers.	Prior to the start of the contract start date.
Notify the Fund Actuary to carry out cessation valuations when Admitted Bodies leave the Fund.	As required, upon cessation or occasion where a Employer ceases participation in the Fund.

Administration	Performance Targets
Provide a full response to written enquiries from members and Employers	Within 10 working days of receipt of enquiry.
Response to email enquiries	Within 10 working days of receipt of enquiry.
Member records to be set up on pension administration system.	Within a month of receipt of all necessary information.
Make all necessary decisions in relation to a member and issue combined statutory notification to a new member including aggregation of any previous LGPS membership.	Within a month of receipt of all necessary information.
Contact previous pension schemes to request transfer values of other pension rights.	Within 10 working days from receipt of enquiry.
Provide transfer-in quote to member.	Within 20 working days of receipt of all necessary information from previous scheme.
Confirm transfer-in payment and additional benefit to member	Within 20 working days of receipt of payment of transfer of value.
Respond to enquiries to purchase Additional Pension.	Within 10 working days.
On receipt of a request from the member or new pension provider supply a transfer value quotation.	Within 20 working days of receipt of all necessary information.
Calculate the estimated transfer value payable and inform the new pension provider of amount payable.	Within 20 working days of receipt of all necessary information.
On receipt of the member's election to proceed with the transfer, calculate and pay the transfer value.	Within 10 working days of receipt of all necessary information.
Notify Employer of member's election to pay Additional Pension Contributions (APC's), including all required information to enable deductions to commence.	Within 10 working days of receipt of election from member, or where the APC's will be paid by monthly deduction from payroll within 10 working days of receipt of a satisfactory medical assessment.
Notify member when Additional Pension Contributions (APC's) must be paid if electing by lump sum or when they will commence if electing by monthly deduction from payroll.	Within 10 working days of receipt of election from member, or where the APC's will be paid by monthly deduction from payroll within 10 working days of receipt of a satisfactory medical assessment.
Notify Additional Pension to be credited to the member.	Within 10 working days of receipt of election from member, or where the APC's will be paid by monthly deduction from payroll within 10 working days of receipt of a satisfactory medical assessment.
Notify Employer of request from member to cease Additional Pension Contributions and notify member of the amount of Additional Pension credited.	Within 10 working days of receipt of request from member.

Request to pay/amend/cease Additional Voluntary Contributions.	Within 10 working days of receipt of request from member.
Provide requested estimates of benefits to members and to Employers provide any additional Fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy, or business efficiency.	Within 10 working days of receipt of all necessary information.
Notify leavers of deferred benefit entitlements	Within 2 months of date of leaving and receipt of all necessary information.
Notify retiring members of benefits (enclosing HMRC disclosure forms)	Within 10 working days of receipt of all necessary information.
Payment of retirement benefits (including any interest due as a result of the late payment of benefits). Commence pension payments in the next pension payroll following commencement of pension entitlement. Thereafter make payment on the pension pay day of each month	Any lump sum payments to be paid into the member's account within 30 working days after last day of membership, or date of entitlement and receipt of all necessary information.
Contact deferred members to notify pension benefits due and confirm personal details.	3 months before pension benefits due.
Confirm in writing the deferred pension benefits due, when payments will be made, set up on payroll for pay period immediately following due date.	Within 10 working days of receipt of all necessary information.
Death notifications.	Respond and commence action within 5 working days following notification of death.
Send confirmation of any amounts payable and payment dates.	Within 5 working days of receipt of all relevant documents.
Confirm divorce settlement details in writing	Within 10 working days of receipt of written request and all necessary information from the member or their representative.
Process all stage 2 Internal Dispute Resolution Procedure applications.	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.

## 7. Audits

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external Auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employer cooperation.



## 8. Data and Contributions

### 8.1 Monthly Payroll Data

Employers are required to provide the following payroll related member data to the Fund every month via i-connect.

Data Description
Personal Data: Name, NI, DOB, gender, marital status, address, contact details
Dates: Payroll period, leaving, starting, opt in and opt out
Payroll Data: Pay number, Taxable earnings
Date joined Scheme
Employment data: Job title, part time or whole time hours, reason for leaving
Breaks in membership
Annual pensionable pay & effective date
Payroll period pensionable pay
Main section payroll period employee pension contributions & percentage rate
Main section cumulative pensionable pay
Main section cumulative employee pension contributions
50/50 section payroll period employee pension contributions & percentage rate
50/50 section cumulative pensionable pay
50/50 section cumulative employee pension contributions
Additional pension contributions (APC)
Additional voluntary contributions (AVC)
Cumulative Employer contributions
Shared Cost Additional Voluntary Contributions
2008 Scheme data – Annual FTE final pay

### 8.2. Deductions of Contributions

#### 8.2.1 Employee Contributions

Members of the LGPS currently pay between 5.5% and 12.5% (main Scheme) of their pensionable pay into the Fund. The rate payable depends on which pay band a member falls into. Pay band ranges are increased on 1st April each year by the increase in the Consumer Prices Index as at the end of the preceding September.

Employer payroll providers need to determine the correct band for each member and deduct the correct rates each year. Contribution bandings are published on the Fund's website: <https://new.enfield.gov.uk/pension/employers>

#### 8.2.2 50/50 Section Contributions

When an employee is in the 50/50 section, contribution rates are calculated using the same bands as above however, the band is halved.

### 8.2.3 Employer Contributions

Employer rates are agreed every three years following the Funds triennial Fund valuation undertaken by the Fund's Actuary. Employers have different rates and Employers will be notified separately of the rate which should be paid and passed over to the Pension Fund each month.

### 8.2.4 Other Deductions

On notification by the Pension Team, the Employer or the AVC provider (Prudential), the Employer's payroll provider is required to deduct the following additional pension contributions:

AVC's – deducted at a % or a fixed rate and payable to the Prudential.

APC's - deducted as a one-off payment or several payments over a fixed period and payable to the Pension Fund each month.

## 9. Payments to the Fund

Employer payroll providers are required to pay over the appropriate contributions, deducted from employees' salaries, including Employer contributions to the Fund 19 days after the end of the month in which the contributions were deducted from pay.

Other key payment dates can be found on the LGPS website: <http://www.lgpslibrary.org/assets/gas/ew/Pv4.1c.pdf>.

## 10. Auto Enrolment

Under the Pensions Act 2008, every Employer must put certain staff into a workplace pension scheme and contribute towards it.

Employees employed by an Employer and who qualify to be enrolled must be auto enrolled into the Enfield Pension Fund by Employer payroll providers.

Each time staff are paid, providers must monitor changes in their age and earnings to see if they need to be enrolled into the Scheme. Every three years Employers are required to carry out re-enrolment to re-enroll any staff who have left the Scheme and manage requests to join or leave the Scheme and keep records.

More information can be found by visiting the following site: <https://www.thepensionsregulator.gov.uk/en/employers>

## 11. Performance Monitoring

We will monitor our performance in carrying out our responsibilities. We periodically report our performance against key performance indicators to the Enfield Pension Fund Board. Minutes and reports of meetings are published.

## 12. Improving Employer Performance

The Fund will work closely with all Employers to assist them to understand their statutory roles and responsibilities as a LGPS Scheme Employer. Those responsibilities may be set out in the LGPS Regulations or within the terms of an Admission Agreement. The Fund will also work with Employers to ensure timescales are met and quality of data provided is accurate.

If poor performance is identified, the Fund will:

- write to the Employers, setting out the areas of poor performance.
- meet with the Employer to discuss the areas of poor performance and how issues can be addressed.

Where there is a no improvement to performance, the Fund will issue a formal written notice to the Employer setting out the areas of poor performance that have been identified, the steps taken to resolve the issues and give notice that additional costs may be charged.

The Regulations provide that an Administering Authority may recover from Employers any additional costs associated with the administration of the Scheme incurred as a result of unsatisfactory level of performance by an Employer. Any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance will be recovered from the Employer. The circumstances where we will recover such additional costs from the Employer include:

- persistent failure to provide relevant information to the Fund, member or stakeholders within stated timescales.
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales.
- instances where the performance of the Employer results in fines being levied against the Fund by the Pensions Regulator, Pensions Ombudsman or other regulatory body.

In addition, interest will be charged on late contributions in line with the LGPS Regulations.



**The Pensions Section**  
Exchequer Services  
Enfield Council  
PO Box 54  
Civic Centre  
Enfield  
EN1 3XY





## London Borough of Enfield

<b>Report Title</b>	Pension Fund Communication Policy
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 December 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Tim O'Connor (Pension Manager). Tim.O'Connor@enfield.gov.uk
<b>Ward(s) affected</b>	Part 1 Public
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. To present to the Pension Board the draft Enfield Pension Fund Communication Policy.

### Recommendations

- I. The Board are asked to note the contents of the report and provide any feedback and comments for further refinement pending Pension, Policy and Investment Committee (PPIC) approval in January 2024

## **Background**

2. The Enfield Pension Fund Communications Policy sets out how the Fund communicates with members and stakeholders as required under the Local Government Pension Scheme Regulations (2013), Regulation 61.
3. The Regulations require the Fund to prepare, maintain and publish a statement setting out its policy on communications. This policy has been prepared in line with those requirements.
4. The Policy covers the communication with a broad range of stakeholders and covers information provided to scheme members, employers and representatives of members participating in the Fund.
5. The Policy also sets out how the Fund will promote the scheme to prospective members and their employing authorities.

## **Preferred Option**

6. The draft Pension Fund Communication Policy is presented to members of the Pension Board who are asked to provide feedback and comments before the Policy is presented to PPIC in January 2024.

## **Relevance to Council Plans and Strategies**

7. N/A

## **Financial Implications**

8. N/A

## **Legal Implications**

9. N/A

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Tim.O'Connor@enfield.gov.uk  
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**Appendices**

Appendix 1 – Enfield Pension Fund Communication Policy

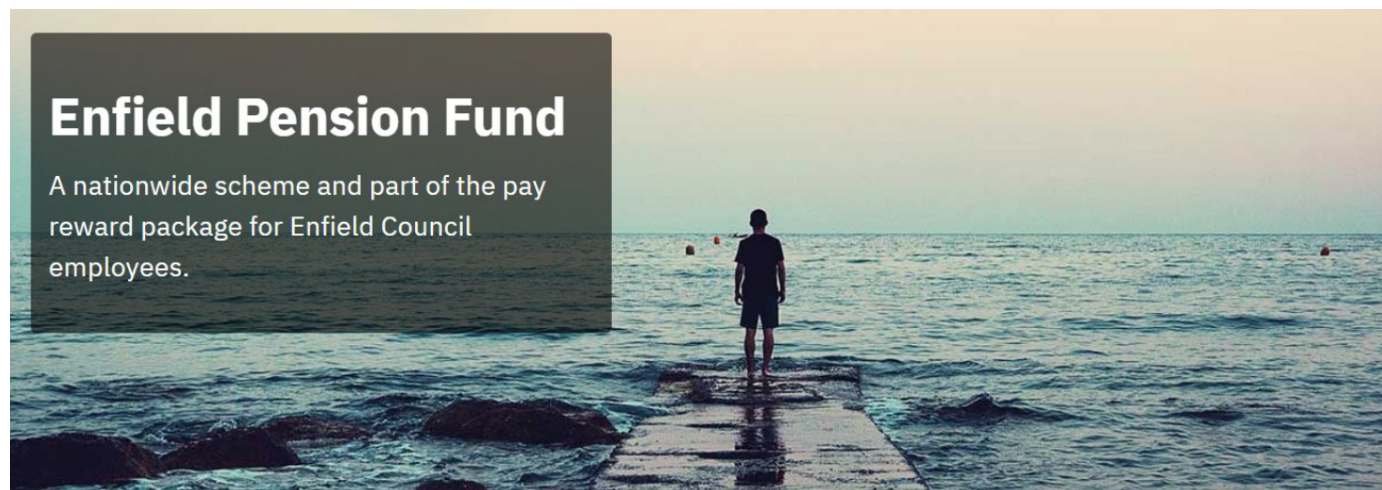
**Background Papers**

None

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## Communications Policy



### Enfield Pension Fund

A nationwide scheme and part of the pay reward package for Enfield Council employees.

### Introduction

This document sets out the Communications Policy of the Administering Authority of the London Borough of Enfield Pension Fund as required under the Local Government Pension Scheme Regulations (2013), Regulation 61 and strategy for its communications with members and Scheme Employers.

This Communications Policy is a statement of how we are currently delivering those aims and objectives. The LGPS Regulations require us to prepare, maintain and publish a statement setting out our policies on communications. We have prepared this document in line with these requirements. It covers our communications with:

- Pension fund members
- Representatives of members
- Prospective pension fund members
- Our employers and prospective employers.

This policy statement outlines the Fund's position on:

The key objective is to ensure that SPT delivers clear, timely and accessible communication with a broad range of stakeholders.

- The provision of information and publicity about the Scheme to members, Employers and representatives of members participating in the Fund.
- The promotion of the Scheme to prospective members and their employing authorities.
- The format, frequency and method of distributing such information or publicity.

To ensure the information reaches all interested parties, different media and methods of communication will be used.

## Contents

Communication Policy: Aims and objectives

Methods of Communication

- Scheme Members

- Scheme Employers

- Other communication avenues

Access to communication

Future Development

Appendix

**No 1 - Fund Publications & access to Communication matrix**

**No 2 – London Borough of Enfield Pension Fund website**

## Communications Policy: Aims and objectives

### In our communication with Active, Deferred and Pensioner Members:

#### Our objectives are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education and understanding on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- liaise with their employers or ex-employers to help resolve queries any of their current or former employees may have
- to increase take up of the LGPS employees.

### Policy on communication with Scheme Employers:

#### Our objectives with regard to communication with employers are:

- to foster good working relationships.
- to assist employers in fully understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff (i.e. TUPE situations).
- to ensure employers understand the benefits of being an LGPS employer.
- to ensure employers are aware of their statutory responsibilities when tendering service contracts involving employees contributing to, or eligible for membership of the LGPS.
- to assist employers in making the most of the discretionary areas within the LGPS.
- to provide a dedicated point of contact for employers

## Policy on communication with Senior Managers/Pension and Investment Boards/Unions/elected members

### Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention tool

### Our objectives with regard to communication with elected members/Pension Committee/Board members are:

- to ensure they are aware of their statutory responsibilities in relation to the scheme
- to ensure they have access to and receive the appropriate and required training for the role
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme
- to ensure they have access to all necessary documents

### Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the scheme to their members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to educate union representatives on the provisions of the scheme

## Access to communication

**We want to ensure that all members can access our services, whatever their needs. All print and electronic communications are designed with consideration for those with additional needs. Our communications media is measured against accessibility standards and we can arrange large print, audio or Braille versions of all printed literature.**

Increasingly we are using electronic forms of communication, but we will always offer members the opportunity to receive paper copies by post if required. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

## Who we communicate with

### Who we regularly communicate with:

- Scheme members (active, deferred and pensioners)
- Employing authorities (referred to as "Employers")
- Prospective scheme members
- Prospective employers
- Representatives of scheme members (trade unions)
- LB of Enfield Pension Fund Committee
- LB of Enfield Pension Fund Board
- London CIV

Other bodies / organisations – such as:

- Media
- Investment managers
- Actuaries
- Other Funds
- Department for Levelling Up, Housing & Communities (DLUHC)
- Local Government Association (LGA)
- The Pensions Regulator
- Advisers / consultant

## Commitment to staff training and development

We recognise that knowledgeable, experienced and enthusiastic staff is key to delivering good communication and customer service. We are committed to training and developing members of staff to enable delivery of an effective pension's administration service.

## Freedom of Information (FOI)

We comply with FOI requests within statutory guidelines and timescales

## Data Protection

The security of members' personal data is the Fund's highest priority. Under General Data Protection Regulations (GDPR) the Fund publishes a Privacy Notice, which outlines for members how their data is store, managed and shared. This notice will be reviewed on an annual basis. The Fund has processes in place to ensure that personal data is managed securely and has a reporting process in place if any data protection breaches occur. In respect of communication, the Fund does not share members' personal data with third parties for promotional purposes.

## Future Developments

### Feedback and surveys

The Fund actively encourages and responds to feedback from members and employers. The website is a key route for member feedback, with online surveys available. The Fund also gathers feedback through letters/correspondence with members. The Fund will be including more defined feedback forms for inclusion with the annual benefit statements 2020.

### Pensions dashboard

All UK wide pension funds aim to have individual pension dashboards, detailing all the persons pensions entitlement in the UK. The London Borough of Enfield Pension Fund will be part of this project. Further guidance from Government is awaited.

### Pensions AGM

To continue to build upon and develop the annual Pensions AGM.

### Employer work

- Reviewing, updating and establishing new Service level agreements will be a target of 2024.
- Developing annual employer meetings
- A dedicated employer area on the new Pension Fund website
- Review all publications and scheme literature
- To continue to promote access to former deferred members to our on-line access tool, Member self-service (MSS)
- Allow access to pensioner members to our on-line access tool, Member self-service (MSS)
- To aim to move completely to electronic communication with other Pension Funds, particular focus on transfers in and out of the scheme.

### Date of Plan Review

This plan will be reviewed at least annually by the Pensions Administration Manager to ensure it remains accurate and relevant. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the plan.

### Further Information

If you require further information about this plan, please contact:

London Borough of Enfield Pension Fund

Email: [zpensions@enfield.gov.uk](mailto:zpensions@enfield.gov.uk)

Telephone: 0208 379 3168

Website: <https://new.enfield.gov.uk/pensions>

## Appendix

### No 1 - Fund Publications & access to Communication matrix

#### Type of Communication

Communication Material	Audience	Electronic	Paper	Website	Face to Face	Frequency
Newsletter	Active Members	✓	✓	✓	✓	Annual
Newsletter	Pensioners	✓	✓	✓	✓	Annual
Annual Benefit Statements	Active members	✓	✓		✓	Annual
Annual Benefit Statements	Deferred members	✓	✓			Annual
Pre-retirement presentations	Active and recent pensioners			✓	✓	Quarterly
AVCwise presentations	Active members of LBE	✓	✓	✓	✓	Presentations throughout year
Pension Guides	Active members	✓	✓	✓		On-going
Statutory notifications	Active members	✓	✓			On-going
Pension Clinics	Active members				✓	On-going
Member Self Service	Active members	✓		✓		On-going
Telephone	All					On-going
Email	All	✓	✓	✓		On-going
Skype	LBE	✓	✓	✓		On-going
P60	Pensioners	✓	✓			May
Payslips	Pensioners	✓	✓			On-going
Website	All	✓	✓	✓		On-going

Communication Material	Audience	Electronic	Paper	Website	Face to Face	Frequency
Employer i-Connect updates	Employers	✓				On-going
Annual Report and accounts	Employers	✓		✓		Annual
Email updates and bulletins	Employers	✓	✓	✓		On-going
Administration Guide	Employers	✓	✓	✓		On-going
Employer review meetings	Employers				✓	When requested
Communication Material	Audience	Electronic	Paper	Website	Face to Face	Frequency
Committee Papers	Pension Committee	✓	✓	✓	✓	On-going
Briefing Papers	Employers	✓	✓	✓	✓	On-going
Local Pension Board Papers	Board Members	✓	✓	✓	✓	On-going
Specific Meetings	Employers				✓	On-going
Annual General Meeting	Employers and Employees				✓	Annual

## No 2 – London Borough of Enfield Pension Fund website

<https://www.enfield.gov.uk/pension>

Next review date = 1st January 2026



The Pensions Section  
Exchequer Services  
Enfield Council  
PO Box 54  
Civic Centre  
Enfield  
EN1 3XY



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## London Borough of Enfield

<b>Report Title</b>	Conflict of Interest Policy
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 December 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
<b>Ward(s) affected</b>	Part 1 Public
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. To present to the Pension Board the draft Enfield Pension Fund Conflict of Interest policy.

### Recommendations

- I. The Board are asked to note the contents of the report and provide any feedback and comments for further refinement pending Pension, Policy and Investment Committee (PPIC) approval in January 2024

## **Background**

2. 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. Furthermore, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role in managing or advising LGPS funds.
3. The Public Services Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined 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).”
4. 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.
5. Paragraph 76 of the Pension Regulators Code of Practice 14 (Governance and administration of public service pension schemes), (CoP 14) requires schemes to have an agreed documented conflict of interest policy that includes; identifying, monitoring and managing potential conflicts of interest. CoP 14 also requires the policy to contain examples of what may give rise to conflicts of interest, Accordingly, it is good practice to document how any such conflicts or potential conflicts are to be managed.

## **Preferred Option**

6. The draft Conflicts of Interest Policy is presented in Appendix A and members of the Pension Board are asked to provide feedback and comments before the Policy is presented to PPIC in January 2024.

## **Relevance to Council Plans and Strategies**

7. N/A

## **Financial Implications**

8. N/A

## **Legal Implications**

9. N/A

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**Report Author:** Ravi Lakhani  
Head of Pension Investments  
Ravi.Lakhani@enfield.gov.uk  
020 8132 1187

## **Appendices**

Appendix A: Draft Conflict of Interest Policy

## **Background Papers**

**None**

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## Introduction and legislative context

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. Furthermore, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role in managing or advising LGPS funds.

The Public Services Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined 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).”

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.

Paragraph 76 of the Pension Regulators Code of Practice 14 (Governance and administration of public service pension schemes), (CoP 14) requires schemes to have an agreed documented conflict of interest policy that includes; identifying, monitoring and managing potential conflicts of interest. CoP 14 also requires the policy to contain examples of what may give rise to conflicts of interest, Accordingly, it is good practice to document how any such conflicts or potential conflicts are to be managed.

## Purpose and Objectives

This is the Conflicts of Interest Policy of the Enfield Pension Fund, which is managed by Enfield Council. 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 Pensions Policy & Investment Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including 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.

London Borough of Enfield Pension Fund’s objectives, as they relate to the governance of the Fund are:

- To meet the highest standards of Governance and demonstrate key principles of transparency and accountability in the management of the Fund through clear responsibilities and reporting.
- To have an appropriate investment strategy, which balances risk and reward and is consistent with the Funding Strategy Statement.
- To ensure that sufficient funds are available to meet the pension liabilities.
- To ensure robust governance arrangements are in place, to facilitate informed

- decision making, supported by appropriate advice, policies and strategies.
- To ensure the Fund is managed and its services delivered by those who have appropriate knowledge and expertise.
  - To act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust, soundly based and do not unreasonably favour one group of stakeholders over another.
  - To comply with the appropriate legislation and statutory guidance, and act in the spirit of other relevant guidelines and best practice guidance.
  - To clearly articulate the Fund's objectives and how those objectives will be achieved through business planning, and continually measure and monitor success against those objectives.
  - To deliver an efficient and effective pensions and financial administration service, which provides excellent value for money.

The identification and management of potential and actual conflicts of interest is integral to Enfield Pension Fund achieving its governance objectives which are set out above.

### **To whom this Policy Applies**

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.

This Conflicts of Interest Policy applies to:

- all members of the Pensions, Policy & Investment Committee and the Pension Board\*, including scheme member and employer representatives, whether voting members or not.
- all employees of Enfield Council involved in the management, administration and governance of the Fund.
- all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Policy & Investment Committee or Fund officers, in relation to their role in advising or supplying the Fund.

\*This policy should be considered in the context that the Local Pension Board assists the administering authority in complying with regulations and is not a decision making body. It is not therefore anticipated that any significant conflict of interest will arise.

The Monitoring Officer 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 or she considers appropriate.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to Enfield Pension Fund 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 Enfield Pension Fund 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 Enfield Pension Fund on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with Enfield Pension Fund 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.

### **Recognised Behavioural Principles**

The Seven Principles of Public Life, otherwise known as the 'Nolan Principles' apply to anyone who works as a public office-holder delivering public services.

Many of the principles are integral to the successful implementation of this Policy. These principles are:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

### **Enfield Pension Fund's Specific Requirements**

#### **Pensions Policy & Investment Committee Members**

In addition to the requirements of this Policy, Pensions Committee members and co-opted members are required to adhere to the Enfield Council Members' Code of Conduct which includes requirements in relation to disclosable pecuniary interests.

#### **Pension Board Members**

In addition to the requirements of this Policy, Pension Board members are required to adhere to the Conflicts of Interest (Section 13) of the Terms of Reference of the Pension Board which includes declaring any interests that may lead to a conflict situation.

#### **Employees**

In addition to the requirements of this Policy, officers of Enfield Council are required to adhere to the Enfield Council Officers' Code of Conduct which includes requirements in relation to disclosable pecuniary interests.

#### **Advisers' Professional Standards**

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this policy.

### Advisers and Suppliers

Enfield Pension Fund appoints its own advisers and suppliers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers and suppliers. In addition, the following requirements will apply:

- Where Enfield Pension Fund's advisers are asked to give advice to the Council or other scheme employer, or to scheme members or member representatives such as the Trades Unions, in relation to pension matters, or
- Where, an adviser is also appointed to another Local Government Pension Fund, which is involved in a transaction involving Enfield Pension Fund and on which advice is required, that adviser can only continue to advise Enfield Pension Fund and another party where there is no conflict of interest in doing so.
- Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions Committee or Fund officers as long as there is no conflict of interest between the two roles.

### Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). Enfield Pension Fund requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Policy & Investment Committee meeting, and that this will be recorded in the minutes.

### **What is a Conflict or Potential Conflict and how will they be managed?**

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual has a responsibility or duty in relation to the management of or advice for Enfield Pension Fund, and at the same time has:

- a separate personal interest (financial or otherwise) or
- another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 2.

Enfield Pension Fund 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 find themselves in a position of conflict of interest, and of how potential conflicts should be managed. Enfield Pension Fund will evaluate the nature of any dual interests or responsibilities that are highlighted and



assess the impact on pension fund operations and good governance, should an actual conflict of interest materialise.

Ways in which conflicts of interest are managed are detailed in Enfield Council's Code of Conduct for Members.

Provided that Enfield Pension Fund (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, it 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, the individual will be required to resign from the Committee, Board or appointment.

### **Minor Gifts**

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items 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. Officers and Members must declare personal gifts of more than £25 in accordance with Enfield Council's Code of Conduct.

### **Responsibility**

Enfield Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Monitoring Officer is the designated individual for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

### **Operational procedure for officers, Pensions Policy & Investment Committee members and Pension Board members**

What is required	How this will be done
Step 1 – Initial identification of interests which do or could give rise to a conflict.	<p>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.</p> <p>This information will be provided by each individual to the Monitoring Officer who will assess the extent to which any declarations are relevant to the individual's role in relation to the Pension Fund and collate them into the Council's register of interest. Each individual is responsible for maintaining their register of interest on a continuous basis.</p>
Step 2 - Ongoing notification and management of	At the commencement of any Pensions Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those

potential or actual conflicts of interest	<p>present who are covered by this Policy to declare any interests and potential conflicts. All interests declared will be detailed in the record of the meeting.</p> <p>Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Director of Finance prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Monitoring Officer, will advise the conflicted individual whether they need to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the individual must update their register of interest. Where it relates to the business of any meeting, The conflict must be recorded in the minutes of the meeting. In addition the Chairman of that meeting in consultation with the Monitoring Officer will consider any necessary action to manage the potential or actual conflict.</p>
Step 3 - Periodic review of potential and actual conflicts	<p>At least once every 12 months, the Monitoring Officer will provide to all those to whom the above procedures apply a copy of the Register of conflicts of interests. All individuals will confirm in writing to the Monitoring Officer that the information held in relation to them is correct. If that is not the case, they will complete a new Declaration of Interest as per step 1 and the Register will be updated.</p>

### **Operational procedures for Advisers**

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 Head of Pension Investments in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice or services to Enfield Council
- notify the Head of Pension Investments immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

If the Fund's Investment advisers are recommending their own products, they should make it clear that they are doing so and how a conflict of interest has been avoided.

### **Monitoring and Reporting**

The Council'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 Monitoring Officer. In order to identify whether the objectives of this Policy are being met, Enfield Pension Fund will review the Council's Register of conflicts of interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

### **Key Risks**

The key risks to the delivery of this Policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Pensions Policy & Investment Committee, Pension Board, the Monitoring Officer, and the Scheme 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
- failure to communicate the requirements of this Policy
- absence of the individual allocated 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
- failure by a Pension Board member to make a declaration of interest resulting in an actual conflict of interest

### **Costs**

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 they may have under this Policy.

### **Approval, Review and Consultation**

This Conflicts of Interest Policy was approved by the Enfield Pensions Policy & Investment Committee on the date on the first page of this policy. 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:

Ravi Lakhani, Head of Pension Investments, London Borough of Enfield Pension Fund,  
Finance Dept. Civic Centre, Silver Street Enfield  
Email: ravi.lakhani@enfield.gov.uk



## **Appendix 1**

### **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 Local Government Pension Scheme Regulations 2013**

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act 2013 (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 time of writing, the LGPS national scheme advisory board has issued guidance relating to the creation of pension boards including a section on conflicts of interest. 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.

#### **The Localism Act 2011**

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition, the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

## **Appendix 2**

### **Examples of Potential Conflicts of Interest**

- a) A member of the PPIC member is on the board of a Fund Manager that the Pensions Committee is considering appointing.
- b) An officer or member of PPIC accepting hospitality and/or gifts from a potential adviser or supplier could be perceived as a potential or actual conflict of interest; particularly where a procurement exercise relating to those services is imminent.
- c) An employer representative on the Pension Board is employed by a company to which the Enfield Council has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.
- d) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- e) 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 in the interests of all scheme members.
- f) An officer of the Fund or member of the Pensions Committee accepts a dinner invitation from a Fund Manager, who has submitted a bid as part of a tender process.
- g) 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 Pensions Committee or 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 PPIC or Pension Board.
- h) A proportion of the Fund's assets may be invested through the London CIV. Any members of the PPIC or senior officers of the Fund who are members of the Board of the London CIV or its Shareholder Committee must also comply with any requirements relating to the management of actual or potential conflicts of interest for the governance of the London CIV. The Council is one of 32 equal shareholders in the London LGPS CIV Ltd ("LCIV"). The shareholders, as LGPS administering authorities, also purchase investment management services from LCIV. The nature of this relationship has the potential to lead to conflicts of interest that must be managed
- i) An investment advisor advising on investing in their own investment products. Investment advice should be independent and aligned with the best interests of the fund. If the investment advisor is advising on their own products there could be a conflict of interest due to the fees earned by investing in the investment advisors own fund.

### **Further Information**

If you require further information about anything in or related to this Conflicts of Interest.

Ravi Lakhani, Head of Pension Investments, London Borough of Enfield Pension Fund,  
Finance Dept. Civic Centre, Silver Street Enfield  
Email: [ravi.lakhani@enfield.gov.uk](mailto:ravi.lakhani@enfield.gov.uk)

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## London Borough of Enfield

<b>Report Title</b>	Enfield Pension Fund Annual Report
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 December 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. There is a statutory requirement for all Local Government Pension Schemes to publish a Annual Report. This paper introduces Enfield Pension Fund's ("Fund") annual report for 2022/23

### Recommendations

- |   |
|---|
| <ol style="list-style-type: none"> <li>I. Members are recommended to not the contents of the report.</li> </ol> |
|---|

### Background

2. There is a statutory requirement for all Local Government Pension Schemes to publish an Annual Report.
3. 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.

4. The Annual report covers the following: Scheme Overview, Membership report, Governance of the Scheme, Financial Statements and relevant Fund policies.
5. The deadline for publishing this report is 1 December and is published on the Fund website.
6. The annual report incorporates the Financial Statements (Statement of Accounts) for the Fund. It should be noted the Statement of Accounts are in draft format as they are yet to be audited by the Fund's external auditors.

### **Key Headlines from the report**

7. Key headlines from the report are presented below:
  - Fund membership in the year increased to 25,421
  - Over the last 5 years the number of pensioners has increased at an annualised rate of 4.73%
  - The value of the fund at 31 March was £1.45 billion
  - Investment performance over 1 year was -5.5% and for 3 years +7.8% (annualised)

Further detail on the above can be found in the main body of the Annual report.

### **Preferred Option and Reasons For Preferred Option**

8. Members are recommended to note the contents of the report.
9. 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 Council Plans and Strategies**

10. N/A

### **Financial Implications**

11. N/A

## **Legal Implications**

12.N/A

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**Report Author:** Ravi Lakhani  
Head of Pension Investments  
Ravi.Lakhani@enfield.gov.uk  
020 8132 1187

## **Appendices**

Appendix 1 – Enfield Pension Fund Annual Report

## **Background Papers**

**Departmental reference number, if relevant:**

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# London Borough of Enfield Pension Fund 2022/23 Draft Annual Report and Accounts



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

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## 1.1 Opening Statement

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

#### **Welcome to Enfield Pension Fund Annual Report for 2022/23**

As Chair of the Enfield Pension Fund (EPF / the Fund) Committee, I have the pleasure in introducing the Fund's Annual Report and Accounts for 2022/23. The accounts focus on the financial activity in 2022/23.

The membership of the Fund at March 2023 was 25,421 individuals (active employees: 7,791, pensioners: 6,489, deferred members: 8,179 and undecided/frozen: 3034) with 54 employer organisations.

The Pension Policy & Investment Committee (PPIC) is responsible for managing the Fund, with the assistance of the Pension Board, Fund officers, external advisors and investment managers. The Fund has recently undergone a restructure of team resources in recognition of increasing regulatory demands on LGPS Funds and increased reporting requirements to ensure that the Fund has sufficient resources to implement its strategies and policies.

The Fund had £1.45 billion of funds under management at 31 March 2023 to meet the accrued benefits, with a funding position of 104% comparing assets to liabilities, putting it in a strong position. The investment return for the year to 31 March 2023 was -5.5%, which was an underperformance of the benchmark by 0.4%. However, returns have outperformed the benchmark over 3 and 5 year periods.

Over the past year the Fund's overall value has decreased by £67m to £1.45 billion, representing a decrease of 4.7%. This is considerably less than the growth experienced the year before (at 8%), and below the growth assumed in the last Triennial Valuation (i.e. 4.4% per annum).

Rising inflation, partly caused by geopolitical events, led to major central banks raising interest rates in order control the impact of inflation. This caused valuations for the Fund's listed equities and private equity holdings to fall. In addition, bond and gilt prices fell significantly leading to losses in this asset class.

The fund is in the process of rebalancing the portfolio so that it is more in line with the strategic allocation. Most notably, it is underweight infrastructure assets when compared to the strategic allocation by approximately 12%. In the second half of 2023 the Fund has made significant progress in addressing this by appointing 3 infrastructure managers and committing nearly £165m of capital to infrastructure funds investing in renewable power, decarbonisation and digitalisation. These funds will deliver long-term cash flow benefits to the fund.

The Fund's actuarial valuation at 31st March 2022 had indicated a slight improvement in the Fund funding level from 103% to 104% and an increased surplus position of £52.5m from £39.3m, even though a higher rate of inflation risk margin was allowed for in the calculation.

During the year, we have considered a wide range of issues and taken a number of key decisions affecting the Pension Fund.

The Fund has continued on its journey of responsible investment, and more specifically with its focus on climate change risk, with ongoing work and developments continuing into the coming months and years.

The Fund has taken climate strategy as one of the key focuses of its ongoing work, to develop an in depth of understanding of the financial risks to the Fund of the climate emergency and focusing on ways in which the Fund can both reduce this risk but also find opportunities to help with the energy transition to find sustainable solutions. As a result of this strategic focus, the Fund has a Responsible Investment Policy which clearly sets out the Fund's beliefs on responsible investment and climate risk and how it manages these risks and commitments through investment decision making and implementation.

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 in line with our ESG principles 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.

The next few years will be challenging for the Fund in particular with meeting regulatory requirements relating to TCFD (Taskforce on Climate-related Financial Disclosures) and U.K. government proposals coming from the Mansion house reforms relating to pooling. However, I am confident that Fund can adapt to meet the necessary requirements.

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 2022/23 a total of £702.9m (48% of the Fund) was invested on the LCIV platform, in the following assets:



<b>Investments</b>	<b>£ million</b>
<b>Global Equities</b>	
LCIV Global Alpha Growth Paris Aligned Fund	102.9
LCIV Global Equity Focus Fund	110.8
LCIV Emerging Market Equity Fund	31.9
<b>Fixed Income</b>	
LCIV Global Bond Fund	77.4
LCIV MAC Fund	53.6
<b>Passive Investments</b>	
Equities – Blackrock low carbon tracker	245.5
Gilts – Blackrock	80.8
<b>Total</b>	<b>702.9</b>

The AGM held in March was a success with large numbers attending in person and virtually. I hope that this continues in the future and member feedback has been taken into account in order to make future AGM's even more relevant. We hope to see more members attend the next AGM in March 2024.

The PPIC and Pension Board have worked hard in order to transform the Enfield Pension Fund. 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  
 November 2023

## 1.2 Pension Fund Advisers & Other Service Providers

During 2022/23 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

### **Head of Pension Investments**

Ravi Lakhani, London Borough of Enfield

[Ravi.Lakhani@Enfield.gov.uk](mailto:Ravi.Lakhani@Enfield.gov.uk)

### **Scheme Administrator (Section 151 Officer Local Government Act)**

Fay Hammond, London Borough of Enfield

[Fay.Hammond@enfield.gov.uk](mailto:Fay.Hammond@enfield.gov.uk)

If you have any comments on the Annual Report, please,

Email: [Ravi.Lakhani@Enfield.gov.uk](mailto:Ravi.Lakhani@Enfield.gov.uk)

## 1.3 Scheme Overview

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 2022/23 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 earned prior to 1 April 2014.
- 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. 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.

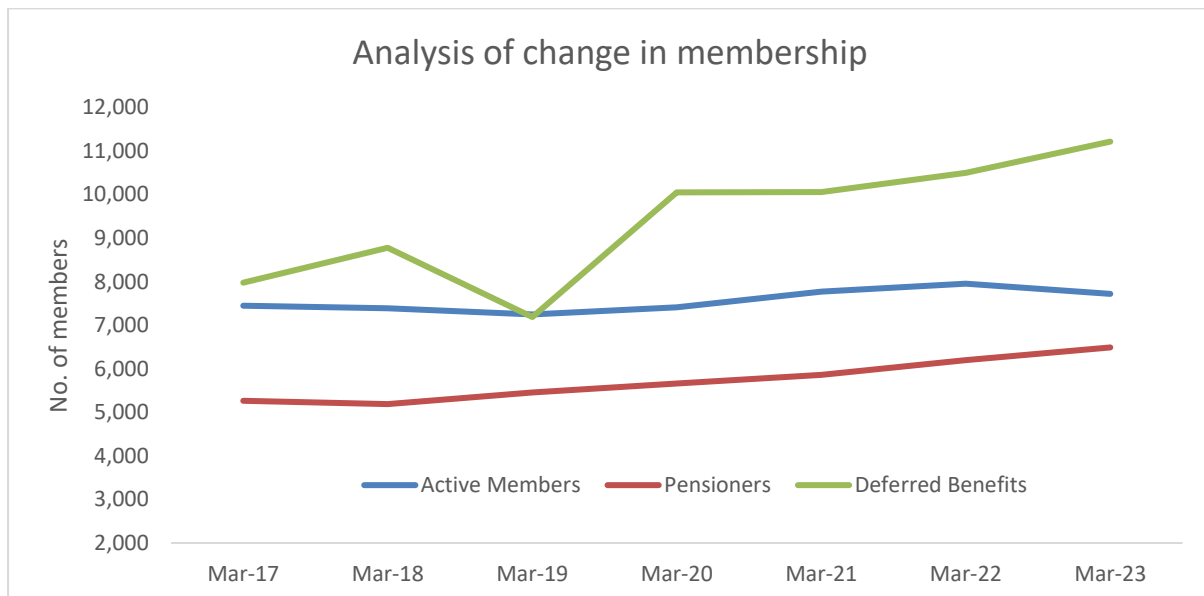
## 1.4 Membership Report

### Membership Trends

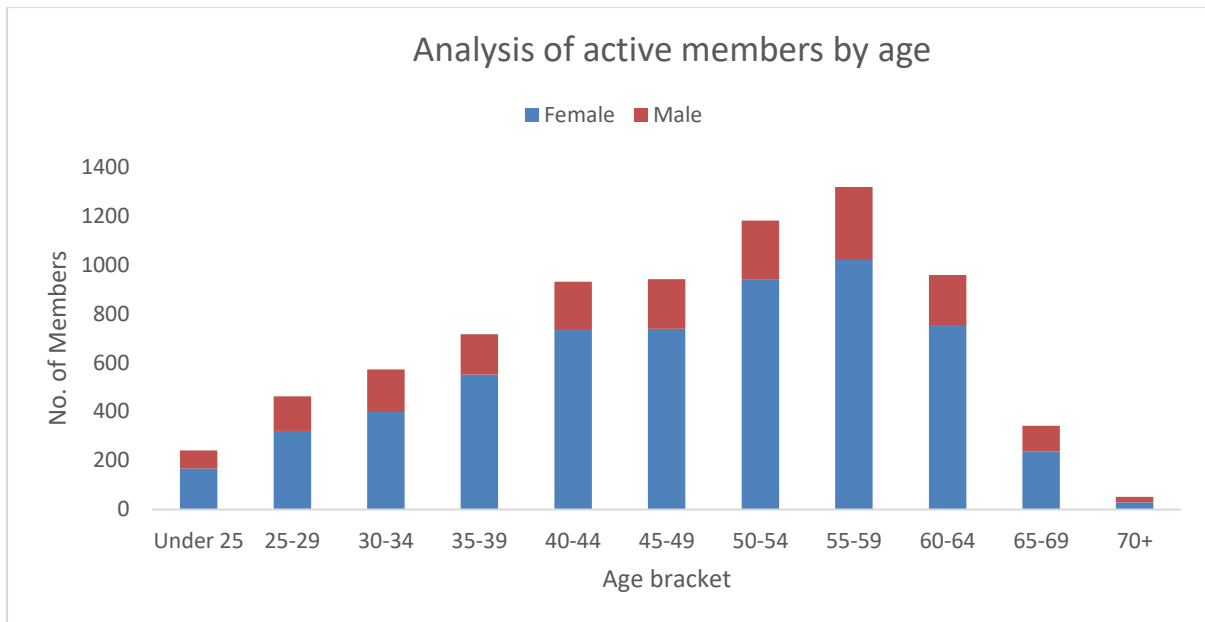
Membership of the fund is categorised into three types; Actives, Pensioners and Deferred.

- Active members are those that are currently contributing to the fund, all else being equal, a change in the number of active members will result in a change in contribution income received by the fund.
- Pensioner members are those that are currently drawing a benefit from the fund, all else being equal, a change in the number of pensioners will result in a change in the benefit expenditure of the fund.
- Deferred members in the analysis below includes individuals with a benefit entitlement who are no longer contributing to the scheme, and also individuals who have contributed to the scheme but are not eligible for any benefits (i.e. they did not contribute for a minimum of two years)

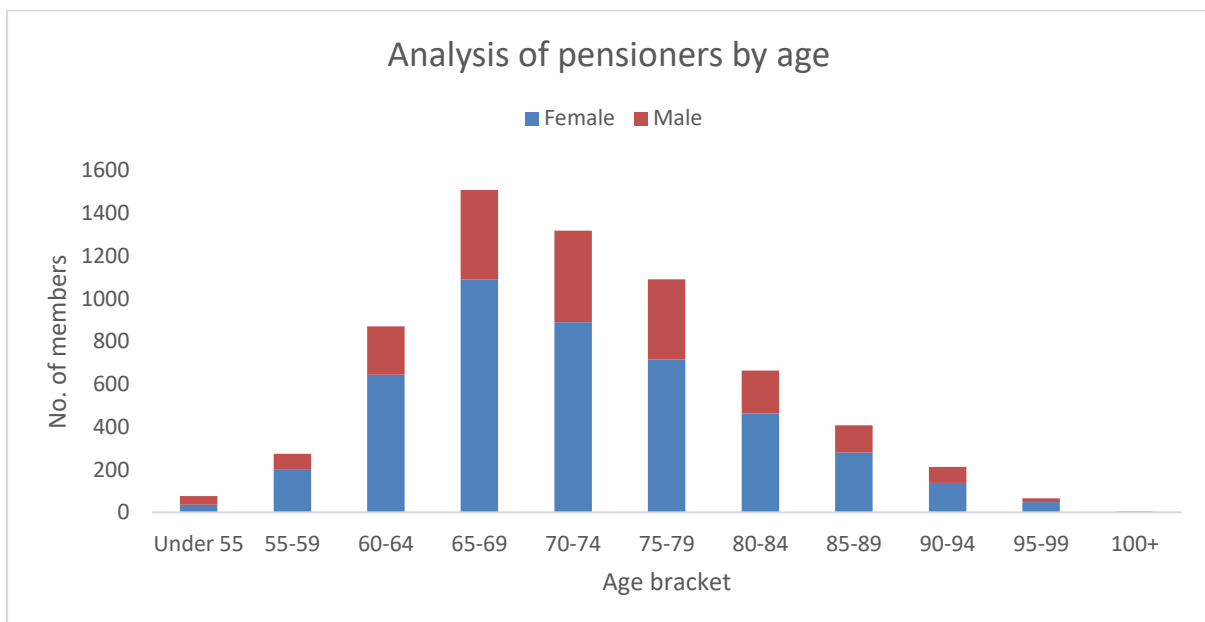
The change in membership numbers and the make-up of active and pensioner members are analysed further below.



Active membership has fallen by 3% during the year, however this follows 3 years of growth in active membership. The number of pensioners within the fund increased by 5%, a slowing in the growth rate compared to last year (6%). Over the last 5 years the number of pensioners has increased at an annualised rate of 4.73%, this is notably higher than the growth in active membership of 0.89% over the same period. This reflects the increasing maturity of the Fund.



The age profile of active members is shown in the chart above. 35% of all active members are over the age of 55. Members can currently take benefits at any time from age 55, provided they have met the two-year vesting period. If a member decides to draw their benefit before they reach normal pension age, they will usually be subject to a reduction on their benefit entitlement.



The chart above shows the age profile of pensioners within the Fund. Most pensioners, 57%, currently fall within the age bracket of 60-74. At the last triennial valuation date life expectancy aged 65 was 21.7 years for Males and 24.1 years for Females.

### Employer Bodies

The London Borough of Enfield Fund Pension Fund consists of the employees of Enfield Council and the organisations shown in the table below. These bodies are split into two categories; scheduled bodies and admitted bodies. Scheduled bodies have a statutory

right to be part of the scheme. Admitted bodies can join the scheme following application and agreement, there are two types of admitted bodies; those who join because they are providing services following transfer of service from a scheduled body, and not for profit bodies providing a public service.

	Number of contributors	Pensioners	Deferred Members	Frozen /Undecided
<b>London Borough of Enfield</b>	<b>5,670</b>	<b>5938</b>	<b>6,760</b>	<b>2,137</b>
<b>Scheduled Bodies</b>				
Capel Manor College	173	67	254	133
Oasis Hadley Academy	90	33	94	84
Oasis Enfield Academy	170	22	166	87
Aylward Academy	29	14	29	38
AIM Academy north (Formally Nightingale Academy)	10	22	38	22
Kingsmead Academy	45	18	30	18
Enfield Grammar Academy	51	16	35	17
Southgate School Academy	49	10	21	23
Lea Valley High Academy	27	8	7	8
Connect Education Trust (Formally Enfield Learning Trust)	255	23	92	77
One Degree Academy (Adnan Jaffrey Trust)	15	0	0	3
Attigo Academy Trust	138	12	66	47
ARK John Keats Academy	80	0	16	48
Meridian Angel Primary School	9	1	11	7
Ivy Learning Trust	214	17	70	21
North Star Community (Formally Cuckoo Hall Academy Trust)	186	28	80	128
Edmonton County Academy	99	16	29	24
Children First Academy	274	29	65	45
Jewish Community Academy	24	2	1	9
Enfield Height Academy	0	0	2	1
Wren Academy	17	0	1	0
Southgate College	0	98	110	16
Enfield College	0	39	38	8
<b>Subtotal – Scheduled Bodies</b>	<b>1955</b>	<b>475</b>	<b>1255</b>	<b>864</b>
<b>Admitted Bodies</b>				
Enfield Voluntary Groups	3	6	3	0
Fitzpatrick	0	10	11	2

NORSE commercial services	0	24	63	5
Churchill	0	0	0	0
Metropolitan Support Trust	0	1	0	1
Leisure Trust	0	6	21	1
Fusion Lifestyle	4	5	9	0
Kier Group Services	0	0	0	0
Edwards & Blake	0	0	0	3
Sodexo	4	2	1	0
Hughes Gardner	0	0	0	0
Equion Facilities Management	0	2	0	0
Outward Housing	0	7	10	0
Olive Dining	1	8	5	3
Elior UK	0	2	2	0
REED Momenta	3	0	2	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	0
European Cleaning Services	3	0	0	0
North London Homecare & Support Ltd	0	0	0	1
Purgo Supply Services	0	1	1	0
Sanctuary Housing	0	0	1	0
Lewis & Graves Partnership	12	1	4	1
The Pantry (UK) Ltd	9	0	3	1
Hertfordshire Catering Ltd	34	1	5	7
WGC Ltd	14	0	1	0
Impact Food	6	0	0	0
Lunchtime Co	0	0	20	3
Aspens - Aylward	0	0	0	1
<b>Subtotal – Admitted Bodies</b>	<b>94</b>	<b>76</b>	<b>164</b>	<b>33</b>
<b>Total Membership</b>	<b>7,719</b>	<b>6,489</b>	<b>8,179</b>	<b>3,034</b>



**Payments made by employers into the Fund during 2022/23**  
(Late payments highlighted in red)

£000's	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Enfield	2,477	2,678	2,514	2,511	2,519	2,510	2,561	3,778	2,693	2,721	2,690	2,747
Latymer school	21	21	22	22	21	22	22	34	25	24	25	25
Capel Manor	61	57	57	57	57	55	59	57	58	63	68	66
Oasis Enfield	101	104	102	103	99	113	100	134	110	110	114	115
Oasis Hadley	26	27	27	28	28	29	23	39	27	27	27	27
Aylward Academy	13	11	13	10	11	10	10	10	18	15	14	14
AIM Academy North	4	4	3	3	3	4	4	5	3	4	3	5
Kingsmead academy	19	18	20	19	18	20	19	19	30	20	20	19
Enfield Grammar	20	20	20	19	19	18	19	29	20	16	21	21
Edmonton County Trust	39	33	35	36	33	38	36	39	40	65	43	43
Southgate School	16	16	16	15	16	15	15	14	26	16	17	17
Lea Valley High	14	12	11	12	11	12	12	12	13	22	13	13
Connect Education Trust	82	81	81	83	81	82	79	132	85	89	91	89
Adnan Jaffery Trust	4	4	4	3	4	4	4	4	4	5	5	5
Attigo Academy Trust	38	38	36	34	35	36	37	58	39	39	39	42
Ark John Keats Academy	21	22	22	22	23	23	24	27	23	24	25	25
Meridian Angel PS	1	1	1	2	2	2	2	3	2	2	2	2
Ivy Learning Trust	55	57	59	61	60	61	61	100	71	70	68	73
Jewish Community Academy	7	8	8	8	10	10	10	14	10	10	10	10
Children First Academy	79	82	82	82	81	81	84	132	88	82	85	87
Wren Academy	4	4	4	4	5	4	5	6	6	6	8	8
North Star community Trust	52	53	53	50	53	54	53	69	57	60	61	60
European Cleaning Services	1	1	0	1	1	0	1	1	0	1	1	1
Enfield Racial Equality Centre	0	1	0	0	0	1	0	0	1	0	0	0
The Pantry (UK) Ltd	2	1	2	2	2	2	2	2	1	2	2	2
Hertfordshire Catering Ltd	8	8	8	8	8	8	7	7	7	7	7	7
Impact Food	37	0	0	0	0	0	10	2	2	1	1	2
Reed Wellbeing	1	1	1	2	1	1	2	1	2	3	1	1
Sodexo	1	1	1	2	1	1	1	1	1	1	1	1
WGC Ltd	3	3	2	2	2	3	2	2	2	2	3	2
Enfield Voluntary Action	1	1	2	2	2	1	2	1	3	1	1	1
Lewis & Graves	0	0	0	0	0	2	2	3	3	3	2	3
Olive Dining Edmonton	1	1	1	0	1	0	0	0	0	0	0	0
Birkin Cleaning Nightingale	0	0	0	0	0	0	0	1	0	0	1	0
Olive Dining Nightingale	0	0	1	0	0	1	0	0	0	0	0	0
<b>Total</b>	<b>3,209</b>	<b>3,369</b>	<b>3,208</b>	<b>3,203</b>	<b>3,207</b>	<b>3,223</b>	<b>3,268</b>	<b>4,736</b>	<b>3,470</b>	<b>3,511</b>	<b>3,469</b>	<b>3,533</b>

The table above outlines the contributions paid by each employing body during 2022/23. Statute specifies that contributions must be paid into the fund by the 19<sup>th</sup>

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 11 late payments during 2022/23, but were considered as minor breaches & payments were received within the month, so this power was not exercised.

## 1.5 Pension Administration

### 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. Detailed analysis Fund's income and expenditure for the year is provided in section 1.9 of this report. Cost per member is analysed below.

### Cost of Fund Administration

	£000's	£ per member
Pension administration	977	38.43
Payroll Costs	280	11.02
<b>Total Costs</b>	<b>1,257</b>	<b>49.45</b>

The administration of the Fund comprises of 7 full-time equivalent (fte) staff, and costs under £50 per member as shown below. This cost compares favourably with the average across all London Boroughs of £52.02.

### Complaints Received

The pension administration team occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP). There were no IDRP case during the year.

### Key Performance Indicators

A number of performance indicators are presented overleaf to ensure that service to members of the pension fund is effective.

Process	No. of cases commenced in year	No. of cases completed within timescale	Good Practise timescales	% completed in year
Deaths – initial letter acknowledging death of members	183	132	2 months	72.13%
Retirements – letter notifying estimate retirement benefits	419	390	2 months	93.08%
Retirements – letter notifying actual retirement benefits	470	268	2 months	57.02%*
Deferment – calculate and notify deferred benefits	805	757	2 months	94.04%
Transfers in/out – letter detailing transfer quote	640	533	2 months	83.28%
Transfers in/out – letter detailing actual transfer	374	319	2 months	85.29%
Refund – Process & pay a refund	100	88	2 months	88.00%
Divorce quote – letter detailing cash equivalent value and other benefits	36	22	2 months	61.11%
Divorce settlement – letter detailing implementation of pension sharing orders	0	0	3 months	N/A
Joiners – notification of date of enrolment	1450	1450	2 months	100%

## 1.6 Governance of the Pension Scheme

### 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.

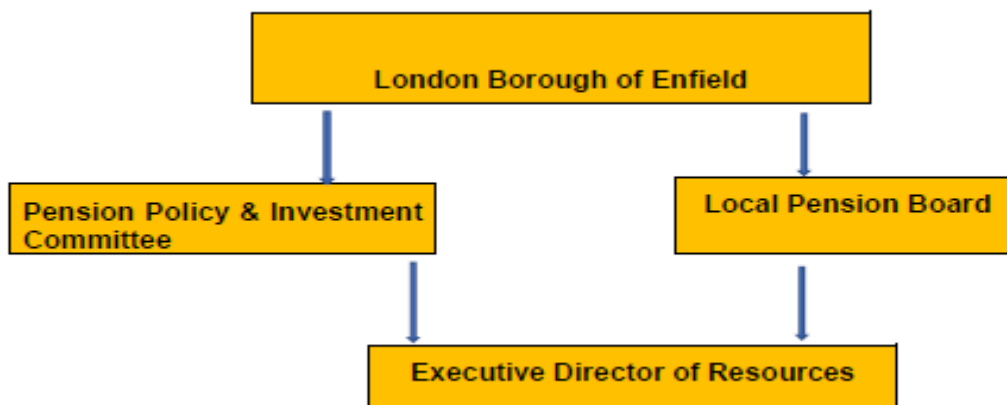
The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Policy & Investment Committee (PPIC) and there is a Pensions Board to assist the Authority in monitoring compliance with regulations. The Local Pension Board is a statutory requirement under the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended). The board is responsible for assisting the administering authority in securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the scheme.

The board must be established by April 1, 2015, and must have at least four members, with an equal number of employee and employer 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 the Fund's investment advisors Aon Hewitt, independent advisor and officers.

All other operational decisions to implement these policies are delegated to the Council's Director of Finance, Capital & Commercial.

### The Pension Policy & Investment Committee for 2022/23

- Cllr T. Leaver (Chair until May 2022, Vice Chair from May 2022)
- Cllr D. Taylor (Chair from May 2022)
- Cllr E. Smith
- Cllr T. Neville OBE PJ (until May 2022)
- Cllr C. Stewart (until May 2022)
- Cllr G. Needs (from May 2022)
- Cllr S. Ozaydin (from May 2022)
- Cllr D. Skelton (from May 2022)

#### **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 &amp; Investment Committee 2022/23:

	14 <sup>th</sup> Apr 2022	27 <sup>th</sup> Jul 2022	5 <sup>th</sup> Oct 2022	23 <sup>rd</sup> Nov 2022	18 <sup>th</sup> Jan 2023	29 <sup>th</sup> Mar 2023
Cllr T. Leaver	P	P	P	A	P	P
Cllr D. Taylor	P	P	P	P	P	P
Cllr E. Smith	P	P	P	P	P	P
Cllr T. Neville OBE PJ	P	N/A	N/A	N/A	N/A	N/A
Cllr C. Stewart	A	N/A	N/A	N/A	N/A	N/A
Cllr G. Needs	N/A	P	A	P	P	P
Cllr S. Ozaydin	N/A	P	P	P	P	A
Cllr D. Skelton	N/A	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. It is important to note that the Pension Board is not a decision making body but is there to assist the Pension Policy & Investment Committee (PPIC) in ensuring adherence to relevant legislation and standards. They can make recommendations and provide feedback to PPIC.

The board members for 2022/23 are:

- Pauline Kettless (Chair)
- Cllr N. Ali
- Cllr G. Dogan
- Cllr C. Joannides
- Alison Cannur
- Paul Bishop
- Tracey Adnan



## 1.7 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 2022/3 all new members attended a training workshop on an introduction to the Local Government Scheme.

Committee members also attended several pension fund related conferences during the year.

Training was also provided during committee meetings to ensure that Committee members maintained their ongoing pension development.

Prior to any significant investment decisions taking place, comprehensive information is provided to committee members, including if necessary, training from investment consultants, to enable informed decisions to take place.

## 1.8 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. 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 Head of Pension Investments.

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	<b>TREAT</b> 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) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.
Funding	Employee pay increases are significantly more than anticipated for employers within the Fund.	Medium	<b>TOLERATE</b> 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the

			<p>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.</p> <p>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).</p>
Investment	Significant volatility and negative sentiment in global investment markets following disruptive politically inspired events.	Medium	<p><b>TREAT</b></p> <p>1) Continued dialogue 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.</p>
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	<p><b>TREAT</b></p> <p>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.</p>

### Third Party Risks

The Council has outsourced the following functions of the Fund:

- Investment fund 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.

## 1.9 Financial Performance

The table below shows how the Fund's value has changed over the last four years:

<b>Change in Fund Value</b>	<b>2019/20 £000s</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>
Contributions	(55,015)	(54,485)	(54,888)	(68,805)
Benefits	48,080	49,013	51,638	53,244
Net (additions)/withdrawals from dealings with members	(6,935)	(5,472)	(3,250)	(15,561)
Management expenses	10,088	12,063	12,605	11,113
Net returns on investment	(12,013)	(13,214)	(16,664)	(22,223)
Change in Market value	44,930	(249,979)	(109,437)	93,780
<b>Net (increase)/decrease in the Fund</b>	<b>36,070</b>	<b>(256,602)</b>	<b>(116,746)</b>	<b>67,109</b>

Over the four-year period total fund value has increased in value by £270m. The most significant contributing factor's being increases in investment income, and appreciation of investment assets. The Fund's investment policy and performance are explored further in section 1.10 of this report. The fund has consistently experienced a positive cash flow in relation to its dealings with members and the management expenses of the fund have been stable over the period. These areas are analysed further below.

### Dealings with members

<b>Net Dealings with members</b>	<b>2019/20 £000s</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>
Contributions:				
Employees	(11,078)	(12,055)	(12,847)	(14,057)
Employers	(39,966)	(36,976)	(39,057)	(42,157)
Transfers in	(3,971)	(5,454)	(2,984)	(12,591)
Total Income	(55,015)	(54,485)	(54,888)	(68,805)
Benefits/expenses:				
Pensions	35,828	37,222	38,392	40,608
Lump sum retirements and death benefits	6,950	7,152	8,496	8,870
Transfers out	5,173	4,554	4,584	3,625
Refunds	129	85	166	141
Total Expenditure	48,080	49,013	51,638	53,244
<b>Net (increase)/decrease from dealings with members</b>	<b>(6,935)</b>	<b>(5,472)</b>	<b>(3,250)</b>	<b>(15,561)</b>

Contribution income has increased steadily over the four-year period this reflects the increase in active membership over the period, planned increases in contribution rates, and increases in base salaries over the period. From 2023/24 new contribution

rates will be in effect following the 2022 triennial valuation. As a result, the average contribution rate paid by employers in the fund will fall, this will be partly offset by increases in salaries, but the growth in contribution income over the last 4 years is not forecast to continue.

Expenditure on retirement benefits has increased by 16% since 2019/20. This increase reflects the increasing maturity of the fund and out strips the 10% increase in contribution income over the same period. Benefits are subject to cost of living increases each April, determined by the consumer price index. Base benefits will therefore increase by 10% in April 2023 and 7% in April 2024 this will be further impacted by the rate of increase in pensioners within the fund. The increase in benefits relative to contributions is therefore likely to grow over the next couple of years.

Transfers in totalled £25m for the period, whilst payments on account of leavers equalled £18.5m resulting in a net increase in fund assets. The timing, number, and value of transfers is dependent on individual choices, meaning it is difficult to forecast with accuracy but Fund officers monitor payments and receipts throughout the year to ensure proper cashflow management.

### Fund expenses

Expenses	2019/20	2020/21	2021/22	2022/23
	£000s	£000s	£000s	£000s
Administration expenses	1,123	1,658	1,337	1,257
Oversight and governance expenses	108	90	97	537
Investment management expenses:				
Management fees	6,512	6,858	8,023	7,954
Performance related fees	304	1,032	1,355	61
Transaction costs	1,848	2,226	1,580	1,233
Custody and other expense	193	199	213	71
Total Investment management	8,857	10,315	11,171	9,018
<b>Total management expenses</b>	<b>10,088</b>	<b>12,063</b>	<b>12,605</b>	<b>11,113</b>

Total management expenses have fallen in the most recent financial year following a reduction in performance related fees. This correlates with the Fund's overall investment performance experience. Although performance fees appear high in the two years 2020/21 and 2021/22 they should be viewed in context of the funds overall performance – the investment performance in these financial years significantly outstrips the additional fees paid. Performance fees can also help to ensure that individual fund manager interests are closely aligned with that of Enfield Pension Fund.

## 1.10 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 the 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 2023 %	Target Weighting %	Expected Return (per annum)	Control Range
<b>Equities</b>	39.2	35.0	8-11%	30-50%
<b>Bonds</b>	19.9	24.0	4-5%	19-39%
<b>Inflation protection</b>	7.0	10.0	-	
<b>Hedge Funds</b>	2.6	-	9-11%	10-20%
<b>Property (UK)</b>	5.5	5.0	9%	5-15%
<b>Infrastructure/PFI</b>	4.3	16.0	9%	3-9%
<b>Cash</b>	8.7	-	-	-
<b>Alternative Fixed Income</b>	5.3	5.0	-	-
<b>Private Equity</b>	7.4	5.0	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		

Source: Annual Accounts 22/23 & 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.

Average Market Returns % Source: PIRC – 2022/23 Annual Review

	1yrs %	3yrs % p.a.	5yrs % p.a.	10yrs % p.a.	20yrs % p.a.	30yrs % p.a.
<b>EQUITIES:</b>						
UK	1.5	13.1	4.8	6.0		
Emerging	-3.5	8.6	2.2	4.8		
Global	-0.6	14.9	8.4	11.2		
<b>Total Equities</b>	<b>0.0</b>	<b>14.5</b>	<b>7.6</b>	<b>8.8</b>	<b>10.0</b>	<b>8.4</b>
<b>BONDS:</b>						
UK Government	-17.9	-9.9	-3.4			
UK Corporate	-10.9	-1.9	-0.1			
UK Indexed Linked	-28.8	-10.0	-4.0			
Global bonds	-5.6	-0.5	0.4			
Absolute Return	-2.1	3.4	1.1			
Private Debt	5.3	6.3	5.6			
MAC	-3.7	3.3	0.9			
<b>Total Bonds</b>	<b>-9.1</b>	<b>-0.9</b>	<b>0.3</b>	<b>2.6</b>	<b>4.6</b>	<b>5.7</b>
<b>Private Equity</b>	<b>3.8</b>	<b>17.1</b>	<b>15.7</b>	<b>13.9</b>	<b>9.0</b>	
<b>Infrastructure</b>	<b>12.2</b>	<b>8.0</b>	<b>8.2</b>			
<b>Hedge Funds</b>	<b>3.2</b>	<b>6.4</b>	<b>3.9</b>			
<b>Total Alternatives</b>	<b>6.5</b>	<b>11.6</b>	<b>10.3</b>	<b>9.8</b>	<b>8.5</b>	
<b>Property</b>	<b>-7.9</b>	<b>2.9</b>	<b>3.2</b>	<b>6.8</b>	<b>6.0</b>	<b>7.8</b>
<b>Diversified Growth</b>	<b>-0.4</b>	<b>5.3</b>	<b>2.5</b>			
<b>Total Fund Average</b>	<b>-1.6</b>	<b>9.5</b>	<b>5.9</b>	<b>7.3</b>	<b>8.4</b>	<b>7.7</b>
<b>RANGE OF RESULTS</b>						
<b>Top quartile</b>	<b>-1.6</b>	<b>10.1</b>	<b>6.2</b>	<b>7.6</b>	<b>8.6</b>	<b>7.7</b>
<b>Median</b>	<b>-3.3</b>	<b>9.2</b>	<b>5.7</b>	<b>7.2</b>	<b>8.3</b>	<b>7.5</b>
<b>Bottom quartile</b>	<b>-4.6</b>	<b>8.0</b>	<b>5.1</b>	<b>6.6</b>	<b>7.8</b>	<b>7.3</b>

## London Borough of Enfield Pension Fund Annual Report For 2022/23

Fund Manager Structure

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

<b>Fund manager</b>	<b>Investment objectives</b>
<b>Adam Street Partners</b> <i>(Fund of Funds Private Equity Portfolio)</i>	To outperform the MSCI World Index.
<b>Antin</b> <i>European Infrastructure Fund</i>	15% gross IRR with a gross yield target of 5% p.a.
<b>AON</b> <i>Diversified Liquid Credit</i>	SONIA (Sterling Overnight index average) + 1.5% per annum over a market cycle (Net of fees)
<b>BlackRock Advisers UK Ltd</b> <i>Passively Managed Global Equity</i> <i>Passive managed UK Bond Portfolio</i> <i>BlackRock UK property Fund</i>	To perform in line with the prescribed Equity and Bond indices. - FTSE Actuaries UK Index-Linked Gilts All Stocks Index - MSCI WORLD Low Carbon Target Reduced FOSSIL FUEL SELECT - IPD All Balanced Funds Weighted Average Index
<b>Brockton</b> <i>Opportunistic property</i>	15% net IRR and 1.5xnet multiple
<b>CBRE</b> <i>Inflation protecting illiquid</i>	UK LPI +2.5% p.a. over rolling 10yr period
<b>Davidson Kempner</b> <i>(Events driven)</i>	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
<b>International Public Partnerships Limited</b> <i>(Private Finance Initiative)</i>	To achieve a return of at least 4.5% per annum.
<b>Insight Investments</b> <i>Bonds plus fund</i>	SONIA +2%
<b>Legal &amp; General Investment Management Ltd</b> <i>(Active UK Property Fund)</i>	To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.
<b>London Collective Investment Vehicle</b> <i>Global Equity Focus Fund</i> <i>Global Alpha Growth Paris Aligned Fund</i> <i>Emerging Market Equity Fund</i> <i>Global Bond Fund</i> <i>MAC Fund</i>	<i>MSCI World (GBP)(TRNet)+2.5%</i> <i>MSCI All Country World Gross Index (in GBP)+2%</i> <i>MSCI Emerging Market Index (TR) Net+2.5%</i> <i>Bloomberg Global Aggregate Credit Index – GBP Hedged</i> <i>SONIA (30 day compounded) +4.5%</i>
<b>MFS</b> <i>(Actively Managed Global Equity Portfolio)</i>	To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.
<b>M&amp;G</b> <i>Inflation Opportunities Fund</i>	To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.
<b>Western Asset Management</b> <i>(Actively Managed Bond Portfolio)</i>	To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.

## 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 decreased by -5.5% in 2022/23.

The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, with the exception of infrastructure assets which is 12% underweight at 31 March 2023.

Fund Value over 10 Years as at 31<sup>st</sup> March 2023:

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
775	888	916	1,078	1,099	1,185	1,149	1,406	1,523	1,456

Source: Annual Accounts

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

The continued out-performance of equities has reduced 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.	-5.5	7.8	5.4	6.7	7.9	7.5
Benchmark % p.a.	-3.5	6.9	5.0	-	-	-
PIRC Universe % p.a.	-1.6	9.5	5.9	7.3	8.4	7.7
Ranking	88	78	67	71	72	49

Source: PIRC 2022/23

The Fund has overperformed its benchmark over the medium term but underperformed over the past year. The Fund continues to trail its peers over the short and medium term. This reflects the more cautious asset allocation that the Fund has in place to protect against volatility.

The PIRC local authority average actual asset allocation as at 31 March 2023 is compared to the Fund in the table below:

	LA Average	Enfield	Difference
	%	%	%
Equities (including private equity)	51	39	-12
Bonds	17	32	15
Property	9	6	-3
Alternatives	19	14	-5
Diversified Growth	2	0	-2
Cash	2	9	7
	<b>100</b>	<b>100</b>	

Source PIRC/Annual Accounts

<b>Pension Fund net Asset Statement</b>		
<b>Market value</b>		<b>Market value</b>
<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000s</b>		<b>£000s</b>
	<b>Investment assets</b>	
93,110	Bonds	74,997
49,985	Equities	41,779
	<b>Pooled Investments</b>	
148,263	Fixed Income Unit Trust	211,811
807,269	Equity Unit Trust	713,921
31,272	Hedge Funds	37,405
<b>1,129,899</b>		<b>1,079,913</b>
	<b>Other Investments</b>	
121,403	Pooled property investments	106,680
196,746	Venture Capital	138,389
-	Derivative contracts:	-
97	Futures	260
4	Forward currency contracts	103
<b>318,250</b>		<b>245,432</b>
<b>73,478</b>	Cash Deposits	<b>128,959</b>
1,973	Investment Income due	1,992
650	Amounts receivable for sales	-
-	Amounts receivable for pending spot FX	-
<b>76,101</b>		<b>130,951</b>
<b>1,524,250</b>	<b>Total Investment assets</b>	<b>1,456,296</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(145)	Futures	(95)
(88)	Forward currency contracts	(8)
(785)	Amounts payable for purchases	(872)
<b>(1,018)</b>	<b>Total Investment Liabilities</b>	<b>(975)</b>
<b>1,523,232</b>	<b>Net investment assets</b>	<b>1,455,320</b>

## 1.11 Asset Pooling

In 2015, the Ministry of Housing, Communities and Local Government (MHCLG) released guidance outlining the government's expectations for the establishment of asset pooling arrangements within the Local Government Pension Scheme (LGPS). To align with this initiative, pension funds across England and Wales collaborated to create eight asset pools.

The Fund became a member of the London Collective Investment Vehicle (LCIV) in 2015. LCIV is collectively owned by the 32 boroughs and the City of London Corporation. LCIV functions as the asset pooling entity with the primary goal of supplying funds that align with the distinct investment strategies specified by the various LGPS funds in London. In addition to providing in-house funds, LCIV also provides access to lower cost index tracking funds provided by BlackRock and Legal and General Investment Management.

### Assets pooled to date

Manager	Mandate	31 March 2020	31 March 2021	31 March 2022	31 March 2023
		£000's	£000's	£000's	£000's
Blackrock – UK*	Passive Equity	9,782			
Blackrock – Global*	Passive Equity	148,736			
Blackrock – Low Carbon GE	Passive Equity		220,602	255,962	245,477
Blackrock - Bonds	Passive ILB	90,762	91,750	92,405	80,888
LCIV - Baillie Gifford	Global Equity	73,376	116,232	108,523	102,865
LCIV – JP Morgan	Emerging Equity	23,420	35,927	32,252	31,855
LCIV - Longview	Global Equity	67,187	91,344	104,834	110,802
LCIV- CQS	Multi Asset Credit	43,676	54,707	55,874	53,558
LCIV PIMCO	Global Bond	-	-	-	77,325
		<b>457,939</b>	<b>610,562</b>	<b>650,377</b>	<b>702,770</b>
<b>Percentage In LCIV</b>		<b>40%</b>	<b>44%</b>	<b>43%</b>	<b>48%</b>

The percentage of the Fund's assets held with LCIV increased from 43% to 48% during the year. This was the result of the fund investing £75m into LCIV Global Bond Fund in November 2022.

### Costs and Net savings

The initial and ongoing cost of pool membership are set out in the table below:

Expenses	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Set up costs:								
Share purchase	150							
Annual subscription	30	25	25	25	25	25	25	25
Development funding charge			75	65	65	85	85	85
<b>Total costs</b>	<b>150</b>	<b>25</b>	<b>100</b>	<b>90</b>	<b>90</b>	<b>110</b>	<b>110</b>	<b>110</b>

The net savings from pooling for 2022/23 are outlined below:

2022/23	AUM	Cost / (Saving)
	£000s	£000s
Savings:		
LCIV ACS Funds	376,405	(580)
BlackRock Passive Funds	326,365	(189)
Costs:		
LCIV ACS Management fee		65
LCIV Passive Management fee		16
Service and development charges		110
<b>Net Savings</b>		<b>(578)</b>

### Investment fees inside and outside of pool

The table below shows a split of investment management expenses for assets held within the pool and investments held outside the pool.

2022/23 Investment management expenses	Pooled	Non- pooled	Total
	£000s	£000s	£000s
Investment management expenses:			
Management fees	1,510	6,162	7,672
Performance related fees	0	61	61
Transaction costs	369	845	1,214
Custody and other expense	0	71	71
<b>Total Investment management</b>	<b>1,879</b>	<b>7,139</b>	<b>9,018</b>

## 2.1 Financial Statements

The Funds financial statements form part of the London Borough of Enfield's Statement of Accounts. The Fund's disclosures are replicated in the pages that follow. The full published version can be found via the following link:

<https://www.enfield.gov.uk/services/your-council/statement-of-accounts>

Please note these have not yet been subject to external Audit so remain draft.

## LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT

2021/22 £000s		Notes	2022/23 £000s
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(51,904)	Contributions	7	(56,214)
(2,984)	Transfers in from other pension funds	8	(12,591)
<b>(54,888)</b>			<b>(68,805)</b>
46,888	Benefits payable	9	49,478
4,750	Payments to and on account of leavers	10	3,766
<b>51,638</b>			<b>53,244</b>
<b>(3,250)</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>(15,561)</b>
12,605	Management expenses	11	12,485
<b>9,355</b>	<b>Net additional/(withdrawals) including fund management</b>		<b>(3,076)</b>
	<b>Returns on investments</b>		
(16,664)	Investment income	12	(22,223)
	Taxes on income		
(109,437)	Profit & losses on disposal of investments and changes in the market value of investments	14A	92,408
<b>(126,101)</b>	<b>Net returns on investments</b>		<b>70,185</b>
<b>(116,746)</b>	<b>Net change in assets available for benefits during the year</b>		<b>67,109</b>
(1,406,033)	<b>Opening net assets of the scheme</b>		(1,522,779)
<b>(1,522,779)</b>	<b>Closing net assets of the scheme</b>		<b>(1,455,670)</b>



## ENFIELD PENSION FUND NET ASSETS STATEMENT

2021/22		Notes	2022/23
£000s			£000s
1,448,148	Investment assets	14	1,325,345
(233)	Investment liabilities	14	(103)
<b>1,447,915</b>			<b>1,325,242</b>
73,478	Cash deposits	14	128,959
2,624	Other investment balances -assets	14	1,991
(785)	Other investment balances - liabilities	14	(872)
<b>1,523,232</b>	<b>Total net investments</b>		<b>1,455,320</b>
113	Long Term Debtor	21a	117
874	Current assets	21	612
(1,439)	Current liabilities	22	(379)
<b>1,522,779</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,455,670</b>

**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.

I can confirm that these Statement of Accounts have been prepared on the basis of providing a true and fair view of the Council's financial position with the best-known information at this time. However, these accounts' opening balances have not been subject to finalised external audit for over three years and, given the number of years now outstanding, the level of risk of amendment is compounded. On this basis, it is not possible to substantially confirm that these accounts present a true and fair view at this time and until the external audits have been completed for 2019/20, 2020/21 and 2021/22.

Signed:



Fay Hammond  
Executive Director Resources  
31<sup>st</sup> May 2023

## **NOTE 1: DESCRIPTION OF FUND**

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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 25,421 individual members, as detailed below. A full analysis is included below:

Enfield Pension Fund	31-Mar-22	31-Mar-23
Number of employers with active members	7,952	7,719
Number of pensioners	6196	6,489
Deferred pensioners	7789	8,179
Frozen/undecided	2709	3,034
<b>Total number of members in pension scheme</b>	<b>24,646</b>	<b>25,421</b>

**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 at 31 March 2022 has employer contribution rates range from 13.8% to 22.4% 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.

## **NOTE 2: BASIS OF PREPARATION**

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The statement of accounts summarises the fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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.

## **NOTE 3: ACCOUNTING POLICIES**

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### **Fund Account – Revenue Recognition**

#### **A. Contribution income**

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the 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 accrual's basis in accordance with the terms of the transfer agreement.

### **C. Investment income**

a) 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.

b) 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.

c) 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.

d) Movement in the 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, providing that payment has been approved.

#### **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.

a) 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.

b) 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

c) 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 some fund 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.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

## NOTE 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.

## NOTE 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 2023 (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	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,	The effects on the net pension liability of changes in individual assumptions can be measured. For instance:



retirement benefits (Note 19)	changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>a. 1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £410m.</p> <p>b. 1% increase in assumed earnings inflation would increase the value of liabilities by approximately £13m.</p> <p>c. if life expectancy increases by 1 years, it would increase the liability by approximately £88.7m.</p> <p>It should be noted that any changes in the above would not have an effect on either the Fund Account or the Net Asset Statement.</p>
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 £37.4m. 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 +/- £3.7m. It should be noted that the Fund is currently in the process of exiting it's hedge fund investments.
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 £108m. 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 £10.6m, on carrying values of £106.8m.

## 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

2021/22		2022/23
£000s		£000s
<b>12,847</b>	<b>Employees' contributions</b>	<b>14,057</b>
	<b>Employers' contributions: -</b>	
35,296	Normal	38,524
2,583	Deficit recovery contributions	2,891
1,178	Augmentation contributions	742
<b>39,057</b>	<b>Total employers' contributions</b>	<b>42,157</b>
<b>51,904</b>		<b>56,214</b>

2021/22		2022/23
£000s		£000s
41,002	Administering authority	44,404
10,586	Scheduled bodies	11,450
316	Admitted bodies	360
<b>51,904</b>		<b>56,214</b>

### NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2021/22		2022/23
£000s		£000s
2,984	Individual transfers	12,591
<b>2,984</b>		<b>12,591</b>

### NOTE 9: BENEFITS PAID/PAYABLE

2021/22		2022/23
£000s		£000s
38,392	Pensions	40,608
7,591	Commutation and lump sum retirement benefits	7,905
905	Lump sum death benefits	965
<b>46,888</b>		<b>49,478</b>

2021/22		2022/23
£000s		£000s
43,877	Administration authority	46,129
2,523	Scheduled bodies	2,858
488	Admitted bodies	491
<b>46,888</b>		<b>49,478</b>

### NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021/22		2022/23
£000s		£000s
166	Refunds to members leaving service	141
4,584	Individual transfers	3,625
<b>4,750</b>		<b>3,766</b>

## NOTE 11: MANAGEMENT EXPENSES

2021/22 £000s		2022/23 £000s
1,337	Administrative costs	1,458
97	Oversight and governance costs	336
11,171	Investment management expenses	10,691
<b>12,605</b>		<b>12,485</b>

## NOTE 11a: INVESTMENT MANAGEMENT EXPENSES

2021/22 £000s		2022/23 £000s
8,023	Management fees	7,665
1,355	Performance related fees	2,876
1,580	Transaction costs	79
70	Custody fees	71
143	Other	-
<b>11,171</b>		<b>10,691</b>

## NOTE 12: INVESTMENT INCOME

2021/22 £000s		2022/23 £000s
2,155	Income from equities	2,207
3,282	Income from bonds	3,314
2,275	Pooled property investments	2,521
8,675	Pooled investments – unit trusts and other managed funds	12,706
277	Interest on cash deposits	1,475
<b>16,664</b>		<b>22,223</b>

**NOTE 13: OTHER ACCOUNT FUND DISCLOSURES**

**NOTE 13a: EXTERNAL AUDIT FEES**

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2021/22 £000s		2022/23 £000s
21	Paid in respect of external audit (excluding VAT)	25
<b>21</b>		<b>25</b>

**NOTE 14: INVESTMENTS**

Market Value as at 31/03/2022 £0		Market Value as at 31/03/2023 £0
	<b>Investment assets</b>	
93,110	Bonds	74,997
49,985	Equities	41,779
	<b>Pooled Investments</b>	
148,263	Fixed income unit trust	211,811
807,269	Equity unit trust	713,921
31,272	Hedge funds	37,405
<b>1,129,899</b>		<b>1,079,913</b>
	<b>Other Investments</b>	
121,403	Pooled property investments	106,680
196,746	Venture Capital	138,389
-	Derivative contracts:	-
97	Futures	260
4	Forward currency contracts	103
<b>318,250</b>		<b>245,432</b>
73,478	Cash deposits	128,959
1973	Investment Income due	1,992
650	Amounts receivable for sales	-
-	Amounts receivable for pending spot FX	-
<b>76,101</b>		<b>130,951</b>
<b>1,524,250</b>	<b>Total Investment assets</b>	<b>1,456,296</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(145)	Futures	(95)
(88)	Forward currency contracts	(8)
(785)	Amounts payable for purchases	(872)
<b>(1,018)</b>	<b>Total Investment liabilities</b>	<b>(975)</b>
<b>1,523,232</b>	<b>Net Investment assets</b>	<b>1,455,320</b>

**NOTE 14a: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES:**

Period 2022/23	Market Value as at 31/03/2022 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Management fees in Market Value	Change in Market Value during the year £000s	Market Value as at 31/03/2023 £000s
Bonds	93,110	19,685	(17,267)	-	(20,531)	74,997
Equities	49,985	96	(97)	-	(8,205)	41,779
Pooled Investments	986,804	135,585	(161,240)	-	1,988	963,137
Pooled property Investments	121,403	8,089	(31)	-	(22,781)	106,680
Private equity/Infrastructure	196,746	14,101	(19,238)	-	(53,220)	138,389
Property	-	-	-	-	-	-
Diversified Alternatives	-	-	-	-	-	-
Management Fees taken of market value	-	-	-	9,110	(9,110)	-
	<b>1,448,048</b>	<b>177,556</b>	<b>(197,873)</b>	<b>9,110</b>	<b>(111,859)</b>	<b>1,324,982</b>
<b>Derivative contracts:</b>						
Futures	(48)	1,702	(456)	-	(1,032)	166
Purchased/written options	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Forward currency contracts	(83)	791	(349)	-	(263)	96
	<b>1,447,917</b>	<b>180,049</b>	<b>(198,678)</b>	<b>9,110</b>	<b>(113,154)</b>	<b>1,325,244</b>
<b>Other Investment balances:</b>						
Cash deposits	73,478	-	-	-	2,539	128,959
Amount receivable for sales of investments	650	-	-	-	3	-
Investment income due	1,973	-	-	-	-	1,992
Spot FX contracts	-	-	-	-	(16)	(3)
Amounts payable for purchases of Investments	(786)	-	-	-	-	(872)
	<b>1,523,232</b>			<b>9,110</b>	<b>(110,628)</b>	<b>1,455,320</b>

**NOTE 14a: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES CONTINUED:**

Period 2021/22	Market Value as at 31/03/2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Management Fee in market Value	Change in Market Value during the year	Market Value as at 31/03/2022
	£000s	£000s	£000s	£000s	£000s	£000s
Bonds	99,209	23,571	(19,391)	-	(10,280)	93,109
Equities	48,424	-	(12)	-	1,572	49,984
Pooled Investments	925,799	12,854	(7,505)	-	55,656	986,804
Pooled property Investments	96,682	8,335	(56)	-	16,442	121,403
Private equity/Infrastructure	122,681	59,468	(29,915)	-	44,511	196,745
Management Fees in market value	-	-	-	8,036	(8,036)	-
	<b>1,292,795</b>	<b>104,228</b>	<b>(56,879)</b>	<b>8,036</b>	<b>99,865</b>	<b>1,448,045</b>
Derivative contracts:						
Futures	(136)	714	(548)	-	(78)	(48)
Forward currency contracts	44	201	(241)	-	(88)	(83)
	<b>1,292,703</b>	<b>105,143</b>	<b>(57,668)</b>	<b>8,036</b>	<b>99,699</b>	<b>1,447,914</b>
Other Investment balances:						
Cash deposits	100,369			-	1,652	73,478
Receivables	240			-	(1)	650
Investment income due	2,445			-	-	1,973
Spot FX contracts	-			-	50	3
Payables	(735)			-	-	(78)
	<b>1,395,022</b>			<b>8,036</b>	<b>101,400</b>	<b>1,523,232</b>

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:**

2021/22			2022/23	
£0	%		£0	%
<b>Investments managed by London CIV regional pool:</b>				
108,523	7.1	LCIV Baillie Gifford Global Alpha Paris – Aligned Fund	102,865	7.1
32,252	2.1	LCIV Henderson emerging market equities	31,855	2.2
104,834	6.9	LCIV Longview Global Equity Focus fund	110,802	7.6
55,874	3.7	LCIV CQS Multi asset	53,558	3.7
-	-	LCIV PIMCO Global Bond Fund	77,365	5.3
<b>301,483</b>	<b>19.8</b>		<b>376,445</b>	<b>25.9</b>
<b>Investments managed outside London CIV pool:</b>				
92,193	6.0	Western Fixed Income	74,997	5.1
49,985	3.3	INPP Equities	41,779	2.9
92,389	6.1	Blackrock Illiquid Gilts	80,888	5.6
255,962	16.8	Blackrock low carbon tracker	245,477	16.9
154,338	10.1	MFS Global Equity	79,878	5.5
32,396	2.1	Insight IIFIG Bond Plus	30,356	2.1
83,525	5.5	M&G Inflation opportunities	65,069	4.5
32,462	2.1	Davinson Kemper Hedge Fund	34,981	2.4
31,272	2.1	CFM Hedge Fund	-	-
2,978	0.2	York Credit	2,424	0.2
41,055	2.7	Blackrock property Fund	33,680	2.3
41,908	2.8	LGIM Property	36,248	2.5
38,439	2.5	CBRE Property Fund	36,752	2.5
24,628	1.6	Antin Infrastructure	20,790	1.4
9,410	0.6	Brockton	9,295	0.6
114,032	7.5	Adams Street Partners - Private Equity	108,304	7.4
48,675	3.2	Adept Investment Management strategy equities	47,618	3.3
34,099	2.2	Goldman Sachs Money Market Fund	48,631	3.3
42,003	2.8	Cash	81,708	5.6
<b>1,221,749</b>	<b>80.2</b>		<b>1,078,875</b>	<b>74.1</b>
<b>1,523,232</b>	<b>100.0</b>		<b>1,455,320</b>	<b>100.0</b>

**NOTE 14b: ANALYSIS OF INVESTMENTS CONTINUED:**

The following investments represent more than 5% of the net assets of the scheme:

Security	Market value 31-Mar-22 £000s	% of total Fund	Market value 31-Mar-23 £000s	% of total Fund
Blackrock low carbon tracker equities	255,962	16.8	245,477	16.9
LCIV Longview Global Equity Focus fund	104,834	6.9	110,802	7.6
Adams Street Partners - Private Equity	114,032	7.5	108,304	7.4
LCIV Baillie Gifford Global Alpha Paris - Aligned Fund - Equities	108,523	7.1	102,865	7.1
Blackrock – indexed linked bonds	92,389	6.1	80,888	5.6
MFS global equities	154,338	10.1	79,878	5.5
LCIV PIMCO Global Bond Fund	-	-	77,365	5.3
Western Asset – corporate bonds	92,193	6.1	74,997	5.2
<b>Total Value of Investments</b>	<b>922,271</b>		<b>880,576</b>	

## **NOTE 15: FAIR VALUE – BASIS OF VALUATION:**

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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.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values. 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 valuation basis for each category of investment asset is set out below:

**NOTE 15: FAIR VALUE – BASIS OF VALUATION CONTINUED:**

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable & Unobservable inputs	Key sensitivities affecting the valuations
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 yearend	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 the end of 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 changes to expected cashflows or by differences between audited and unaudited accounts
Private Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation guidelines 2018 and IPEV’s Board Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> <li>- EBITDA multiple</li> <li>- Revenue multiple</li> <li>- Control Premium</li> </ul>	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

**NOTE 15: FAIR VALUE – BASIS OF VALUATION CONTINUED:**
**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 2023.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2023 £000s	Value on increase £000s	Value on decrease £000s
Overseas Venture Capital	15.00%	138,389	159,147	117,631
UK Property Funds	10.00%	36,752	40,428	33,077
UK Venture Capital	15.00%	9,295	10,690	7,901
<b>Total</b>		<b>184,436</b>	<b>210,265</b>	<b>158,609</b>

## NOTE 15a: FAIR VALUE HIERARCHY

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:

2022/23	Quoted market price Level 1	Using observable inputs Level 2	With significant observable inputs Level 3	Total
<b>Financial assets at fair value through profit and loss</b>				
Bonds	-	74,997	-	74,997
Equities	41,779	-	-	41,779
Pooled investments	583,559	379,577	-	963,136
Pooled Property Investments	-	69,927	36,752	106,679
Private Equity	-	-	138,389	138,389
Derivative Assets	261	353	-	614
Cash deposits	128,675	35	-	128,710
Other investment assets	-	-	-	-
Investment income due	562	1,430	-	1,992
Amounts Receivable for Sales	-	-	-	-
<b>Non-financial assets at fair value through profit and loss</b>				
Property	-	-	-	-
<b>Financial liabilities at fair value through profit and loss</b>				
Payable for investment purchases	-	(872)	-	(872)
Other investment liabilities	-	-	-	-
Derivative liabilities	(95)	(9)	-	(104)
<b>Net financial assets</b>	<b>754,741</b>	<b>525,438</b>	<b>175,141</b>	<b>1,455,320</b>

**NOTE 15a: FAIR VALUE HIERARCHY CONTINUED:**

	Quoted market price	Using observable inputs	With significant observable inputs	Total
	Level 1	Level 2	Level 3	
<b>2021/22</b>				
<b>Financial assets at fair value through profit and loss</b>				
Bonds	-	93,110	-	93,110
Equities	49,985	-	-	49,985
Pooled investments	255,962	730,842	-	986,804
Pooled Property Investments	-	82,963	38,440	121,403
Private Equity	-	-	196,746	196,746
Derivative Assets	97	239	-	336
Cash deposits	73,208	35	-	73,243
Other investment assets	-	-	-	-
Investment income due	579	1,394	-	1,973
Amounts Receivable for Sales	-	650	-	650
<b>Non financial assets at fair value through profit and loss</b>				
Property	-	-	-	-
<b>Financial liabilities at fair value through profit and loss</b>				
Payable for investment purchases	-	(785)	-	(785)
Other investment liabilities	-	-	-	-
Derivative liabilities	(145)	(88)	-	(233)
<b>Net financial assets</b>	<b>379,686</b>	<b>908,360</b>	<b>235,186</b>	<b>1,523,232</b>

**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 as at 31/03/2022	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2023
Overseas Venture Capital	141,729	-	14,101	(19,145)	(15,724)	8,132	129,093
UK Property Funds	38,440	-	8,089	(31)	(9,745)	-	36,752
UK Venture Capital	58,086	-	-	(49,779)	988	-	9,295
	<b>238,255</b>	<b>-</b>	<b>22,190</b>	<b>(68,955)</b>	<b>(24,481)</b>	<b>8,132</b>	<b>175,140</b>



## 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:

2021/22			2022/23		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities
£0	£0	£0	£0	£0	£0
<b>Financial assets</b>					
93,110	-	-	Bonds	74,997	-
49,985	-	-	Equities	41,779	-
986,804	-	-	Pooled investments	963,137	-
121,403	-	-	Pooled property Investments	106,680	-
196,746	-	-	Private Equity/Infrastructure	138,389	-
-	-	-	Property	-	-
101	-	-	Derivative Assets	364	-
34,134	39,344	-	Cash deposits	48,666	80,293
-	1,973	-	Other investment balances	-	1,992
-	650	-	Debtors	-	-
<b>1,482,283</b>	<b>41,967</b>	<b>-</b>		<b>1,374,012</b>	<b>82,285</b>
<b>Financial liabilities</b>					
(233)	-	-	Other Investment balances	(105)	-
-	-	(785)	Creditors	-	(872)
<b>(233)</b>	<b>-</b>	<b>(785)</b>		<b>(105)</b>	<b>(872)</b>
<b>1,482,050</b>	<b>41,967</b>	<b>(785)</b>	<b>Total</b>	<b>1,373,907</b>	<b>82,285</b>
		<b>1,523,232</b>	<b>Grand Total</b>		<b>1,455,320</b>

**NOTE 16b: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

2021/22		2022/23
£0		£0
<b>Financial assets</b>		
110,970	Fair value through profit and loss	(105,818)
2,481	Loans and receivables	2,541
-	Financial liabilities measured at amortised cost	-
<b>Financial liabilities</b>		
(165)	Fair value through profit and loss	(1,295)
(1)	Loans and receivables	(16)
-	Financial liabilities measured at amortised cost	-
<b>113,285</b>		<b>(104,588)</b>

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**

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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 assets – 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 Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

#### **The fund manages these risks in two ways:**

- I. the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- II. specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

**NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:**

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Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments by individual fund managers. 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 2022/23 reporting period (based on assumption made in March 2023 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.

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).

**NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:**

Asset type	Market Value as at 31/03/2023 £0	Percentage change %	Value on increase £0	Value on decrease £0
<b>Cash and cash equivalents</b>	128,959	0%	128,959	128,959
<b>Investment portfolio assets:</b>				
Bonds	74,997	3%	76,872	73,122
Equities	41,779	9%	45,539	38,019
Fixed Income unit trusts	211,811	3%	217,106	206,516
Equity unit trusts	713,921	9%	778,174	649,668
Hedge funds	37,405	3%	38,676	36,133
Pooled property Investments	106,680	5%	112,334	101,026
Private equity/Infrastructure funds	138,389	9%	151,259	125,518
Net derivatives	259	0%	261	261
Investment income due	1,992	0%	1,992	1,992
Amounts payable for purchases	(872)	0%	(872)	(872)
<b>Total assets available to pay benefits</b>	<b>1,455,320</b>		<b>1,550,300</b>	<b>1,360,342</b>

Asset type	Market Value as at 31/03/2022 £0	Percentage change %	Value on increase £0	Value on decrease £0
<b>Cash and cash equivalents</b>	73,478	0%	73,478	73,478
<b>Investment portfolio assets:</b>				
Bonds	93,110	3%	95,437	90,782
Equities	49,985	9%	54,483	45,486
Fixed Income unit trusts	148,263	3%	151,970	144,557
Equity unit trusts	807,269	9%	879,923	734,615
Hedge funds	31,272	3%	32,335	30,209
Pooled property Investments	121,403	5%	127,837	114,969
Private equity/Infrastructure funds	196,746	9%	215,043	178,449
Net derivatives	(132)	0%	(132)	(132)
Investment income due	1,973	0%	1,973	1,973
Pending Spot FX	-	0%	-	-
Amounts receivable for sales	650	0%	650	650
Amounts payable for purchases	(785)	0%	(785)	(785)
<b>Total assets available to pay benefits</b>	<b>1,523,232</b>		<b>1,632,213</b>	<b>1,414,251</b>

## NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:

### 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 2023 and 31 March 2022 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.

Asset type	Average Duration Years	Market Value as at 31/03/2023 £000	Change in year in the net assets available to pay benefits	
			£000	£000
<b>Cash and cash equivalents</b>				
Cash		128,959	1,290	(1,290)
<b>Bonds</b>				
UK public sector quoted	16.7850	2,769	(465)	465
UK quoted	10.4541	40,026	(4,184)	4,184
Overseas public sector quoted	17.8143	669	(119)	119
Overseas quoted	9.5922	31,534	(3,025)	3,025
<b>Total change in assets</b>		<b>203,956</b>	<b>(6,503)</b>	<b>6,503</b>

**NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:**

Asset type	Average Duration Years	Market Value as at 31/03/2022 £000	Change in year in the net assets available to pay benefits £000	
<b>Cash and cash equivalents</b>				
Cash		73,478	735	(735)
<b>Bonds</b>				
UK public sector quoted	16.0258	1,400	(224)	224
UK quoted	12.6030	48,938	(6,168)	6,168
Overseas public sector quoted	18.6598	1,608	(300)	300
Overseas quoted	11.5118	41,163	(4,739)	4,739
<b>Total change in assets available</b>		<b>166,587</b>	<b>(10,696)</b>	<b>10,696</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2023 £0	Potential movement on 1% change in interest rates £0	Value on increase £0	Value on decrease £0
Interest on cash deposits	1,474	15	1,489	1,460
Bonds	3,314	33	3,347	3,281
<b>Total</b>	<b>4,788</b>	<b>48</b>	<b>4,836</b>	<b>4,741</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2022 £0	Potential movement on 1% change in interest rates £0	Value on increase £0	Value on decrease £0
Interest on cash deposits	277	3	280	274
Bonds	3,282	33	3,315	3,249
<b>Total</b>	<b>3,559</b>	<b>36</b>	<b>3,595</b>	<b>3,523</b>



## NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:

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%.

Currency exposure - asset type	Market Value as at 31/03/2023	Change in year in the net assets available to pay benefits	
		10%	10%
	£0	£0	£0
Overseas public sector quoted	669	736	602
Overseas quoted	31,534	34,687	28,380
Overseas Equity Funds	378,567	416,424	340,711
Overseas Venture Capital	129,093	142,003	116,184
<b>Total change in assets available</b>	<b>539,863</b>	<b>593,850</b>	<b>485,877</b>

**NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:**

Currency exposure - asset type	Market Value as at 31/03/2022 £0	Change in year in the net assets available to pay benefits	
		10% £0	10% £0
Overseas public sector quoted	1,608	1,769	1,447
Overseas quoted	41,163	45,279	37,047
Overseas Equity Funds	403,134	443,448	362,821
Overseas Hedge Fund	31,272	34,399	28,145
Overseas Venture Capital	141,729	155,902	127,556
<b>Total change in assets available</b>	<b>618,906</b>	<b>680,797</b>	<b>557,016</b>

**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.

## NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED:

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 2023 was £126.2m (31 March 2021 - £73.5m). This was held with the following institutions:

	Rating	Balances as at 31 March 2022 £000	Balances as at 31 March 2023 £000
<b>Money market funds</b>			
Goldman Sachs money market fund	AAAm	34,099	48,631
Blackrock money market fund	AAAm	35	-
<b>Bank current accounts</b>			
HSBC	AA-	12	2
Northern Trust Custodian	AA-	39,344	77,591
		<b>73,490</b>	<b>126,224</b>

### c) Liquidity risk

This 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 2023 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**

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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 2022 and the next valuation is due to take place as at 31 March 2025.

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 taxpayer 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 2022 actuarial valuation, the fund was assessed as 103.6% funded.

### **Financial assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

### **Demographic assumptions**

The mortality assumptions are based on actual mortality experience of members within the Fund based on an analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

## NOTE 18: FUNDING ARRANGEMENTS CONTINUED

Life expectancy aged 65 at the valuation date	Males	Females
Current pensioners aged 65 at the valuation date	21.7	24.1
Future Pensioners aged 45 at the valuation date		

Discount rate (scheduled and subsumption body) *	4.4% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts ""	2.3% p.a.
Rate of increases in pensions in payment "" (in excess of Guaranteed Minimum Pension)	2.3% p.a.

## NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

### Actuarial Position

- a) The valuation as at 31 March 2022 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 2022 (of £1,522.8 M) covering 103.6% of the liabilities.
- b) The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (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 2026 are estimated to be:

## NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS CONTINUED

Year from 1 April	% of pensionable pay	Plus total contribution Amount (£000)
2023	18.80%	27.9
2024	18.80%	28.3
2025	18.80%	29.9

- c) 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.
- d) The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate (scheduled and subsumption body) *	4.4% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts ""	2.3% p.a.
Rate of increases in pensions in payment "" (in excess of Guaranteed Minimum Pension)	2.3% p.a.

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

\*\* In addition, a 15% uplift has been applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption, and the risk of higher than expected inflation over the next three years.

In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

**NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS CONTINUED**

- e) 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) S3 (Heavy) mortality tables with appropriate scaling factors applied based on a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, 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 (for normal health retirements) were:

Life expectancy aged 65 at the valuation date	Males	Females
Current pensioners aged 65 at the valuation date	21.7	24.1
Future Pensioners aged 45 at the valuation date		

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

- f) The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. 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.
- g) The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. 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 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- h) 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 their actuarial valuation which was carried out as at 31 March 2022. 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.
- i) The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: <https://new.enfield.gov.uk/pensions/>

Aon Solutions UK Limited

May 2023

## NOTE 20: CURRENT ASSETS

31-Mar-22 £000s		31-Mar-23 £000s
<b>Debtors</b>		
226	Contributions due - employees	146
631	Contributions due - employers	456
<b>857</b>		<b>602</b>
<b>Cash balances</b>		
13	Current account	10
<b>870</b>		<b>612</b>

## NOTE 20a: LONG TERM DEBTORS

31-Mar-22 £000s		31-Mar-23 £000s
<b>Debtors</b>		
113	Pensioner Tax liability	117
<b>113</b>		<b>117</b>

## NOTE 21: CURRENT LIABILITIES

31-Mar-22 £000s		31-Mar-23 £000s
(1,336)	Sundry creditors	(280)
(103)	Benefits payable	(99)
<b>(1,439)</b>		<b>(379)</b>



## 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 1 April 2022 £000s	Contributions & Transfers £000s	Sums Paid out £000s	Investment Return £000s	Closing Balance at 31 March 2023 £000s
<b>Plan Value</b>	<b>4,034</b>	980	(500)	42	<b>4,556</b>
	<b>4,034</b>	<b>980</b>	<b>(500)</b>	<b>42</b>	<b>4,556</b>

## NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

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 £1.378m (2021/22: £1.337m) 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 £44.4m to the fund in (2021/22 £41m). At year end the Pension Fund owed the Council £13k (£106k in 2021/22).

Scheduled and admitted bodies owed the Fund £730k (£861k in 2021/22) from employer & employee contributions. All payments were received by 19th April 2023.

## NOTE 24: RELATED PARTY TRANSACTIONS CONTINUED

### 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), the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2022/23 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-Mar-22		31-Mar-23
£000s		£000s
268	Short-term benefits	279
74	Post-employment benefits	77
<b>342</b>		<b>356</b>

### NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total outstanding capital commitments (investments) at 31 March 2023 are £29.8m (31 March 2022 were £60.5m).

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

## Section 3: Statutory Statements

### 3.1 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 Ravi Lakhani in the first instance at [Ravi.Lakhani@enfield.gov.uk](mailto:Ravi.Lakhani@enfield.gov.uk) or on 0208 132 1588

## 1. 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*<sup>1</sup>, 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<sup>2</sup>. 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:

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<sup>1</sup> See Regulation 62(5)

<sup>2</sup> 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 is 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	<p><i>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</i></p> <p><i>Commission regular funding updates for the Fund as a whole, on an approximate basis.</i></p> <p><i>Analyse progress at three yearly valuations for all employers.</i></p> <p><i>Inter-valuation roll-forward of liabilities between formal valuations.</i></p>
Systematic risk with the possibility of interlinked and simultaneous financial market volatility	<p><i>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.</i></p>
Insufficient funds to meet liabilities as they fall due	<p><i>Commission regular funding updates for the Fund as a whole, on an approximate basis. Analyse progress at three yearly actuarial valuations.</i></p>
Inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon	<p><i>Regular review of advisers in line with national procurement frameworks</i></p>
Counterparty failure	<p><i>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.</i></p>
Inappropriate long-term investment strategy	<p><i>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.</i></p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	<p><i>Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.</i></p>



Active investment manager under-performance relative to benchmark	<i>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</i>
Pay and price inflation significantly more than anticipated	<i>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.</i>
Effect of possible increase in employers' contribution rate on service delivery and admission/scheduled bodies	<i>Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.</i>

### 5.3 Employer Risk

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
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.	<p><i>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.</i></p> <p><i>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.</i></p>

#### 5.4 Liquidity and maturity Risk

Risk	Summary of Control Mechanisms
<p>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.</p>	<p><i>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).</i></p> <p><i>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.</i></p>
<p>There is also a risk of employers ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p><i>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.</i></p>

## 5.5 Liability Risk

Risk	Summary of Control Mechanisms
<p>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.</p>	<p><i>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.</i></p> <p><i>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.</i></p>

## 5.6 Regulatory and compliance risk

Risk	Summary of Control Mechanisms
<p>The risks relate to changes to both general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules.</p>	<p><i>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.</i></p> <p><i>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.</i></p>

## 5.7 Recovery Period

Risk	Summary of Control Mechanisms
<p>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.</p>	<p><i>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.</i></p>

## 5.8 Stepping

Risk	Summary of Control Mechanisms
<p>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.</p>	<p><i>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.</i></p>

## **Annex 1 – Responsibilities of Key Parties**

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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.



## **3.2 Investment Strategy Statement (ISS)**

### **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 27<sup>th</sup> 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
<b>Equities (including Private Equity)</b>	40	8-11%	30-50%
<b>Bonds</b>	24	4-5%	19-39%
<b>Inflation protection</b>	10		
<b>Hedge Funds</b>	10	9-11%	10-20%
<b>Property (UK)</b>	10	9%	5-15%
<b>Infrastructure/PFI</b>	6	9%	3-9%
<b>Cash</b>	-	-	-
<b>Total</b>	<b>100</b>		

- 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<sub>2</sub>e – million tonnes of CO<sub>2</sub> emissions) by 50% over 5 years up to 30 September 2025.
  - b. Measure the reduction relative to the Fund's total equity portfolio position as at 30 September 2019 and adjusted for Assets Under Management (£AUM)
- 13.9 The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.
- 13.10 The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.
- 13.11 Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.



- 13.12 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.
- 13.13 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to non-financial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.
- 13.14 The Fund does not at the time of preparing this statement hold any assets which it deems to be social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.
- 13.15 The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

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

- 14.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.
- 14.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.
- 14.3 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a

quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

## **15 Stewardship**

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

## **16 Compliance with "Myners" Principles**

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

## Appendix 1

### Fund Manager Structure (This prescribed in the ISS regulations)

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

Fund manager	Investment objectives
<b>Equities &amp; Private Equity</b>	
<b>BlackRock Advisers UK Ltd</b> (Passively Managed Global Equity and UK Equity)	<i>To perform in line with the prescribed Equity and Bond indices.</i>
<b>MFS</b> (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.</i>
<b>London CIV – Baillie Gifford</b> (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI All country World Index by 2-3% per annum gross of fees over rolling three year periods.</i>
<b>London CIV – Longview</b> (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 2% per annum gross of fees over rolling three year periods.</i>
<b>London Collective Investment Vehicle (LCIV) – JP Morgan</b> (Actively Managed EM Equity Portfolio)	<i>To outperform the MSCI Emerging Market Index (Total return) by 2.5% per annum net of fees over rolling three year periods.</i>
<b>Adam Street Partners</b> (Private Equity Portfolio)	<i>To outperform the MSCI World Index.</i>
<b>Bonds</b>	
<b>BlackRock Advisers UK Ltd</b> (Passively Managed Bond & Index linked Portfolios)	<i>To perform in line with the prescribed Bond indices.</i>
<b>Insight Bond Fund</b> Absolute bond return	<i>3 month LIBOR +4% per annum over rolling three period.</i>
<b>London CIV – CQS</b> (Actively Managed Multi Asset Credit Portfolio)	<i>To seek to achieve 3 month LIBOR +4% per annum net of fees over rolling four year period.</i>
<b>Western Asset Management</b> (Actively Managed corporate Bond Portfolio)	<i>To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.</i>
<b>Inflation Protection</b>	
<b>M&amp;G</b> Inflation Opportunities Fund	<i>To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.</i>
<b>CBRE – Inflation protection illiquid</b>	<i>UK LPI +2.5%pa over a rolling ten year period</i>
<b>Property</b>	
Brockton	<i>15% net IRR and 1.5xnet multiple</i>

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

## **Appendix 2**

### **Compliance with “Myners” Principles”**

#### **Principle 1: Effective Decision Making**

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

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

#### **Principle 2: Clear Objectives**

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

#### **Principle 3: Risk and Liabilities**

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

#### **Principle 4: Performance Assessment**

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

#### **Principle 5: Responsible Ownership**

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

#### **Principle 6: Transparency and Reporting**

Compliant: Documents relating to the management of the Pension Fund investments are published on the Council’s website – these include the Investment Strategy Statement, the Annual Report and Accounts, the Funding Strategy Statement and the Governance Compliance Statement. The ‘Pensions Charter’ is published on the website and this details the information which is provided to scheme members.

## Appendix 3

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

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

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

## Supporting evidence

### 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.



## 3.3 Governance & 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 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 25,500 current and former members of the Fund, and their dependants
- around 53 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

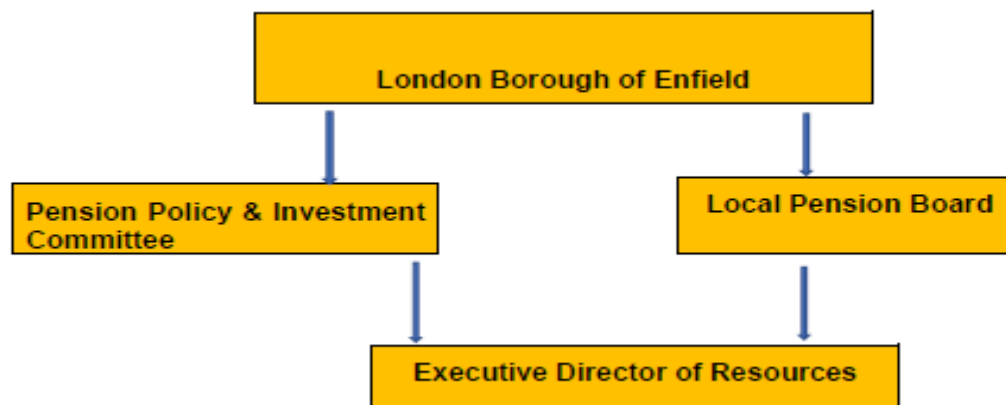
### Structure

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 5 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.

In addition there will be two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pension Policy & Investment Committee, including co-opted members, 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

### **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 this role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer there is the responsibility of preparing 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 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 6 members as follows:

- Three Employer Representatives
- Three 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 two of the six 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 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.

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. This document to be review and approve by the Pension Policy & Investment Committee at its meeting of 30th September 2021.

Contact Information Further information on the London Borough of Enfield Pension Fund can be found as shown below:

Email: [pensions@enfield.gov.uk](mailto:pensions@enfield.gov.uk)

Website: <http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664>

Or contact:

Ravi Lakhani – Head of Pension Investments

London Borough of Enfield

E-mail – [Ravi.Lakhani@enfield.gov.uk](mailto:Ravi.Lakhani@enfield.gov.uk)

Telephone – 020 8132 1187



## Appendix A – Delegation of Functions to Officers by Enfield Pension Policy & Investment Committee

*Key:*

*PPIC – Pension Policy & Investment Committee*  
*EDR – Executive Director of Resources & Officers*  
*Advisers Panel*

*PTM – Pensions & Treasury Manager*  
*DF - Director of Finance*

*OAP-Officers &*

*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  To evaluate the credentials of potential managers and make recommendations to the Pension Policy & Investment Committee	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 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 subcommittees 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: - <ul style="list-style-type: none"> <li>■ employing authorities (including nonscheme employers, e.g. admitted bodies),</li> <li>■ scheme members (including deferred and pensioner scheme members),</li> <li>■ independent professional observers,</li> <li>■ expert advisors (on an ad-hoc basis).</li> </ul>	Compliant	Trade unions and admitted bodies are represented on the Local Pension Board
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to	Compliant	Papers for Local Pension Board and the Pension Policy & Investment Committee are made available to all members of each body at the same time and are published well in advance of the

	contribute to the decision-making process, with or without voting rights.		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 those arrangements by which the interests of key stakeholders can be represented.	Compliant	Union representatives are on the Local Pension Board. Other stakeholders of the Fund are able to make representations at the Annual 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.

### **3.4 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.

## 3.5 Training & 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:

Ravi Lakhani  
Head of Pension Investments  
London Borough of Enfield  
Civic Centre  
Silver Street  
London  
EN1 3XF  
E-mail [Ravi.Lakhani@enfield.gov.uk](mailto:Ravi.Lakhani@enfield.gov.uk)  
Telephone 020 8132 1187

## 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)
<b>1 – Pensions legislation</b>			
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	
<b>2 – Pensions governance</b>			
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](http://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 ClPFA 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	
<b>3 – Pensions administration</b>			
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: <ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>		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	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	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	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	1 2 3 4 5	
<b>4 – Pensions accounting and auditing standards</b>			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5	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	1 2 3 4 5	
An understanding of the role played by third party assurance providers.	1 2 3 4 5	1 2 3 4 5	
<b>5 – Pensions services procurement and relationship management</b>			
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	1 2 3 4 5	



### Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirement

Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		

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		
<b>6 – Investment performance and risk management</b>			
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 Myrers 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		

## 3.6 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](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://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](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://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:

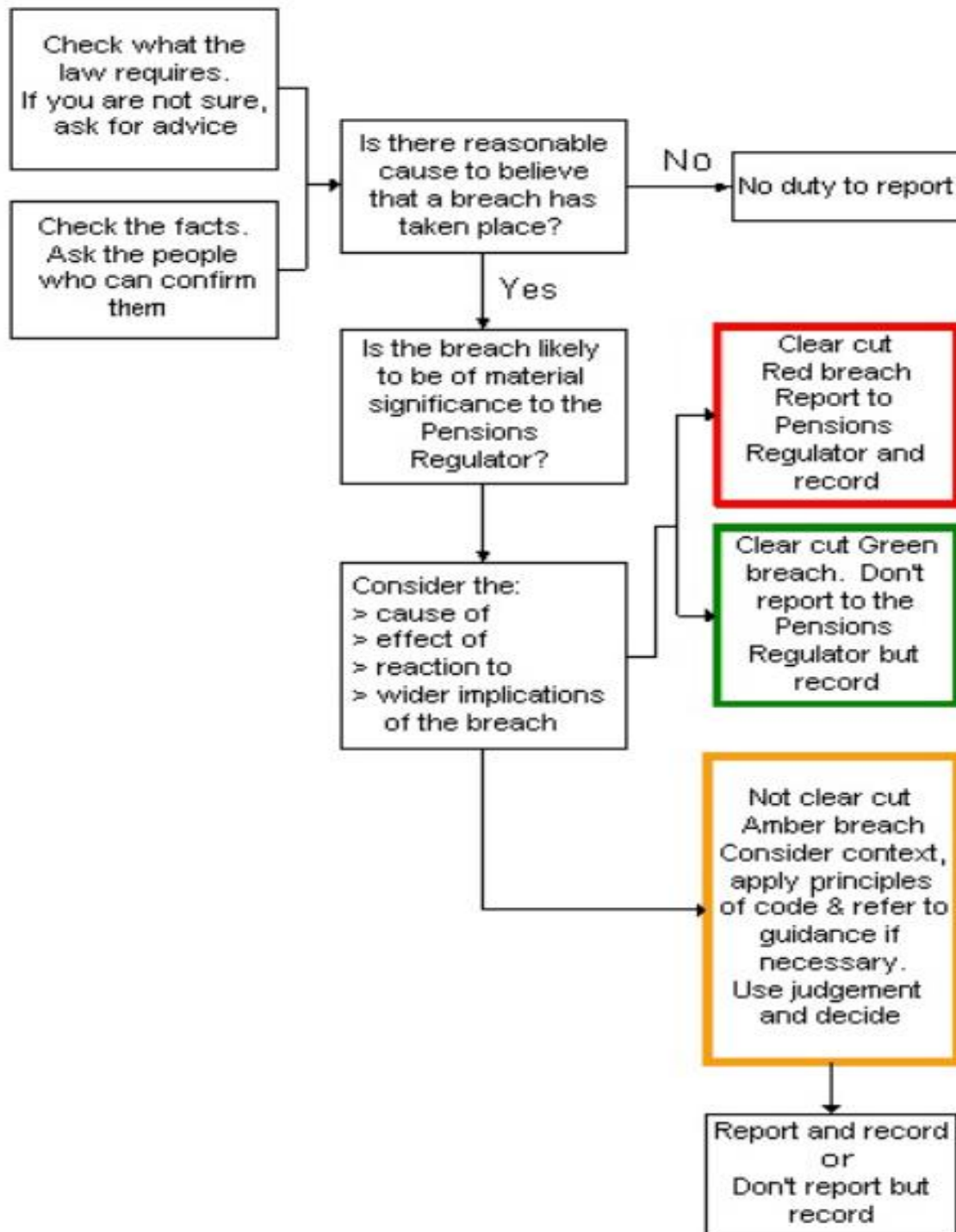
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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.

## Decision-tree: deciding whether to report



### 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](http://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:

Ravi Lakhani – Head of Pension Investments  
 Email: [Ravi.Lakhani@enfield.gov.uk](mailto:Ravi.Lakhani@enfield.gov.uk)  
 Telephone: 0208 132 1187

Enfield Pension Fund  
 London Borough of Enfield, London EN1 3XF

#### **Designated officer contact details:**

1) Director of Capital & Commercial – Olga Bennet  
 Email: [Olga.Bennet@enfield.gov.uk](mailto:Olga.Bennet@enfield.gov.uk)

2) Executive Director of Resources – Fay Hammond  
 Email: [Fay.Hammond@enfield.gov.uk](mailto:Fay.Hammond@enfield.gov.uk)

3) Monitoring Officer/Director of Law & Governance – Terry Osborne  
 Email: [Terry.Osborne@enfield.gov.uk](mailto:Terry.Osborne@enfield.gov.uk)



## Appendix A

### Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

### The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

### The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

### **The reaction to the breach**

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

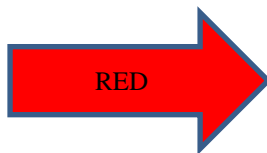
### **The wider implications of the breach**

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## Appendix B

### Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



This where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

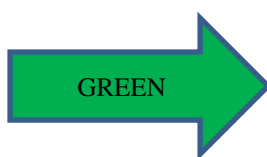
These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



This where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



This where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

### All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together.

Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx>



## 3.7 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.

<b>What is required</b>	<b>How this will be done</b>
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i>	<p>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.</p> <p>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.</p>
<i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i>	<p>At the commencement of any Pension Policy &amp; 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.</p> <p>At the start of the Pension Policy &amp; 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.</p> <p>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.</p> <p>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.</p> <p>Where information relating to any potential or actual conflict has been provided, the Pensions &amp; 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.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.</p>

<b>What is required</b>	<b>How this will be done</b>
<i>Step 3 - Periodic review of potential and actual conflicts</i>	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:

Ravi Lakhani,  
Head of Pension Investments,  
London Borough of Enfield  
E-mail – [Ravi.Lakhani@enfield.gov.uk](mailto:Ravi.Lakhani@enfield.gov.uk)  
Telephone – 020 8132 1187

## 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

## Glossary of Terms

<b>Actuary</b>	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.
<b>Admitted bodies</b>	These are employers who have been allowed into the Fund at the Council's discretion.
<b>Alternative investments (Other Pooled Funds)</b>	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.
<b>AVCs</b>	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).
<b>Bulk transfer</b>	A transfer of a group of members agreed by, and taking place between, two pension schemes.
<b>Commutation</b>	The conversion of an annual pension entitlement into a lump sum on retirement.
<b>Contingent liability</b>	A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain.
<b>Custodian</b>	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.
<b>Cross subsidies</b>	Amounts of money by which organisations subsidise each other.
<b>Discretionary</b>	Allowable but not compulsory under law.
<b>Dividends</b>	Income to the Fund on its holdings of UK and overseas equities.
<b>Emerging markets</b>	The financial markets of developing economies.
<b>Equities</b>	Shares in UK and overseas companies.
<b>FTSE</b>	Financial Times – publishers of the FTSE-100, and other indices.
<b>Gilt-edged securities (or Gilts)</b>	Fixed-interest stocks issued by the UK Government.
<b>Hedge fund</b>	A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.
<b>Index</b>	A measure of the value of a stock market based on a representative sample of stocks.

<b>LGPS</b>	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.
<b>LIBOR</b>	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.
<b>Mandatory</b>	Compulsory by force of law.
<b>Myners</b>	Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001.
<b>Private equity</b>	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.
<b>Projected unit actuarial method</b>	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.
<b>Recovery period</b>	Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated.
<b>Rolling three-year periods</b>	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.
<b>Scheduled bodies</b>	These are organisations that have a right to be in the Fund.
<b>Transfer value</b>	A cash sum representing the value of a member's pension rights.
<b>With profits</b>	With-profits funds are investments that give a return in the form of annual bonuses and usually a final or terminal bonus.
<b>Yield</b>	Annual income on an investment divided by its price and expressed as a percentage.



## **Independent Auditor's Report**

*Independent auditor's report to the members of the London Borough of Enfield on the pension fund financial statements*

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## London Borough of Enfield

<b>Report Title</b>	LAPFF Quarterly Engagement Update for quarter ending 30 September 2023
<b>Report to</b>	Local Pension Board
<b>Date of Meeting</b>	13 December 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk

### Purpose of Report

1. This report provides an update on various Environmental, Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been engaged with for the quarter ending September 2023, for the attention of the Pension Board.

### Recommendations

2. The Pension Board are recommended to note the contents of this report and the attached appendix which give details on the LAPFF company engagements for the quarter.

### Background and Options

3. The Enfield Pension Fund ("the Fund") is a member of the Local Authority Pension Fund Forum (LAPFF) and the Fund has previously agreed that its votes will be casted at investor meetings in line with LAPFF voting recommendations where the Fund's investment managers do not have a proxy voting policy.
4. The LAPFF, currently comprises 71 local authority pension funds with combined assets of over £210 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as

shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

5. The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund's voting policies (generally LAPFF voting recommendations). The move to a pooled structure (with London CIV) over the medium term may impact this arrangement as voting rights would need to be exercised at pool level rather than fund level. The Fund will therefore need to ensure that it works with other London funds as well as the pool itself to ensure that in the future it is able to effectively express its views through the exercise of voting rights.

### **LAPFF engagement**

6. For this reporting period, LAPFF engaged with various companies on different topics including Human Rights, Climate change and Governance. Highlights from the report include:

- LAPFF welcomes its new member, the ACCESS pool, bringing the membership to 87 LGPS funds and seven pooled companies.
- LAPFF engages with global insurers on approaches to decarbonisation and natural resources.
- The 'Say on Climate' initiative grows to encourage more companies to put a vote on climate transition plans.
- Mining and Human Rights engagements continue with Anglo American, BHP, Glencore, Rio Tinto, and Vale and with a new mining company, Grupo Mexico, as LAPFF was approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.
- LAPFF's chair, Cllr Doug McMurdo, meets the chairs of three water companies to ensure that reputational risks and regulatory scrutiny around environmental performance are addressed.
- LAPFF meets with Volkswagen and Volvo Group, both for the first time, on the issue of critical mineral sourcing.
- Doug McMurdo meets the chair of Shell to discuss its unsatisfactory Energy Transition Plan.
- LAPFF joins calls with Mizuho Financial Group, China Construction Bank (CCB), and Huaneng Power through Asia Research and Engagement's Energy Transition Platform.

### **Reason for Recommendation**

7. The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long-term steward of assets. Ensuring a high level of



Responsible Investing including good corporate governance, the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

### **Relevance to Council Plans and Strategies**

8. Clean and green places
9. Strong Healthy and safe communities
10. Thriving children and young people
11. An economy that works for everyone

### **Financial Implications**

12. This is a noting report and there are no direct financial implications as a result of the contents of this report.
13. The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.

### **Workforce Implications**

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

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### **Appendices**

Appendix 1: LAPFF Quarterly Engagement Report

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Quarterly  
Engagement  
Report

July-September  
2023



# Climate and Finance Engagement, Minimum Wage, Water Companies, New Member

## UPDATES

Smoke from Canadian wildfires blows south over New York, June 2023



# Climate and Finance

**Objective:** LAPFF has been engaging with financial institutions on climate for a number of years now. Most notably, it has issued voting alerts for Barclays, HSBC, and Standard Chartered in recent years. In 2020, LAPFF also sent letters to 11 insurers asking how they approached climate change from a strategic perspective. Discussions with these companies suggested that they tended to approach climate in terms of its effect on the companies rather than in terms of the companies' effects on climate.

While investors are clearly interested in the impact climate change is having on insurers, LAPFF's approach is to ask first what companies' impacts are on climate. This approach aligns with the approach set out in the UN Guiding Principles on Business and Human Rights, which call for companies to assess their impacts on human rights and rights holders before assessing the impact of human rights on their businesses. This framing is supported not least because risks to the business are missed if the human rights and impact analysis is not undertaken. In LAPFF's experience, the same logic applies in relation to climate change. LAPFF therefore began a process of following up with the eleven insurers, but also expanded the engagement to cover additional insurers of global impact in which LAPFF holds a significant number

**Cover image:** ask first what companies' impacts are on climate

of shares. It also wrote to large global banks in which members have large holdings. Finally, in line with a growing interest of the LAPFF membership in biodiversity and environmental impacts of climate change, the engagement will explore these companies' strategies in relation to natural resources and their link to climate.

**Achieved:** LAPFF has now written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. One company with which LAPFF will clearly not be engaging is Berkshire Hathaway. Its pro forma email stated that no one is reading messages sent to the investor relations email address, and no one is likely to respond to a letter sent to the company's physical address. LAPFF would have hoped for more from Mr. Buffett, but LAPFF found this response to be in line with that of many US companies, which tend to be less willing to engage in a meaningful way than companies in many other markets, including the UK and Australia. For a full list of companies approached so far through this engagement, please see the company engagement table at the back of this report.

**In Progress:** LAPFF will continue to send letters and set up meetings with these companies over the course of the year.

## New Member

LAPFF would like to welcome its newest member, the ACCESS pool. LAPFF's membership now comprises 87 LGPS funds and seven pooled companies, the vast majority of the LGPS family. The more LGPS funds who become LAPFF members, the greater leverage LAPFF gains in engaging with investee companies in relation to their environmental, social, and governance practices as they impact on financial returns. With a membership that in aggregate holds over £350 billion in assets under management, LAPFF's financial clout is already equivalent to that of one of the top ten largest global pension funds. However, any additional members can only help.

Local Authority Pension Fund Forum

**MID YEAR CONFERENCE 2023**

12 July  
Church House,  
Westminster

Given the success of LAPFF's annual conference in Bournemouth, LAPFF decided to hold its first mid-year conference at Church House in London. This event also proved to be a success with speakers from Unseen UK, Rathbones, and DiCello Levitt. The sessions covered a summary of the 2023 AGM season, the link between climate and executive pay, modern day slavery, investor litigation in Europe, and the ESG backlash in the US.



## COMPANY ENGAGEMENTS



Investors are often not provided with a specific vote on company climate plans for shareholder approval

### Say on Climate

**Objective:** It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risks and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their climate plans for shareholder approval.

Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a 'gold standard' for climate transition plans.

Over the past two years, LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

**Achieved:** To continue to encourage companies to provide shareholders with

such a vote, LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risks investors face are substantial.

The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the chair or another board member. The letter requested a response so that the signatories could make an informed assessment of the company's position.

**In Progress:** LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could

become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.

### Mining and Human Rights

**Objective:** While LAPFF is continuing to engage with **Anglo American, BHP, Glencore, Rio Tinto, and Vale** on their human rights practices, LAPFF has picked up a new mining company engagement with **Grupo Mexico**. LAPFF has been approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.

The main objective of these engagements is to ensure that the companies understand that any failure to respect human rights and environmental impacts could have financial consequences for them and for their shareholders. One of the main milestones LAPFF is looking for is how well the companies acknowledge and engage with the workers and communities they affect. Effective stakeholder engagement is important to LAPFF both as a human rights imperative and because it can expedite less costly solutions to operational, reputational, legal, and financial concerns at companies.

LAPFF is pleased that both the Anglo American and Vale groups in the PRI Advance initiative have recognised the importance of stakeholder engagement. There are plans for both groups to engage with relevant affected stakeholders.

**Achieved:** LAPFF met a Grupo Mexico representative for the first time. LAPFF Chair, Cllr Doug McMurdo, spoke with an investor relations contact, who he found to be open to the engagement. It was interesting to hear that the company has been approached by a number of investors in relation to environmental, social, and governance (ESG) issues of late. This increase in attention on ESG issues might not be a coincidence as the company is one of those chosen for inclusion in PRI's Advance human rights initiative.

As with many mining companies, LAPFF's view is that Grupo Mexico has a number of processes in place, some of which appear to be sound on paper.

## COMPANY ENGAGEMENTS

However, there appears to be significant work to be done in practice. Once again, the company accounts of its human rights practices and the community accounts differ drastically.

In relation to its PRI engagements, LAPFF has reached out to a couple of non-governmental organisations and community representatives on behalf of the Anglo American PRI Advance group to see if they would be willing to meet the group. There have been positive responses.

**In Progress:** Cllr McMurdo is now seeking to speak with the Sonora community group affected by Grupo Mexico's operations. As LAPFF has done in other such engagements, it will use the community and company perspectives to form a view of how to encourage improved human rights practices at the company.

LAPFF will now work to set up the community meetings for both the Anglo American and Vale PRI Advance groups.

### Water Companies and Sewage Pollution

**Objective:** Water companies are currently facing considerable reputational risks and regulatory scrutiny around their environmental performance. The focus of concern centres on the use of storm overflow drains. These drains are used to stop water backing up into people's homes when there is heavy rain but result in sewage being released into the waterways. As water companies are effectively regional monopoly suppliers subject to environmental and economic regulation, there are considerable regulatory risks, not least those driven by current reputational perceptions and public concern. The sector has faced further recent public scrutiny when financial concerns about Thames Water came to light.

The main objective of the engagement activity, which started in 2022, is to ensure that these risks are being appropriately addressed and that environmental performance improves. An important focus was ensuring plans were in place and progress is being made in reducing the amount of sewage being released into waterways. In addition, LAPFF sought to ensure companies had



Water companies are currently facing considerable reputational risks

credible climate transition plans and progress was being made against them.

**Achieved:** During the quarter, LAPFF's chair, Cllr Doug McMurdo, met with the Chair of **Severn Trent**, Christine Hodgson. The meeting was held against the backdrop of the problems facing Thames Water and covered the challenges facing the sector as a whole. This meeting was very constructive, and it was welcome news that the company was ahead of its targets on reducing overflows. The discussion covered the company's longer-term plans and targets and capital investment. The company also set out how it was addressing climate change, including through capturing emissions from the sewage treatment process.

LAPFF met with the chair of **United Utilities**, David Higgins. The meeting was positive despite the significant challenges that remain in the sector. The company outlined how it had reduced the number of overflows in the past couple of years. The meeting also covered plans to reduce overflows further and investment to address overflow issues. As with the discussion with Severn Trent, issues facing the sector were raised. The company also set out its plans regarding climate adaptation and mitigation.

LAPFF's chair also met the Head of Environment and Sustainability at **Northumbrian Water**. The company is owned by three holding companies, two of which (CK Hutchinson and CK

Asset Holdings Limited) a large number of LAPFF members hold. It was a useful meeting which covered the company's plans and targets to reduce storm overflows and capital investment required to do so. The meeting also covered the company's wider environmental performance and its climate change ambitions.

**In Progress:** While there is progress, significant risks remain. Adverse publicity and concerns about sewage overflows show few signs of diminishing while there is continued focus from regulators. LAPFF therefore will be continuing to engage with the companies on their progress and plans.

### COMPANY ENGAGEMENT ACTIVITY

#### Electric Vehicles and Human Rights

**Objective:** Continuing its engagement with electric vehicle manufacturers to better understand how they are addressing the risks associated with minerals for batteries for their vehicles, LAPFF wrote to a number of companies seeking further engagement with those it has already engaged on this issue and to meet others for the first time.

**Achieved:** LAPFF met with **Volkswagen** (VW) and **Volvo Group** (trucks and HGVs) this quarter, both for the first



## COMPANY ENGAGEMENTS

time. LAPFF had a detailed discussion with Volkswagen, which published its third iteration of its raw materials report this year. The discussion covered the company's overall human rights programme and more focussed attention on individual minerals. LAPFF also broached questions about the scrutiny VW faced for one of its joint ventures linked to auto manufacturer supply chains allegedly associated with Uyghur forced labour in Xinjiang. VW has publicly announced that it will be undertaking a social audit of this factory, although it has faced scrutiny from various NGOs and labour groups that social audits in China are ineffective based on political pressures.

Volvo provided a high-level overview of its human rights programme, which in terms of reporting, appears to be lacking compared to some of its peers, particularly on risk management of human rights in critical mineral and material supply chains. Despite this lack of transparency in reporting, Volvo provided a promising conversation on its aspirations to improve various parts of its human rights work.

**In Progress:** More and more legislative instruments pertaining to corporate sustainability are being enacted around the world, such as the EU Battery Regulation which came into effect in August 2023. These new regulations impose sustainability, recycling, and safety requirements on all battery manufacturers, importers and distributors in the EU. Responsibility and due diligence requirements are also extended to supply chains for materials like cobalt, lithium and nickel. The EU's Corporate Sustainability Due Diligence Directive, whilst still in development, will require companies to conduct due diligence on, and take responsibility for, human rights abuses and environmental harm throughout their global value chains. Therefore, LAPFF will continue to monitor and engage on how companies are set to meet these requirements, including for minerals and materials being used in the production of electric vehicles, where human rights abuses continue to be a major source of concern.



A number of companies not adhering to wage floor requirements including listed companies such as M&S. Above: M & S in Truro City centre in Cornwall

### Minimum Wage

**Objective:** LAPFF believes that good employment practices are linked to long-term corporate prosperity and hence the creation of investment value. It is therefore concerning when investee companies are found to be in breach of statutory national minimum wage standards. In June, the Department of Business and Trade announced that an investigation had found a number of companies not adhering to wage floor requirements including listed companies such as **WH Smith, Marks & Spencer, Argos** (which is owned by **Sainsbury's**) and Whitbread. LAPFF therefore sought to ensure that changes were in place to avoid future incidents.

**Achieved:** LAPFF wrote to the four companies requesting details around how the incidents occurred, what actions were taken to address the breach, and how they would be prevented in the future. All four companies responded and provided information about the nature of the breaches. Companies provided details of actions taken and gave assurances about seriousness with which they took the issue.

**In Progress:** LAPFF will continue to monitor breaches in labour law and engage companies where any issues are found to ensure that they are addressed.

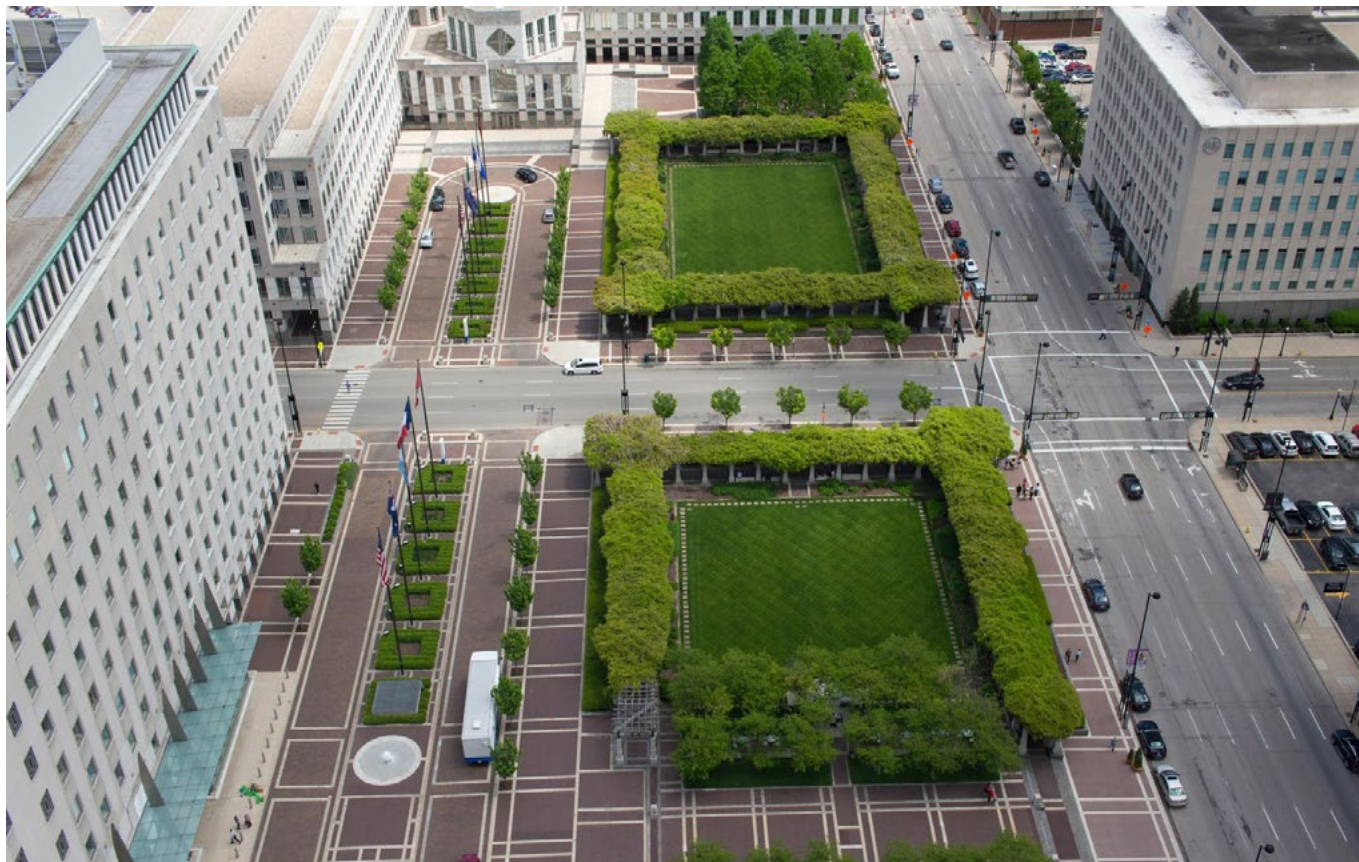
### Biodiversity

**Objective:** Alongside writing to financial institutions regarding their role in supporting positive developments on biodiversity and climate change, LAPFF has also sought to understand approaches to biodiversity at companies in other industries. For example, Procter & Gamble was recently reported to have removed policy commitments not to buy wood pulp from degraded forests. This action comes three years after a majority of investors supported a non-binding shareholder resolution at the company's AGM requesting that Procter & Gamble assess how it could improve efforts to eliminate deforestation and forest degradation in its supply chains. LAPFF also aimed to find out more about Nestlé's approach to regenerative agriculture.

**Achieved:** LAPFF has written to **Procter & Gamble** regarding this engagement. LAPFF also wrote to **Nestlé**, who hosted the Forum at its chair's roundtable in March 2023. The request seeks to discuss the company's plans for regenerative agriculture and how it contributes to the company's pathway to halve its greenhouse gas emissions by 2030 and reach net-zero by 2050.

**In Progress:** Deforestation is becoming an increasingly important topic for LAPFF members and wider investors,

## COMPANY ENGAGEMENTS



A city park owned by the Procter and Gamble company in Cincinnati, Ohio

particularly as the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations in September 2023. TNFD will have implications for a wide range of market participants. LAPFF will be monitoring how relevant companies incorporate the TNFD recommendations and will seek to engage those lagging behind on biodiversity and deforestation.

### Shell

**Objective:** Further to Shell's rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

**Achieved:** LAPFF has met with the chair of Shell with some meeting of minds on some issues. Comments from the new leadership at the Shell Annual General meeting, that Shell does not have enough

visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF's critique in LAPFF's voting alerts since 2020.

**In Progress:** Given Shell's historically poor investment performance (over 20 years barely better than a bond return), which is indicative of poor investment decision making, alongside no appreciable record or prospect of investment, further effort will be put into understanding the numbers and the business model as well as direct engagement.

### Centrica

**Objective:** Growing energy prices following the end of Covid lockdowns and since the start of the war in Ukraine have become a major business, economic, social and political issue. Rising costs have been a driver of inflation and reduction in the household standard of living. With prescribed economic regulations this backdrop has led to

mounting scrutiny of energy companies' practices, especially those related to low-income households. LAPFF sought to understand how energy companies were managing the regulatory and reputational risks around the cost-of-living crisis, including changes needed to support those on low incomes or in arrears.

**Achieved:** LAPFF wrote to Centrica one of the major UK energy suppliers and owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.

**In Progress:** With energy prices remaining high, LAPFF will be seeking to meet the major UK energy suppliers on their approaches to supporting households and managing the ongoing risks.



## COMPANY ENGAGEMENTS



One of LAPFF's main concerns is to ensure that the National Grid's transition plan allows for a sufficiently speedy transition for the users of its grid

### National Grid

**Objective:** LAPFF has continued its engagement with National Grid through the CA100+ forum. One of LAPFF's main concerns is to ensure that the company's transition plan allows for a sufficiently speedy transition for the users of its grid.

**Achieved:** LAPFF's view is that the company is missing some opportunities to decarbonise more quickly, so LAPFF issued a voting alert for National Grid ahead of the company AGM in July. LAPFF cited three main concerns in the voting alert: the company's confusing approach to the use of gas, delays in connecting clean energy projects to the grid, and disclosure on the energy transition. Consequently, LAPFF recommended opposition to the company report and accounts and to the resolution on political donations.

**In Progress:** LAPFF will continue to engage National Grid on its transition plan, including on the specific points mentioned above.

### SSE

**Objective:** LAPFF has a longstanding engagement with SSE and has found the company to be open and responsive to engagement. Because it is progressive on a number of issues, including a fair and just transition, LAPFF seeks to maintain this relationship and push the company to entrench its leadership role in areas such as just transition and living wage.

**Achieved:** LAPFF Executive member, John Anzani, attended SSE's AGM again this year and asked a two-pronged question about SSE's approach to a just transition. First, he asked whether the SSE is looking to review its just transition principles in the near future. Second, he asked about capital allocation and whether money being spent on carbon capture and storage (CCS) could be better spent elsewhere.

**In Progress:** LAPFF has requested a follow-up meeting to discuss SSE's responses in greater detail.

### Taylor Wimpey

**Objective:** Housing is a major contributor to greenhouse gas emissions and a focus of environmental regulation. To reduce the climate risks associated with overall emissions and the specific consumer and regulatory risks companies face, LAPFF therefore seeks to engage housebuilders on having credible transition plans. Following concerns from consumers and policymakers around leasehold arrangements and fire safety LAPFF also seeks to ensure the issues were being managed.

**Achieved:** The LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Since LAPFF last met the company, Taylor Wimpey has produced a transition plan, which has emission targets covering scopes 1-3 emissions and with a net zero by 2045 commitment. The meeting was informative and covered the company's progress and plans for reducing operational emissions, its approach to residual emissions, emissions from its homes when sold, and supply chain emissions such as from concrete and diesel. The issue of the just transition was raised as was putting the company's transition plan to a vote. The meeting also covered issues and costs associated with the agreement with the CMA on leaseholds and works related to fire safety.

**In Progress:** LAPFF will continue to meet with companies in the sector to ensure they have credible plans in place.

### Unilever

**Objective:** Unilever has received quite a lot of press regarding its decision to remain in Russia after Russia's invasion of Ukraine. LAPFF heard from Total last year about that company's difficulties in deciding whether to leave Myanmar and recognises the significant challenges companies face in taking these decisions. Therefore, LAPFF wanted to understand better Unilever's challenges in deciding whether to remain in or exit Russia.

**Achieved:** LAPFF's Chair, Cllr Doug

## COLLABORATIVE ENGAGEMENTS

McMurdo, met with Unilever Chair, Nils Anderson, to discuss Unilever's challenges in Russia. Mr. Anderson was not only open about the obstacles the company faces in Russia but also appeared to be open to working with LAPFF and others to determine appropriate solutions.

**In Progress:** LAPFF is continuing to participate in investor webinars on human rights and conflict zones. It will also continue to work with Unilever on this issue and will likely seek to partner with other investors who have been investigating the role of companies in conflict zones over the last couple of years.

### COLLABORATIVE ENGAGEMENTS

#### FAIRR

**Objective:** The FAIRR initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities caused by intensive animal

production. The initiative's engagements have a wide-reaching impact on how business models contribute to material risks for investors. LAPFF aims to increase its understanding of the material ESG risks and opportunities and to engage with relevant companies associated with this issue.

**Achieved:** LAPFF has re-signed onto a FAIRR engagement focusing on working conditions at food producers, mainly in North and South America. LAPFF has also signed onto two new engagement streams, one examining antimicrobial resistance in animal pharmaceutical industry and the other analysing quick-service restaurant antibiotic policies, both with a focus on the concern about increasing global antimicrobial resistance. More than 20 companies have been contacted across these three workstreams.

**In Progress:** LAPFF will join calls as appropriate in due course which are being coordinated by FAIRR.



Farm land in Uruguay. This is the result of intensive livestock business in South America

### Asia Research and Engagement's Energy Transition Platform

**Objective:** LAPFF joined calls hosted through Asia Research and Engagement's Energy Transition Platform which seeks to engage both financial companies and coal-exposed power companies. During the second quarter of 2023, LAPFF joined calls with **Mizuho Financial Group**, **China Construction Bank (CCB)**, and **Huaneng Power**.

**Achieved:** Engagement with Mizuho assessed the feasibility of the company discontinuing all financing of oil and gas projects, and how the company was exploring its reduction targets for upstream activities within these industries. During the engagement, LAPFF raised inquiries regarding Mizuho's transition risk rating matrix, specifically inquiring about the scoring criteria applied to its clients. Additionally, investors sought insights into Mizuho's approach to navigating national policy restrictions, allocating budgets for the development of new green technologies, and leveraging its internal expertise in sustainable finance.

The conversation with CCB revolved around inquiries into CCB's environmental, social, and governance (ESG) rating system for clients, its disclosure practices concerning credit exposure linked to high-carbon industries, and the establishment of green sector targets. Similar to the discussion with Mizuho, this dialogue also delved into considerations related to national policy boundaries and restrictions.

The call with Huaneng Power covered questions around the company's previous disclosures on reaching peak emissions by 2024, as well as continuing aspirations for the company's targets for renewable energy production by the end of China's 14th Five-Year Plan, which comes to an end in 2025.

**In Progress:** Whilst there are many difficulties with aligning investor expectations with company progress in various markets due to challenging and conflicting national policies, ARE's Energy Transition Platform continues to build positive and meaningful



## COLLABORATIVE ENGAGEMENTS

engagement with a variety of financial institutions and coal-exposed power companies.

### Nature Action 100

**Objective:** Nature loss is a financially material risk. As the world's GDP is highly reliant on nature and its services, biodiversity loss creates significant risks for investors. As such, LAPFF's workplan seeks to engage companies to promote positive environmental impacts and reduce the operational, reputational and regulatory risks associated with nature loss.

**Achieved:** Alongside our own engagement work on biodiversity, this quarter saw LAPFF sign onto a major new collaborative initiative Nature Action 100. The global investor-led engagement initiative led by Ceres and IIGCC seeks to reverse biodiversity loss and drive nature action. The initiative sent letters to 100 companies from eight key sectors systemically important in reversing nature loss. The letter supported by over 190 investors sets out the initiative's expectations.

**In Progress:** LAPFF will seek to be involved in engagements as part of its participation in Nature Action 100.

### 30% Club Investor Group

**Objective:** LAPFF continues to support the 30% Club Investor Group. Initially, the group focused on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent women on FTSE 350 boards and senior management positions within FTSE 100 companies. Over recent years, its scope has expanded to cover racial equity in UK boardrooms and promote gender diversity in global boardrooms.

**Achieved:** LAPFF is supporting the Group's Global Workstream, which looks to markets outside of the UK, namely in the USA and Asia, where boardroom diversity is lacking compared to the EU and UK. Through this workstream, LAPFF wrote to KKR & Co Inc. and Shinhan Financial Group asking the companies to set targets for diversity at board level and seeking to discuss individual company approaches to diversity more widely.

**In Progress:** LAPFF hopes to secure meetings with both companies in the fourth quarter of 2023 and continues to support other meetings held by the 30% Club Investor Group on an ad hoc basis as appropriate.

### Valuing Water Finance Initiative

**Objective:** LAPFF is co-chair of the Valuing Water Finance Initiative (VWFI), a global investor-led effort, facilitated by the NGO Ceres, to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

**Achieved:** Along with other members of the VWFI, LAPFF met with Burberry Plc during the quarter to discuss the company's approach to water stewardship. A headline aim of the VWFI is to work with companies so as not to negatively impact water availability or water quality in areas across their value chain. Water scarcity poses a material risk throughout Burberry's cotton and leather supply chains whilst disposal of wastewater at manufacturing sites and dye houses risks polluting local watersheds. The company outlined its process for assessing risk at a commodity, regional and individual facility level. The outcome of the assessment resulted in the facilities with the highest risk being designated a hot spot. The company has subsequently set a target for zero hot spots within its supply chain by 2030. Burberry has made good progress in identifying water risk in recent years.

**In Progress:** The VWFI will release a detailed assessment and benchmark of all focus companies by the end of October 2023, including Burberry. LAPFF will assess the benchmark to identify potential shortcomings in the company's approach to managing water risk and follow up accordingly. The VWFI benchmark will provide a means through which performance on this issue can be tracked over time.

## SIGN-ON LETTERS AND STATEMENTS

### CDP - Science-Based Targets Campaign

LAPFF signed onto the CDP's science-based targets campaign for the third straight year. This campaign offers CDP investor signatories and Supply Chain members the opportunity to accelerate the adoption of science-based climate targets, by collaboratively engaging companies on this matter.

### WDI – ISSB Letter

LAPFF signed onto a letter to the International Sustainability Standards Board (ISSB) requesting that the body 'prioritise researching' human capital and human rights indicators in its work plan.

### Bank Track – Investor Statement on Global Human Rights Benchmark

Bank Track has finalised its investor statement on banks and human rights and is encouraging signatories to use it as a basis of engagement with banks on human rights. LAPFF is a signatory.

## POLICY UPDATES

### Letter to the UK Prime Minister

LAPFF signed onto a letter organised by the PRI, IIGCC and UKSIF regarding a statement by the Prime Minister on climate change.

### Climate Risks

An updated briefing note for members was produced on LAPFF and climate risks. The briefing document includes an overview of LAPFF expectations of companies regarding climate change and how LAPFF supports change through engagement. The document is available to members on the member section of the website.

### Water Risks

During the quarter LAPFF met with the Director of Investor Relations at Ofwat. In a highly regulated sector, Ofwat and

## COLLABORATIVE ENGAGEMENTS

other regulators play an important role in shaping what individual companies can do and charge. At the meeting LAPFF discussed issues around capital expenditure, affordability, delivery of investment plans, the resilience of the sector, and the impact of climate change.

### Reliable Accounts

**Objective:** LAPFF has continued to focus on policy making in the area of reliable accounts, given problems with accounting standards and standards of auditing. The focus also extends to climate change aspects of accounts, including decarbonisation. There are cross-cutting issues with capital markets (see later) given the impact that two Parliamentary Committees have given to the effect of pension fund accounting on pension fund asset allocations away from UK equities.

**Achieved:** The concept of Paris aligned accounts is now a mainstream issue. Two Parliamentary Committees, the DWP Select Committee of the Commons and the Industry and Regulators Committee put the accounting standards at the centre of their criticisms of the regulatory and advisory environment.

Freedom of Information Act requests are revealing more troublesome insights into the way Ministers have been briefed by officials at the Department of Business Energy and Industrial Strategy (BEIS), now the Department for Business and Trade (DBT). Requests first made in the summer of 2021 have elicited new information that had been held back but now released in July 2023 given interjection by the Information Commissioner. Further developments are expected and will be reported in full when the sensitivity of a live case has been settled. There are strong parallels with the circumstances of the Freedom of Information Act requests done in 2015 and 2016 which revealed that the Financial Reporting Council was not portraying the position of His Majesty's Government lawyers properly.

**In Progress:** The focus on the Freedom of Information Act requests continues, and Parliamentarians have been kept updated. See also capital markets working group (later).

### Capital market reform and Capital Markets Working Group

**Objective:** LAPFF has for over a decade been concerned about the dropping of standards required of companies listing on UK capital markets, with specific problems with certain mining and extractive companies. More recently a group of City of London interests bereft of asset owner representation has made efforts to drop standards even further. There are overlapping issues with the poor quality of some companies coming to the UK for listing, as with NMC Health which joined the FTSE 100 and then collapsed, and poor-quality accounting. There are also ongoing issues given the work being done by the DWP Select Committee on pensions.

**Achieved:** LAPFF made strong response to the Financial Conduct Authority's consultation on relaxing the Listing Regime further. That response was met by equally strong condemnation of the FCA proposals by other large asset owners, including RailPEN. In the light of this, the LAPFF Executive has decided to set up a Capital Markets Working Group.

**In Progress:** With Parliament coming out of recess for the autumn session, attention will be given to this area, in association with the newly formed Capital Markets Working Group.

### Party conference fringe events

**Objective:** LAPFF hosts fringe events at the political conferences. The meetings are a valuable way for LAPFF to engage with national politicians and stakeholders. The focus of this year's meetings was greenwashing. LAPFF has raised concerns about greenwashing, including in specific company engagements, and the fringe meetings provided the opportunity to raise such concerns with policymakers.

**Achieved:** Within the quarter, LAPFF held a meeting at the Lib Dem party conference. Alongside the chair of LAPFF, other speakers included Lord Robin Teverson, Lords Spokesperson Energy

and Climate Change, Cllr Keith Melton, Chair of the Green Lib Dems, and Sarah George, Deputy Editor of Edie. LAPFF outlined the work it undertakes, how investors can tackle greenwashing by companies, and the role governments and policymakers could play. The discussion covered how regulations can guard against greenwashing, green taxonomies and labels, the importance of transparency and the role of reporting.

**Progress:** Meetings at the Conservative and Labour party conferences were planned for the following quarter. LAPFF will also continue to engage national policymakers on the issue and around the importance of reporting and corporate governance standards.

## CONSULTATION RESPONSES

### UN Consultation on Investors, ESG, and Human Rights

LAPFF has responded to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The Working Group is tasked with identifying ways to implement the UN Guiding Principles on Business and Human Rights and has been increasingly interested in the role investors can play in this regard. LAPFF set out a range of measures it employs to supporting both ESG and human rights. You can find LAPFF's response posted here on its website.

## MEDIA COVERAGE

### Climate

Net Zero Investor: [UK stewardship stocktake: engagement at a gridlock?](#)

### Human Rights

Corporate Secretary/IR Magazine: [Trillion-dollar coalition calls for human and worker rights focus at ISSB](#)

Investments & Pensions Europe: [Investors urge ISSB to focus on human and labour rights](#)

Edie: [Investment giants press for new global disclosure standards on human rights](#)

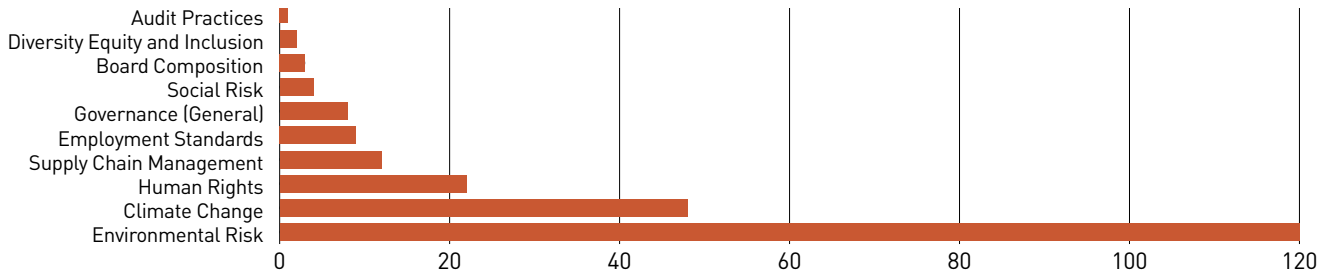
## COMPANY PROGRESS REPORT

182 companies were engaged over the quarter. This number includes collaborative engagement letters sent to companies as part of the LAPFF-led Say on Climate initiative and the Nature Action 100 initiative. Excluding these engagement letters, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Environmental Risk	Awaiting Response
ALLIANZ SE	Sent Correspondence	Environmental Risk	Awaiting Response
ALPHABET INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
APPLE INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	No Improvement
AVIVA PLC	Sent Correspondence	Environmental Risk	Awaiting Response
AXA	Sent Correspondence	Environmental Risk	Awaiting Response
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BAYERISCHE MOTOREN WERKE AG	Sent Correspondence	Supply Chain Management	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Environmental Risk	Awaiting Response
BOOKING HOLDINGS INC.	Sent Correspondence	Human Rights	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CENTRICA PLC	Received Correspondence	Social Risk	Dialogue
CHINA CONSTRUCTION BANK CORP	Meeting	Climate Change	Dialogue
CHINA LIFE INSURANCE (CHN)	Sent Correspondence	Environmental Risk	Awaiting Response
DEVON ENERGY CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
FEDEX CORPORATION	Alert Issued	Climate Change	Dialogue
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GRUPO MEXICO SA DE CV	Meeting	Human Rights	Dialogue
HENNES & MAURITZ AB (H&M)	Received Correspondence	Human Rights	Dialogue
J SAINSBURY PLC	Received Correspondence	Employment Standards	Satisfactory Response
KKR & CO INC	Sent Correspondence	Board Composition	Awaiting Response
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Awaiting Response
LLOYDS BANKING GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
MARKS & SPENCER GROUP PLC	Received Correspondence	Employment Standards	Satisfactory Response
MERCEDES-BENZ GROUP AG	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
METLIFE INC.	Sent Correspondence	Environmental Risk	Awaiting Response
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Small Improvement
MUENCHENER RUECK AG (MUNICH RE)	Meeting	Environmental Risk	Awaiting Response
NATIONAL GRID GAS PLC	AGM	Climate Change	Dialogue
NESTLE SA	Sent Correspondence	Climate Change	Awaiting Response
NORTHUMBRIAN WATER GROUP	Meeting	Environmental Risk	Moderate Improvement
OCCIDENTAL PETROLEUM CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PING AN INSURANCE GROUP	Sent Correspondence	Environmental Risk	Awaiting Response
PRUDENTIAL PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO GROUP (AUS)	Sent Correspondence	Human Rights	Dialogue
RYANAIR HOLDINGS PLC	Alert Issued	Remuneration	No Improvement
SALESFORCE INC	Sent Correspondence	Board Composition	Awaiting Response
SEVERN TRENT PLC	Meeting	Environmental Risk	Moderate Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Board Composition	Awaiting Response
SSE PLC	AGM	Climate Change	Dialogue
SUZANO SA	Meeting	Climate Change	Small Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TESLA INC	Sent Correspondence	Human Rights	Awaiting Response
THE PROCTER & GAMBLE COMPANY	Sent Correspondence	Environmental Risk	Awaiting Response
TOTAL ENERGY SERVICES INC	Sent Correspondence	Human Rights	Dialogue
UNILEVER PLC	Meeting	Human Rights	Small Improvement
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
VALE SA	Sent Correspondence	Human Rights	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
VOLVO AB	Meeting	Human Rights	Small Improvement
WH SMITH PLC	Received Correspondence	Audit Practices	Satisfactory Response
WHITBREAD PLC	Received Correspondence	Employment Standards	Satisfactory Response
ZURICH INSURANCE GROUP AG	Sent Correspondence	Environmental Risk	Awaiting Response

# ENGAGEMENT DATA

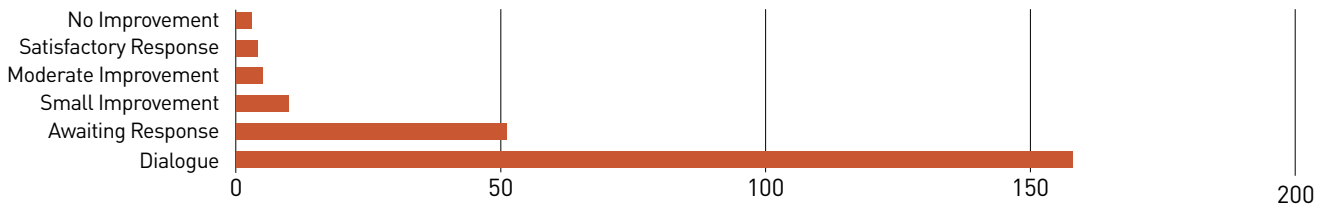
## ENGAGEMENT TOPICS



## ACTIVITY



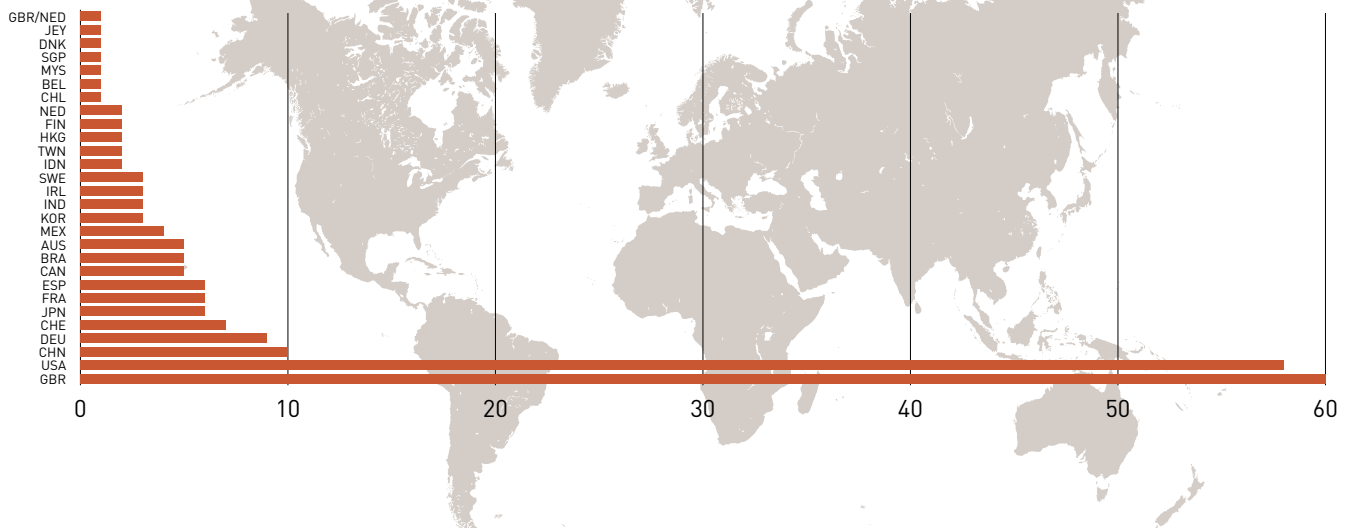
## MEETING ENGAGEMENT OUTCOMES



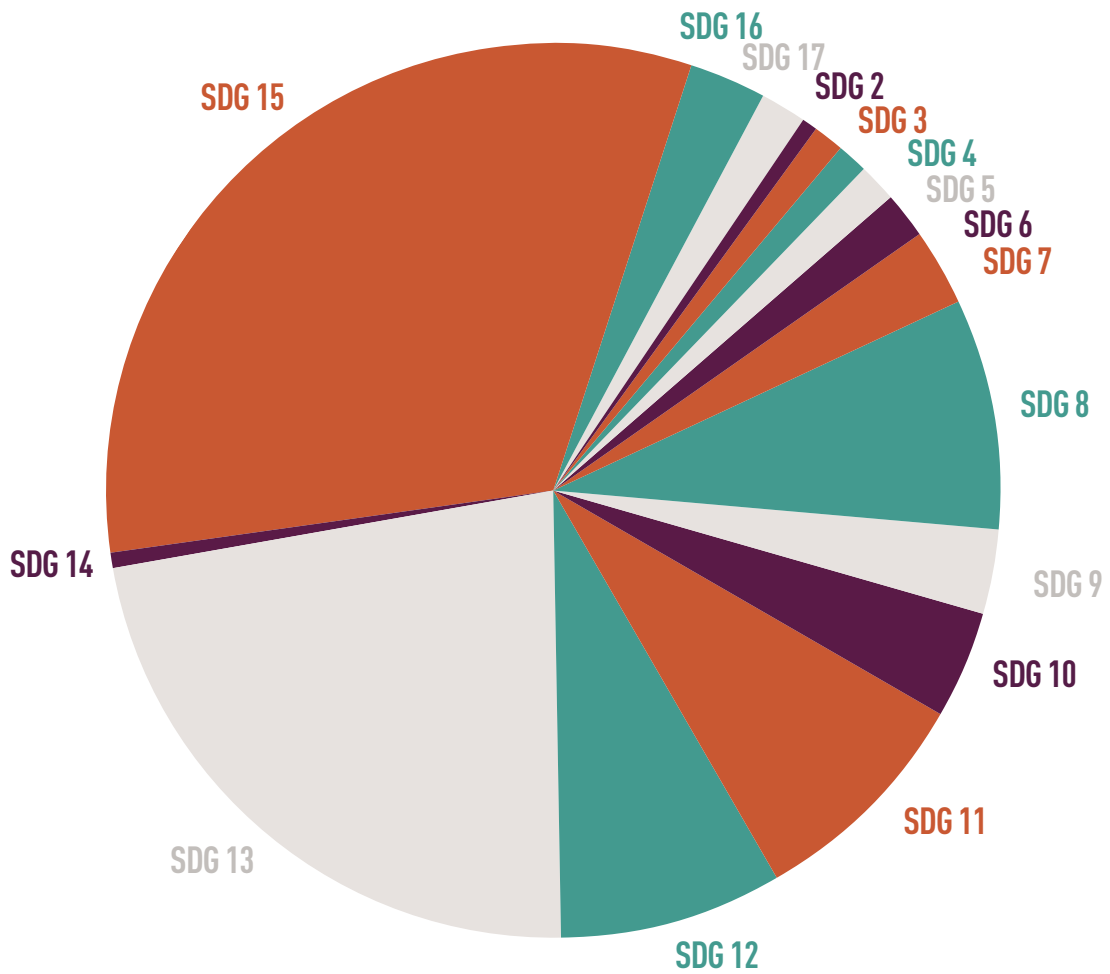
## POSITION ENGAGED



## COMPANY DOMICILES



## ENGAGEMENT DATA



### LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	4
SDG 6: Clean Water and Sanitation	6
SDG 7: Affordable and Clean Energy	9
SDG 8: Decent Work and Economic Growth	27
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	13
SDG 11: Sustainable Cities and Communities	27
SDG 12: Responsible Production and Consumption	27
SDG 13: Climate Action	73
SDG 14: Life Below Water	2
SDG 15: Life on Land	106
SDG 16: Peace, Justice, and Strong Institutions	9
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	5

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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Avon Pension Fund	Environment Agency Pension Fund	Lincolnshire Pension Fund	Swansea Pension Fund
Barking and Dagenham Pension Fund	Essex Pension Fund	London Pension Fund Authority	Teesside Pension Fund
Barnet Pension Fund	Falkirk Pension Fund	Lothian Pension Fund	Tower Hamlets Pension Fund
Bedfordshire Pension Fund	Gloucestershire Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Berkshire Pension Fund	Greater Gwent Pension Fund	Merton Pension Fund	Waltham Forest Pension Fund
Bexley (London Borough of)	Greater Manchester Pension Fund	Newham Pension Fund	Wandsworth Borough Council Pension Fund
Brent (London Borough of)	Greenwich Pension Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Gwynedd Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Camden Pension Fund	Hackney Pension Fund	North Yorkshire Pension Fund	West Yorkshire Pension Fund
Cardiff & Glamorgan Pension Fund	Hammersmith and Fulham Pension Fund	Northamptonshire Pension Fund	Westminster Pension Fund
Cheshire Pension Fund	Haringey Pension Fund	Nottinghamshire Pension Fund	Wiltshire Pension Fund
City of London Corporation Pension Fund	Harrow Pension Fund	Oxfordshire Pension Fund	Worcestershire Pension Fund
Clwyd Pension Fund (Flintshire CC)	Havering Pension Fund	Powys Pension Fund	
Cornwall Pension Fund	Hertfordshire Pension Fund	Redbridge Pension Fund	<b>Pool Company Members</b>
Croydon Pension Fund	Hillingdon Pension Fund	Rhondda Cynon Taf Pension Fund	ACCESS Pool
Cumbria Pension Fund	Hounslow Pension Fund	Scottish Borders Pension Fund	Border to Coast Pensions Partnership
Derbyshire Pension Fund	Isle of Wight Pension Fund	Shropshire Pension Fund	LGPS Central
Devon Pension Fund	Islington Pension Fund	Somerset Pension Fund	Local Pensions Partnership
Dorset Pension Fund	Kensington and Chelsea (Royal Borough of)	South Yorkshire Pension Authority	London CIV
Durham Pension Fund	Kent Pension Fund	Southwark Pension Fund	Northern LGPS
Dyfed Pension Fund	Kingston upon Thames Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
Ealing Pension Fund	Lambeth Pension Fund	Strathclyde Pension Fund	
East Riding Pension Fund	Lancashire County Pension Fund	Suffolk Pension Fund	
East Sussex Pension Fund	Leicestershire Pension Fund	Surrey Pension Fund	
Enfield Pension Fund	Lewisham Pension Fund	Sutton Pension Fund	



## PENSION POLICY &amp; INVESTMENT COMMITTEE - 15.11.2023

**MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT  
COMMITTEE  
HELD ON WEDNESDAY, 15 NOVEMBER 2023**

**COUNCILLORS**

**PRESENT** Doug Taylor (Chair), Susan Erbil and Edward Smith

**ABSENT** Gina Needs, Sabri Ozaydin and David Skelton

**OFFICERS:** Olga Bennet (Director of Finance), Ravi Lakhani (Head of Pension Investments) and Petra Stephenson (Governance Officer).

**1 WELCOME AND APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were received from the following:

Cllr Gina Needs  
Cllr Sabri Ozaydin

**2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 4 October 2023 were agreed.

**4 EXCLUSION OF THE PRESS AND PUBLIC**

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

**5 INFRASTRUCTURE INVESTMENTS**

The Committee discussed infrastructure investments options.

Following part 2 discussions, the recommendation was **AGREED**.

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