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PENSION POLICY & INVESTMENT COMMITTEE

Contact: Petra Stephenson
Governance Officer

Wednesday, 17 January 2024 at 10.00 am
Conference Room, Civic Centre, Silver
Street, Enfield, EN1 3XA

Direct: +44 20 4534 2655

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

PENSION POLICY & INVESTMENT COMMITTEE

**Wednesday, 17th January, 2024 at 10.00 am in the Conference
Room, Civic Centre, Silver Street, Enfield, EN1 3XA**

Membership:

Councillors: Doug Taylor (Chair), Sabri Ozaydin (Vice Chair), Susan Erbil,
Gina Needs, David Skelton and Edward Smith

AGENDA – PART 1

- 1. WELCOME AND APOLOGIES**
- 2. DECLARATIONS OF INTEREST**
- 3. MINUTES OF PREVIOUS MEETING** (Pages 1 - 2)
- 4. CHAIR'S UPDATE**

To receive a verbal update from the Chair.

- 5. SOUTHGATE COLLEGE TRANSFER** (Pages 3 - 16)

To agree the transfer of assets and liabilities relating to Southgate college
from the Enfield Pension Fund to the London Borough of Barnet Pension
Fund

6. PENSION FUND ANNUAL REPORT & STATEMENT OF ACCOUNTS
(Pages 17 - 198)

To note the contents of the annual report.

7. INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS (Pages 199 - 278)

To note and agree the contents of this report.

These items will contain 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 Schedule 12A 3 to the Local Government Act 1972, as amended.

8. STRATEGIC ASSET ALLOCATION PAPER (Pages 279 - 324)

To agree the recommended Strategic Asset Allocation and next steps for implementation.

These items will contain 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 Schedule 12A 3 to the Local Government Act 1972, as amended.

9. UPDATE FROM PENSION BOARD

Members will receive a verbal update

10. DATES OF FUTURE MEETINGS

To note the dates of future meetings as follows:

20 March 2024

11. EXCLUSION OF THE PRESS AND PUBLIC

To consider passing a resolution under Section 100(A) of the Local Government Act 1972 excluding the press and public from the meeting for the items of business listed on part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006). (Members are asked to refer to the part 2 agenda.)

12. PROCUREMENT AND APPOINTMENT OF ACTUARY (Pages 325 - 328)

To approve the appointment of the Actuary and benefits consultancy Advisor for the Fund.

These items will contain 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 Schedule 12A 3 to the Local Government Act 1972, as amended.

13. INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS

Item 7 above refers

14. STRATEGIC ASSET ALLOCATION PAPER

Item 8 above refers

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PENSION POLICY & 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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London Borough of Enfield

| | |
|--------------------------------------|--|
| Report Title | Transfer of members to London Borough of Barnet Pension Fund |
| Report to | Pension, Policy & Investment Committee (PPIC) |
| Date of Meeting | 17 January 2023 |
| Cabinet Member | Cllr Tim Leaver |
| Executive Director / Director | Fay Hammond |
| Report Author | Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk |
| Classification | Part 1 Public |

Purpose of Report

1. To inform PPIC of the transfer of pension fund members relating to Southgate College from Enfield Pension Fund to the London Borough of Barnet Pension Fund.
2. Agree the transfer of the assets and liabilities relating to Southgate college from the Enfield Pension Fund to the London Borough of Barnet Pension Fund.

Recommendations

- | |
|--|
| <ol style="list-style-type: none"> I. Agree the transfer of the assets and liabilities relating to Southgate College an employer in the Enfield Pension Fund to the London Borough of Barnet Pension Fund with effect from 31 March 2024. |
|--|

Background and Options

3. On 31 October 2011, Southgate College, an Employer in the Enfield Pension Fund, merged with Barnet College, an employer in the Barnet Pension Fund.

4. The Secretary of State for Levelling Up, Housing & Communities has directed that the pension assets and liabilities of Southgate College (including those for former members) are transferred to the Barnet Pension Fund.
5. The market value of the assets in the Enfield Pension Fund notionally attributable to Southgate College on the merger date (31 October 2011) was £9,252,000.
6. The terms and conditions of the transfer can be found in Appendix 1: Actuary's letter in respect of bulk transfer of members from Southgate College to Barnet College. This has been drafted by Enfield Fund's actuary, Aon Solutions UK limited and also signed by the Barnet Pension Fund Actuary, Hymans Robertson.

Preferred Option and Reasons For Preferred Option

7. PPIC are asked to agree the transfer of the assets and liabilities relating to Southgate College to the London Borough of Barnet Pension Fund.
8. The effective date of the transfer is to be 31 March 2024.
9. The value of the asset to be transferred at 31 March 2024 will be determined by the notional assets that existed on the merger date, £9,252,000, which will be updated in line with investment returns. The exact methodology for calculating investment returns is provided for in Appendix 1- Actuary letter in respect of bulk transfer. The updated value as at 31 March 2022 was £15,838,960. This value will be updated at the transfer date (31 March 2024) and is expected to be within 10% of 31 March 2022 value.
10. Under the PPIC terms of reference the committee shall:
(Extract of PPIC terms of reference)
 - Approve admissions into the Fund
 - (vi) Ensure compliance with all relevant best practices for LGPS fund.
 - (viii) consider any other policy or investment issues as the committee see fit

The transfer of the asset and liabilities of Southgate college to Barnet Pension Fund would be classed as a bulk transfer and would fall under the relevant parts of the PPIC terms of reference identified above.

11. A direction application is being submitted to the Secretary of State in January 2024. Should there be any delay in receiving approval the effective date of the transfer would slip. Any slippage will be reported to PPIC at future PPIC meetings.

Financial Implications

12. The value of the assets to be transferred at 31 March 2024 will be determined by the notional assets that existed on the merger date, £9,252,000 which will be updated in line with investment returns. The exact methodology for calculating investment returns is provided for in Appendix 1- Actuary letter in respect of bulk transfer. The updated value as at 31 March 2022 was £15,838,960. This value will be updated at the transfer date (31 March 2024) and is expected to be within 10% of 31 March 2022 value.

13. All assets and liabilities will relating to Southgate College will become the responsibility of the Barnet Pension fund on the effective date anticipated to be 31 March 2024.(Subject to Secretary of State approval)

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

Appendices

Appendix 1 : Actuary letter in respect of bulk transfer of members from Southgate College to Barnet College.

Background Papers

None

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London Borough of Enfield Pension Fund

Transfer of members from the London Borough of Enfield Pension Fund to the London Borough of Barnet Pension Fund

Actuary's letter in respect of the bulk transfer of members from Southgate College to Barnet College.

Introduction and Context

On 31 October 2011, Southgate College, an employer in the *Enfield Pension Fund*, merged with Barnet College, an employer in the *Barnet Pension Fund*. The Secretary of State for Levelling Up, Housing & Communities has directed that the assets and liabilities of Southgate College (including those for former members) are transferred to the *Barnet Pension Fund*.

This letter sets out the terms on which the asset transfer in respect of the *Transferring Members*, whose liabilities transferred from the *Enfield Pension Fund* to the *Barnet Pension Fund* on the *Effective Date*, will be calculated.

The proposed terms reflect our understanding that it has been agreed that the transfer will be Southgate College's notional share of assets held in the *Enfield Pension Fund* at the *Merger Date* (the *Transfer Amount*) updated in line with investment returns in the *Enfield Pension Fund* between the *Merger Date* and the *Payment Date*, adjusted appropriately to reflect benefit payments made and intra-Fund membership movements prior to the *Benefits Payments Transfer Date*.

Terms in italics are defined in the Definition of terms.

Direction Order

Assets and Liabilities in the *Enfield Pension Fund* in respect of the *Transferring Members* became the responsibility of the *Barnet Pension Fund* with effect from the *Effective Date*.

Prepared for: Hymans Robertson LLP

Prepared by: Joel Duckham FIA

Date: 29 November 2022

London Borough of Enfield Pension Fund

Process

The addressee is requested to confirm acceptance of the basis by signing and returning a copy of this letter.


Basis

The *Enfield Pension Fund* will transfer the *Accumulated Transfer Payment* to the *Barnet Pension Fund* on the *Payment Date*.

The accumulated value of any money purchase AVCs made by or in respect of the *Transferring Members*, if applicable, has or will be paid in addition to the *Accumulated Transfer Payment*.

These terms do not apply to any *Unfunded Benefits* (if applicable) and until alternative arrangements are made and agreed by both parties, any such payments that are paid by London Borough of Enfield on behalf of the *Previous Employer* should continue to be reimbursed by the *Previous Employer*.

Signed on behalf of Aon Solutions UK Limited
(Enfield Pension Fund Actuary)

DocuSigned by:

ACA732C3260D46B...
Joel Duckham FIA

Date: 29 November 2022

.....

Signed on behalf of Hymans Robertson LLP
(Barnet Pension Fund Actuary)

DocuSigned by:

AA6CAE8F2DE64D8...
Steven Scott FFA

Dec 7, 2022
Date:

Definition of terms



Definitions of items in italics.

| Term | Meaning |
|---|--|
| <i>Accumulated Transfer Payment</i> | (The <i>Transfer Amount</i> multiplied by the <i>Market Adjustment Factor</i>) LESS (for each <i>Time Period</i>) (the <i>Benefit Payments in the relevant Time Period</i> multiplied by the <i>Market Adjustment Factor for the relevant Time Period</i>) |
| <i>Barnet Pension Fund</i> | The Local Government Pension Fund administered by the London Borough of Barnet, in its capacity as Administering Authority, in accordance with the <i>Regulations</i> . |
| <i>Barnet Pension Fund Actuary</i> | Steven Scott FFA of Hymans Robertson LLP, or another actuary or firm of actuaries appointed by the <i>Barnet Pension Fund</i> for the purpose of this transfer. |
| <i>Benefit Payments in the relevant Time Period</i> | The total benefits paid by the <i>Enfield Pension Fund</i> to beneficiaries of the <i>Previous Employer</i> over a <i>Time Period</i> (inclusive of amounts that have been notionally transferred from the Southgate asset share of the <i>Enfield Pension Fund</i> to other employers within the <i>Enfield Pension Fund</i> over that <i>Time Period</i> , e.g. as a result of an aggregation option). |
| <i>Benefits Payments Transfer Date</i> | A date as agreed between the <i>Enfield Pension Fund</i> and <i>Barnet Pension Fund</i> from which the <i>Barnet Pension Fund</i> becomes responsible for making all benefit payments to the <i>Transferring Members</i> . This will be a date falling either on or after the <i>Effective Date</i> . |
| <i>Enfield Pension Fund</i> | The Local Government Pension Fund administered by the London Borough of Enfield, in its capacity as Administering Authority, in accordance with the <i>Regulations</i> . |
| <i>Enfield Pension Fund Actuary</i> | Joel Duckham FIA of Aon Solutions UK Limited, or another actuary or firm of actuaries appointed by the <i>Enfield Pension Fund</i> for the purpose of this transfer. |
| <i>Effective Date</i> | The effective date of the Direction Order made on behalf of the Secretary of State in relation to this transfer. |

| Term | Meaning |
|--|---|
| Market Adjustment Factor | <p>The total investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the <i>Merger Date</i> and the day before the <i>Payment Date</i>. The total return will comprise the cumulative return in relation to the following:</p> <ul style="list-style-type: none"> ▪ the return on the <i>Notional Portfolio</i> from the start of the first working day following the <i>Merger Date</i> to the close of business the working day before the next <i>Net Investment Return</i> is available (<i>A%</i>). ▪ the actual <i>Net Investment Return</i>, where known for the complete calendar quarters between the <i>Merger Date</i> and the close of business on the working day before the <i>Payment Date</i> (<i>B%</i>). ▪ the return on the <i>Notional Portfolio</i> from the end of the last quarter for which the actual gross return is available to the close of business the working day before the <i>Payment Date</i> (<i>C%</i>). <p>The <i>Market Adjustment Factor</i> would be $(1+A\%) \times (1+B\%) \times (1+C\%)$</p> |
| Market Adjustment Factor for the relevant Time Period | <p>The square root of (1 plus the total % investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the start of business on the first working day of the relevant <i>Time Period</i> and the close of business of the last working day of the relevant <i>Time Period</i>), multiplied by</p> <p>(1 plus the total % investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the start of business on the first working day following the end of the relevant <i>Time Period</i> and the close of business on the last working day before the <i>Payment Date</i>)</p> <p>If the <i>Net Investment Return</i> is not available for any period covered by the above formula, the return on the <i>Notional Portfolio</i> shall be used between the start of the first working day from which the <i>Net Investment Return</i> is not available and the end of the last working day before which the <i>Net Investment Return</i> is next available (or the end of the last working day before the <i>Payment Date</i> if sooner).</p> |
| Merger Date | 31 October 2011 |
| Net Investment Return | The quarterly gross investment return achieved by the assets of the <i>Enfield Pension Fund</i> reduced by 0.05% (equivalent to 0.2% per annum). Returns to be |



| Term | Meaning |
|---------------------------|---|
| | allowed for are shown in the Asset Returns table below. |
| <i>Notional Portfolio</i> | <p>The <i>Notional Portfolio</i> will be assumed to be invested in the following indices:</p> <ul style="list-style-type: none"> ▪ 30% in the FTSE Actuaries All Share Total Return Index ▪ 15% in the FTSE Actuaries Over 5 years Index-Linked Gilt Total Return Index ▪ 15% in the FTSE Actuaries Over 15 Year Gilt Total Return Index ▪ 40% in the FTSE All World ex UK Total Return Index <p>The index values used will be as published in the Financial Times (or as available on Datastream for indices that are not published in the Financial Times) on the business day following the dates defined above and below. In the event that the indices are not published on such dates the indices to be used will be those published on the most recent preceding date.</p> <p>If any index is discontinued the <i>Enfield Pension Fund Actuary</i> and the <i>Barnet Pension Fund Actuary</i> will agree an alternative index.</p> |
| <i>Payment Date</i> | An agreed date when the <i>Accumulated Transfer Payment</i> is settled between the <i>Enfield Pension Fund</i> and the <i>Barnet Pension Fund</i> |
| <i>Previous Employer</i> | Southgate College, an employer in the <i>Enfield Pension Fund</i> |
| <i>Regulations</i> | <p>The Local Government Pension Scheme Regulations 2013 (as subsequently amended).</p> <p>The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as subsequently amended).</p> |
| <i>Time Period</i> | <p>The following periods are <i>Time Periods</i>:</p> <ul style="list-style-type: none"> ▪ Between the <i>Merger Date</i> and 31 March 2012 ▪ Whole Scheme years between 31 March 2012 and the 31 March before the <i>Payment Date</i> ▪ Between the last 31 March prior to the <i>Payment Date</i> and the <i>Payment Date</i> |
| <i>Transfer Amount</i> | £9,252,000, being the market value of assets in the <i>Enfield Pension Fund</i> notionally attributable to the <i>Previous Employer</i> at the <i>Merger Date</i> . |



| Term | Meaning |
|----------------------------|--|
| <i>Transferring Member</i> | A former employee of the <i>Previous Employer</i> , in relation to whom liability has been transferred to the <i>Barnet Pension Fund</i> on the <i>Effective Date</i> . |
| <i>Unfunded Benefits</i> | <p>Discretionary benefits that are paid on behalf of the <i>Previous Employer</i> in relation to benefits awarded outside the provisions of the <i>Enfield Pension Fund</i> and paid for on a pay as you go basis. Examples of such benefits are those awarded under:</p> <ul style="list-style-type: none"> ▪ The Local Government (Discretionary Payments) Regulations 1996 ▪ The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 ▪ The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 ▪ The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011 <p>which have not been converted to funded benefits under the <i>Regulations</i>.</p> |



Asset Returns

The table below shows the known gross asset returns achieved by the assets of the *Enfield Pension Fund* for complete quarters from the *Transfer Date*.

| Period ending | Gross Investment Return | Expense Allowance | Net Investment Return |
|-------------------|-------------------------|-------------------|-----------------------|
| 31 March 2012 | 4.70% | 0.00% | 4.70% |
| 30 June 2012 | (1.30)% | 0.00% | (1.30)% |
| 30 September 2012 | 2.00% | 0.00% | 2.00% |
| 31 December 2012 | 2.20% | 0.00% | 2.20% |
| 31 March 2013 | 8.60% | 0.00% | 8.60% |
| 30 June 2013 | (0.30)% | 0.05% | (0.35)% |
| 30 September 2013 | 0.50% | 0.05% | 0.45% |
| 31 December 2013 | 3.10% | 0.05% | 3.05% |
| 31 March 2014 | 1.30% | 0.05% | 1.25% |
| 30 June 2014 | 1.30% | 0.05% | 1.25% |
| 30 September 2014 | 3.30% | 0.05% | 3.25% |
| 31 December 2014 | 3.80% | 0.05% | 3.75% |
| 31 March 2015 | 4.60% | 0.05% | 4.55% |
| 30 June 2015 | (2.20)% | 0.05% | (2.25)% |
| 30 September 2015 | (0.70)% | 0.05% | (0.75)% |
| 31 December 2015 | 4.00% | 0.05% | 3.95% |
| 31 March 2016 | 1.60% | 0.05% | 1.55% |
| 31 March 2017* | 17.60% | 0.20% | 17.40% |
| 30 June 2017 | 1.12% | 0.05% | 1.07% |
| 30 September 2017 | 0.70% | 0.05% | 0.65% |
| 31 December 2017 | 2.89% | 0.05% | 2.84% |
| 31 March 2018 | (2.48)% | 0.05% | (2.53)% |
| 30 June 2018 | 3.56% | 0.05% | 3.51% |
| 30 September 2018 | 3.41% | 0.05% | 3.36% |
| 31 December 2018 | (4.16)% | 0.05% | (4.21)% |
| 31 March 2019 | 4.66% | 0.05% | 4.61% |
| 30 June 2019 | 3.46% | 0.05% | 3.41% |
| 30 September 2019 | 3.04% | 0.05% | 2.99% |
| 31 December 2019 | (0.06)% | 0.05% | (0.11)% |



| Period ending | Gross Investment Return | Expense Allowance | Net Investment Return |
|-------------------|-------------------------|-------------------|-----------------------|
| 31 March 2020 | (9.40)% | 0.05% | (9.45)% |
| 30 June 2020 | 10.09% | 0.05% | 10.04% |
| 30 September 2020 | 2.16% | 0.05% | 2.11% |
| 31 December 2020 | 5.20% | 0.05% | 5.15% |
| 31 March 2021 | 2.29% | 0.05% | 2.24% |
| 30 June 2021 | 4.44% | 0.05% | 4.39% |
| 30 September 2021 | 2.69% | 0.05% | 2.64% |
| 31 December 2021 | 3.38% | 0.05% | 3.33% |
| 31 March 2022 | (1.60)% | 0.05% | (1.65)% |
| 30 June 2022 | (5.06)% | 0.05% | (5.11)% |
| 30 September 2022 | (0.91)% | 0.05% | (0.96)% |



* For the year to 31 March 2017 we received an annual figure as opposed to four quarterly figures.

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London Borough of Enfield

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|--------------------------------------|--|
| Report Title | Enfield Pension Fund Annual Report |
| Report to | Pension Policy & Investment Committee (PPIC) |
| Date of Meeting | 17 January 2024 |
| Cabinet Member | Cllr Tim Leaver |
| Executive Director / Director | Fay Hammond |
| Report Author | Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk |
| Classification | Part 1 Public |

Purpose of Report

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

Recommendations

- | |
|--|
| <ol style="list-style-type: none"> I. Members are approve the contents of the report. |
|--|

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 terms of reference for the PPIC state that the Committee should receive and approve and annual report on the activities of the fund.
10. 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

11. N/A

Financial Implications

12. N/A

Legal Implications

13.N/A

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

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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:

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

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

Scheme Administrator (Section 151 Officer Local Government Act)

Fay Hammond, London Borough of Enfield

Fay.Hammond@enfield.gov.uk

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

Email: 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.

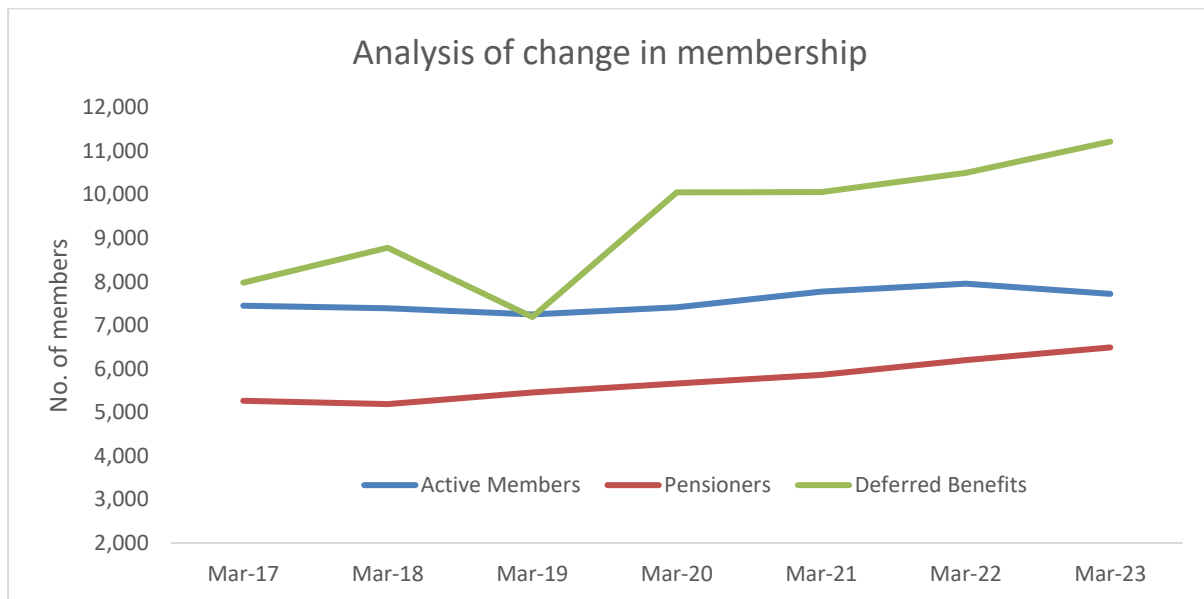
1.4 Membership Report

Membership Trends

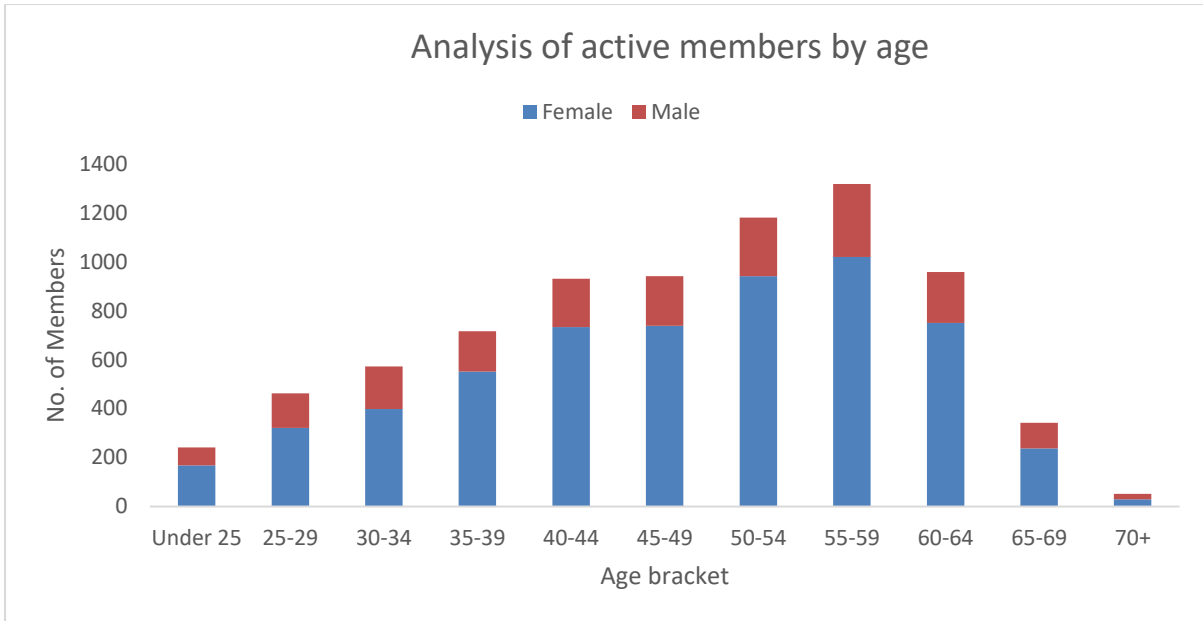
Membership of the fund is categorised into three types; Actives, Pensioners and Deferred.

- 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)

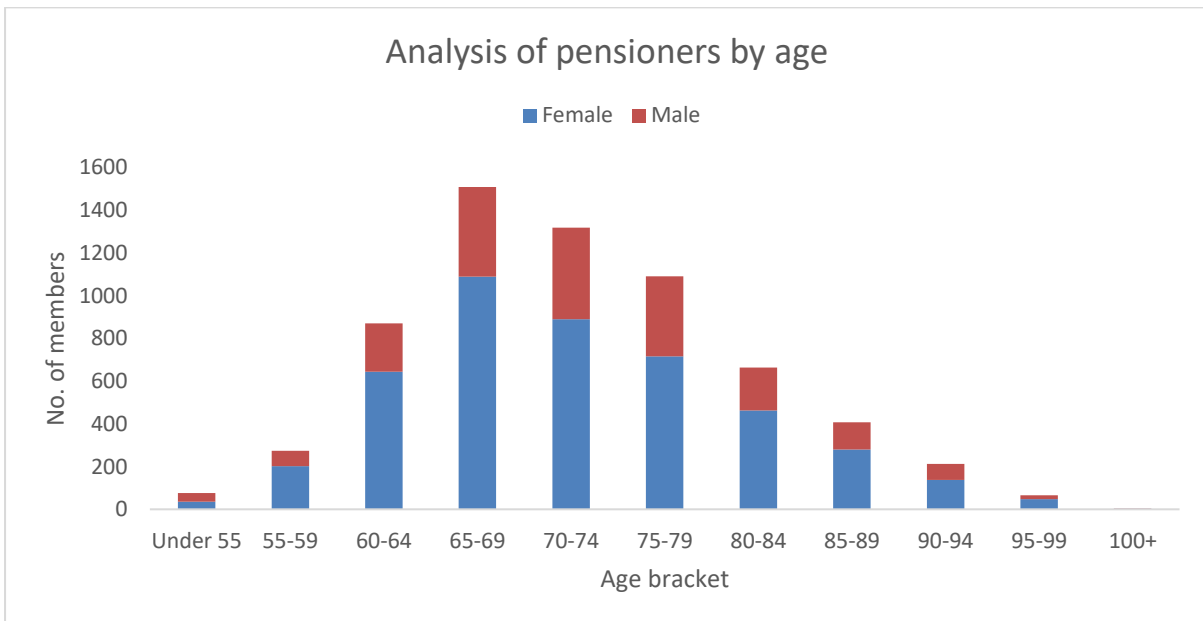
The change in membership numbers and the make-up of active and pensioner members are analysed further below.



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 |
|---|------------------------|-------------|------------------|-------------------|
| London Borough of Enfield | 5,670 | 5938 | 6,760 | 2,137 |
| Scheduled Bodies | | | | |
| 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 |
| Subtotal – Scheduled Bodies | 1955 | 475 | 1255 | 864 |
| Admitted Bodies | | | | |
| 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 |
| Subtotal – Admitted Bodies | 94 | 76 | 164 | 33 |
| Total Membership | 7,719 | 6,489 | 8,179 | 3,034 |

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 |
| Total | 3,209 | 3,369 | 3,208 | 3,203 | 3,207 | 3,223 | 3,268 | 4,736 | 3,470 | 3,511 | 3,469 | 3,533 |

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 19th

day of the following month to that which they relate. The Pension Regulations allows for interest to be levied on contributions that are not paid on time, there were 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 |
| Total Costs | 1,257 | 49.45 |

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.

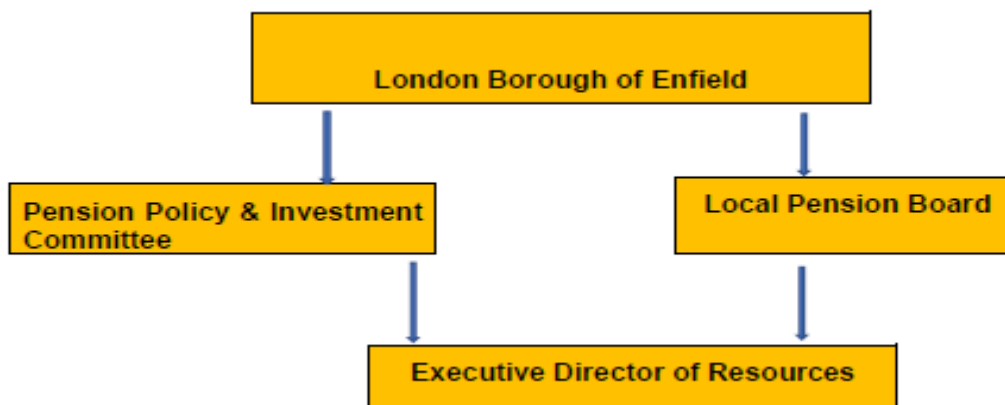
The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Policy & Investment Committee (PPIC) and there is a Pensions Board to assist the Authority in monitoring compliance with regulations. 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 & Investment Committee 2022/23:

| | 14 th Apr 2022 | 27 th Jul 2022 | 5 th Oct 2022 | 23 rd Nov 2022 | 18 th Jan 2023 | 29 th 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 | TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) 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 | TOLERATE 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>TREAT</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>TREAT</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:

| Change in Fund Value | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 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 |
| Net (increase)/decrease in the Fund | 36,070 | (256,602) | (116,746) | 67,109 |

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

| Net Dealings with members | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 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 |
| Net (increase)/decrease from dealings with members | (6,935) | (5,472) | (3,250) | (15,561) |

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 |
| Total management expenses | 10,088 | 12,063 | 12,605 | 11,113 |

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 |
|---------------------------------|---------------------------------|--------------------|-----------------------------|---------------|
| Equities | 39.2 | 35.0 | 8-11% | 30-50% |
| Bonds | 19.9 | 24.0 | 4-5% | 19-39% |
| Inflation protection | 7.0 | 10.0 | - | |
| Hedge Funds | 2.6 | - | 9-11% | 10-20% |
| Property (UK) | 5.5 | 5.0 | 9% | 5-15% |
| Infrastructure/PFI | 4.3 | 16.0 | 9% | 3-9% |
| Cash | 8.7 | - | - | - |
| Alternative Fixed Income | 5.3 | 5.0 | - | - |
| Private Equity | 7.4 | 5.0 | - | - |
| Total | 100.0 | 100.0 | | |

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. |
|---------------------------|-------------|----------------|----------------|-----------------|-----------------|-----------------|
| EQUITIES: | | | | | | |
| 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 | | |
| Total Equities | 0.0 | 14.5 | 7.6 | 8.8 | 10.0 | 8.4 |
| BONDS: | | | | | | |
| 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 | | | |
| Total Bonds | -9.1 | -0.9 | 0.3 | 2.6 | 4.6 | 5.7 |
| Private Equity | 3.8 | 17.1 | 15.7 | 13.9 | 9.0 | |
| Infrastructure | 12.2 | 8.0 | 8.2 | | | |
| Hedge Funds | 3.2 | 6.4 | 3.9 | | | |
| Total Alternatives | 6.5 | 11.6 | 10.3 | 9.8 | 8.5 | |
| Property | -7.9 | 2.9 | 3.2 | 6.8 | 6.0 | 7.8 |
| Diversified Growth | -0.4 | 5.3 | 2.5 | | | |
| Total Fund Average | -1.6 | 9.5 | 5.9 | 7.3 | 8.4 | 7.7 |
| RANGE OF RESULTS | | | | | | |
| Top quartile | -1.6 | 10.1 | 6.2 | 7.6 | 8.6 | 7.7 |
| Median | -3.3 | 9.2 | 5.7 | 7.2 | 8.3 | 7.5 |
| Bottom quartile | -4.6 | 8.0 | 5.1 | 6.6 | 7.8 | 7.3 |

Fund Manager Structure

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

| Fund manager | Investment objectives |
|---|--|
| Adam Street Partners <i>(Fund of Funds Private Equity Portfolio)</i> | To outperform the MSCI World Index. |
| Antin <i>European Infrastructure Fund</i> | 15% gross IRR with a gross yield target of 5% p.a. |
| AON <i>Diversified Liquid Credit</i> | SONIA (Sterling Overnight index average) + 1.5% per annum over a market cycle (Net of fees) |
| BlackRock Advisers UK Ltd <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 |
| Brockton <i>Opportunistic property</i> | 15% net IRR and 1.5xnet multiple |
| CBRE <i>Inflation protecting illiquid</i> | UK LPI +2.5% p.a. over rolling 10yr period |
| Davidson Kempner <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.) |
| International Public Partnerships Limited <i>(Private Finance Initiative)</i> | To achieve a return of at least 4.5% per annum. |
| Insight Investments <i>Bonds plus fund</i> | SONIA +2% |
| Legal & General Investment Management Ltd <i>(Active UK Property Fund)</i> | To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods. |
| London Collective Investment Vehicle <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> |
| MFS <i>(Actively Managed Global Equity Portfolio)</i> | To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods. |
| M&G <i>Inflation Opportunities Fund</i> | To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis. |
| Western Asset Management <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 31st 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 |
| | 100 | 100 | |

Source PIRC/Annual Accounts

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

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 |
| | | 457,939 | 610,562 | 650,377 | 702,770 |
| Percentage In LCIV | | 40% | 44% | 43% | 48% |

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 |
| Total costs | 150 | 25 | 100 | 90 | 90 | 110 | 110 | 110 |

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 |
| Net Savings | | (578) |

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 |
| Total Investment management | 1,879 | 7,139 | 9,018 |

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 |
|--------------------|---|-------|--------------------|
| | Dealings with members, employers and others directly involved in the Fund | | |
| (51,904) | Contributions | 7 | (56,214) |
| (2,984) | Transfers in from other pension funds | 8 | (12,591) |
| (54,888) | | | (68,805) |
| 46,888 | Benefits payable | 9 | 49,478 |
| 4,750 | Payments to and on account of leavers | 10 | 3,766 |
| 51,638 | | | 53,244 |
| (3,250) | Net additions/(withdrawals) from dealings with members | | (15,561) |
| 12,605 | Management expenses | 11 | 12,485 |
| 9,355 | Net additional/(withdrawals) including fund management | | (3,076) |
| | Returns on investments | | |
| (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 |
| (126,101) | Net returns on investments | | 70,185 |
| (116,746) | Net change in assets available for benefits during the year | | 67,109 |
| (1,406,033) | Opening net assets of the scheme | | (1,522,779) |
| (1,522,779) | Closing net assets of the scheme | | (1,455,670) |

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) |
| 1,447,915 | | | 1,325,242 |
| 73,478 | Cash deposits | 14 | 128,959 |
| 2,624 | Other investment balances -assets | 14 | 1,991 |
| (785) | Other investment balances - liabilities | 14 | (872) |
| 1,523,232 | Total net investments | | 1,455,320 |
| 113 | Long Term Debtor | 21a | 117 |
| 874 | Current assets | 21 | 612 |
| (1,439) | Current liabilities | 22 | (379) |
| 1,522,779 | Net assets of the fund available to fund benefits at the end of the reporting period | | 1,455,670 |

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
31st May 2023

NOTE 1: DESCRIPTION OF FUND

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

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2021/22 and the underlying statutory powers underpinning the scheme

a) General

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

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

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

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

b) Membership

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

Organisations participating in the fund include the following:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 54 employer organisations within the fund (including the Council itself), and 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 |
| Total number of members in pension scheme | 24,646 | 25,421 |

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

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

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 |
| 12,847 | Employees' contributions | 14,057 |
| | Employers' contributions: - | |
| 35,296 | Normal | 38,524 |
| 2,583 | Deficit recovery contributions | 2,891 |
| 1,178 | Augmentation contributions | 742 |
| 39,057 | Total employers' contributions | 42,157 |
| 51,904 | | 56,214 |

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

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

| 2021/22 | | 2022/23 |
|--------------|----------------------|---------------|
| £000s | | £000s |
| 2,984 | Individual transfers | 12,591 |
| 2,984 | | 12,591 |

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 |
| 46,888 | | 49,478 |

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

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 |
| 4,750 | | 3,766 |

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 |
| 12,605 | | 12,485 |

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 | - |
| 11,171 | | 10,691 |

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 |
| 16,664 | | 22,223 |

NOTE 13: OTHER ACCOUNT FUND DISCLOSURES

NOTE 13a: EXTERNAL AUDIT FEES

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

NOTE 14: INVESTMENTS

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

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) | - |
| | 1,448,048 | 177,556 | (197,873) | 9,110 | (111,859) | 1,324,982 |
| Derivative contracts: | | | | | | |
| Futures | (48) | 1,702 | (456) | - | (1,032) | 166 |
| Purchased/written options | - | - | - | - | - | - |
| Swaps | - | - | - | - | - | - |
| Forward currency contracts | (83) | 791 | (349) | - | (263) | 96 |
| | 1,447,917 | 180,049 | (198,678) | 9,110 | (113,154) | 1,325,244 |
| Other Investment balances: | | | | | | |
| 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) |
| | 1,523,232 | | | 9,110 | (110,628) | 1,455,320 |

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) | - |
| | 1,292,795 | 104,228 | (56,879) | 8,036 | 99,865 | 1,448,045 |
| Derivative contracts: | | | | | | |
| Futures | (136) | 714 | (548) | - | (78) | (48) |
| Forward currency contracts | 44 | 201 | (241) | - | (88) | (83) |
| | 1,292,703 | 105,143 | (57,668) | 8,036 | 99,699 | 1,447,914 |
| 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) |
| | 1,395,022 | | | 8,036 | 101,400 | 1,523,232 |

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 | % |
| Investments managed by London CIV regional pool: | | | | |
| 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 |
| 301,483 | 19.8 | | 376,445 | 25.9 |
| Investments managed outside London CIV pool: | | | | |
| 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 |
| 1,221,749 | 80.2 | | 1,078,875 | 74.1 |
| 1,523,232 | 100.0 | | 1,455,320 | 100.0 |

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 |
| Total Value of Investments | 922,271 | | 880,576 | |

NOTE 15: FAIR VALUE – BASIS OF VALUATION:

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

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"> - EBITDA multiple - Revenue multiple - Control Premium | 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 |
| Total | | 184,436 | 210,265 | 158,609 |

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 |
|--|--------------------------------------|---------------------------------------|--|------------------|
| Financial assets at fair value through profit and loss | | | | |
| 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 | - | - | - | - |
| Non-financial assets at fair value through profit and loss | | | | |
| Property | - | - | - | - |
| Financial liabilities at fair value through profit and loss | | | | |
| Payable for investment purchases | - | (872) | - | (872) |
| Other investment liabilities | - | - | - | - |
| Derivative liabilities | (95) | (9) | - | (104) |
| Net financial assets | 754,741 | 525,438 | 175,141 | 1,455,320 |

NOTE 15a: FAIR VALUE HIERARCHY CONTINUED:

| | Quoted market price Level 1 | Using observable inputs Level 2 | With significant observable inputs Level 3 | Total |
|--|--------------------------------|------------------------------------|---|------------------|
| 2021/22 | | | | |
| Financial assets at fair value through profit and loss | | | | |
| 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 |
| Non financial assets at fair value through profit and loss | | | | |
| Property | - | - | - | - |
| Financial liabilities at fair value through profit and loss | | | | |
| Payable for investment purchases | - | (785) | - | (785) |
| Other investment liabilities | - | - | - | - |
| Derivative liabilities | (145) | (88) | - | (233) |
| Net financial assets | 379,686 | 908,360 | 235,186 | 1,523,232 |

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 |
| | 238,255 | - | 22,190 | (68,955) | (24,481) | 8,132 | 175,140 |

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 |
| Financial assets | | | | | |
| 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 | - | - |
| 1,482,283 | 41,967 | - | | 1,374,012 | 82,285 |
| Financial liabilities | | | | | |
| (233) | - | - | Other Investment balances | (105) | - |
| - | - | (785) | Creditors | - | (872) |
| (233) | - | (785) | | (105) | (872) |
| 1,482,050 | 41,967 | (785) | Total | 1,373,907 | 82,285 |
| | | 1,523,232 | Grand Total | | 1,455,320 |

NOTE 16b: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

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

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

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

Management of risk

The Pension Fund is invested in a range of different types of 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:

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 |
|---|-------------------------------------|------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 128,959 | 0% | 128,959 | 128,959 |
| Investment portfolio assets: | | | | |
| 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) |
| Total assets available to pay benefits | 1,455,320 | | 1,550,300 | 1,360,342 |

| Asset type | Market Value as at 31/03/2022 £0 | Percentage change % | Value on increase £0 | Value on decrease £0 |
|---|-------------------------------------|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | 73,478 | 0% | 73,478 | 73,478 |
| Investment portfolio assets: | | | | |
| 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) |
| Total assets available to pay benefits | 1,523,232 | | 1,632,213 | 1,414,251 |

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 |
| Cash and cash equivalents | | | | |
| Cash | | 128,959 | 1,290 | (1,290) |
| Bonds | | | | |
| 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 |
| Total change in assets | | 203,956 | (6,503) | 6,503 |

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 | |
|---|------------------------|--|---|---------------|
| Cash and cash equivalents | | | | |
| Cash | | 73,478 | 735 | (735) |
| Bonds | | | | |
| 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 |
| Total change in assets available | | 166,587 | (10,696) | 10,696 |

| 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 |
| Total | 4,788 | 48 | 4,836 | 4,741 |

| 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 |
| Total | 3,559 | 36 | 3,595 | 3,523 |

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 |
| Total change in assets available | 539,863 | 593,850 | 485,877 |

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 |
| Total change in assets available | 618,906 | 680,797 | 557,016 |

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 |
|---------------------------------|--------|---|---|
| Money market funds | | | |
| Goldman Sachs money market fund | AAAm | 34,099 | 48,631 |
| Blackrock money market fund | AAAm | 35 | - |
| Bank current accounts | | | |
| HSBC | AA- | 12 | 2 |
| Northern Trust Custodian | AA- | 39,344 | 77,591 |
| | | 73,490 | 126,224 |

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

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 |
|----------------------|-------------------------------|--------------------|
| Debtors | | |
| 226 | Contributions due - employees | 146 |
| 631 | Contributions due - employers | 456 |
| 857 | | 602 |
| Cash balances | | |
| 13 | Current account | 10 |
| 870 | | 612 |

NOTE 20a: LONG TERM DEBTORS

| 31-Mar-22 £000s | | 31-Mar-23 £000s |
|--------------------|-------------------------|--------------------|
| Debtors | | |
| 113 | Pensioner Tax liability | 117 |
| 113 | | 117 |

NOTE 21: CURRENT LIABILITIES

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

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 |
|-------------------|--|---------------------------------------|------------------------|-------------------------------|--|
| Plan Value | 4,034 | 980 | (500) | 42 | 4,556 |
| | 4,034 | 980 | (500) | 42 | 4,556 |

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 |
| 342 | | 356 |

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 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*¹, for all employers collectively at each triennial valuation. There is no universally agreed interpretation of the composition of the Primary Rate across Local Government Pension Scheme Funds. For the purpose of publishing a Primary Contribution Rate, the aggregate future service rate is used.

The Fund’s Actuary is also required to adjust the Primary Contribution Rate for circumstances which are deemed “peculiar” to an individual employer². It is the adjusted contribution rate which employers are actually required to pay, and this is referred to as the Secondary employer contribution requirement.

In effect, the *Primary Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer, or pool, together with individual past service adjustments according to employer (or pool) -specific spreading and phasing periods.

Any costs of early retirements, other than on the grounds of ill-health, must be paid as lump sum payments at the time of the employer’s decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers’ contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss their intentions with the Administering Authority before making any additional capital payments.

3.2 Funding Principle

The Fund is financed on the principle that it seeks to provide funds sufficient to enable payment of 100% of the benefits promised.

3.3 Funding Targets

Risk Based Approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives, rather than relying on a ‘deterministic’ approach which gives little idea of the associated risk. In practice, three key decisions are required for the risk based approach:

¹ See Regulation 62(5)

² See Regulation 62(7)

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the appropriate levels of contribution payable now and, by extension, the appropriate valuation approach to adopt now. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and Funding Success

The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term, using appropriate actuarial assumptions. The Solvency Target is the amount of assets which the Fund wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate methods and assumptions.

The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

For Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, the Solvency Target is set at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period based on a long-term investment strategy that allows for continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases in pensions and pension accounts (CPI).

For Admission Bodies and other bodies whose liabilities are expected to be orphaned following exit, the required Solvency Target will typically be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

Probability of Funding Success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers, and asset-liability modelling carried out by the Fund Actuary. For this purpose, the Trajectory Period is defined to be the period of 25 years following the valuation date.

Consistent with the aim of enabling employers' total contribution levels to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

The Administering Authority will not permit contributions to be set following a valuation that create an unacceptably low chance of achieving the Solvency Target at the end of the Trajectory Period.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date. It is a product of the data, chosen assumptions, and valuation method. The assumptions for the Funding Target are chosen to be consistent with the Administering Authority's desired Probability of Funding Success.

The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The Funding Target will be the same as the Solvency Target only when the methods and assumptions used to set the Funding Target are the same as the appropriate funding methods and assumptions used to set the Solvency Target (see above).

The discount rate, and hence the overall required level of employer contributions, has been set at the 2019 valuation such that the Fund Actuary estimates there is an 80% chance that the Fund would reach or exceed its Solvency Target after 25 years.

Consistent with the aim of enabling employers' contribution levels to be kept as nearly constant as possible:

- Primary contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed

as a percentage of members' pensionable pay over that period.

- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

Application to different types of body

Some comments on the principles used to derive the Solvency and Funding Target for different bodies in the Fund are set out below.

Scheduled Bodies and certain other bodies of sound covenant

The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and for certain other bodies which are long term in nature e.g. Admission Bodies with a subsumption commitment from such Scheduled Bodies.

For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

Admission Bodies and certain other bodies whose participation is limited

For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit the Administering Authority will have specific regard to the potential for participation to cease (or for the employer to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities).

3.4 Full funding

The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers / groups of employers. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficit.

3.5 Ongoing Funding Basis

Demographic assumptions

The demographic assumptions are intended to be best estimates of future experience in the Fund having regard to past experience in the Fund as advised by the Fund Actuary.

It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. The Administering Authority, in discussions with the Actuary, keeps the longevity experience of the Fund members under review. Contributions are likely to increase in future if longevity exceeds the funding assumptions.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profile of employers.

Financial assumptions

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts. There is, however, no guarantee that the assets will out-perform gilts or even match the return on gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

The problem is that these types of investment are expected to provide higher yields because they are less predictable – the higher yield being the price of that unpredictability. It is therefore imprudent to take advance credit for too much of these extra returns in advance of them actually materialising.

Higher employers' contribution rates would be expected to result if no advance credit was taken. The Administering Authority and the Fund Actuary have therefore agreed that it is sufficiently prudent and consistent with the Regulations to take advance credit for some of the anticipated extra returns, but not all.

3.6 Primary or Future Service Contribution Rates

The Primary (future service) element of the employer contribution requirement is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that only certain employers have the power not to automatically admit all eligible new staff to the Fund, e.g. certain Admission Bodies depending on the terms of their Admission Agreements and employment contracts.

3.7 Adjustments for Individual Employers

Notional sub-funds

In order to establish contribution levels for individual employers, or groups of employers, it is convenient to notionally subdivide the Fund as a whole between the employers, or group of employers where grouping operates, as if each employer had its own notional sub-fund within the Fund.

This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or group of assets by any individual employer or group of employers.

Roll-forward of notional sub-funds

The notional sub-fund allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the Cash Equivalent Transfer Value (CETV) of the members transferring from one employer to the other unless some other approach has been agreed between the two employers.

- Allowance for death in service benefits, ill-health retirement costs and any other benefits shared across all employers (see earlier).
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used.
- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, the Fund Actuary will instead use an analysis of gains and losses to roll forward the notional sub-fund. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficit exhibited at the previous valuation. Having established an expected surplus or deficit at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.
- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results, perhaps because of unknown internal transfers.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay, the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate over the longer term. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will monitor payrolls and where evidence is revealed of payrolls not increasing at the anticipated rate as used in the calculations, the Administering Authority will consider requiring defined streams of capital contributions rather than percentages of payroll.

Where defined capital streams are required, the Administering Authority will review at future valuations whether any new emerging deficiency will give rise to a new, separate, defined stream of contributions, or will be consolidated with any existing stream of contributions into one new defined stream of contributions.

Attribution of investment income

Where the Administering Authority has agreed with an employer that it will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed notional asset portfolio.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

3.8 Stability of Employer Contributions

3.8.1 Recovery and Trajectory Periods

The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

Where a valuation reveals that the employer or employer group's sub-fund is in surplus or deficiency against the Funding Target, employers' contribution rates will be adjusted to target restoration of full funding over a period of years (the Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable.

In the event of a surplus the Administering Authority may at its discretion opt to retain that surplus in the employer's sub-fund (i.e. base that employer's contribution on the primary contribution rate alone without any deduction to reflect surplus) or may determine the deduction for surplus so as to target a funding level of higher than 100% at the end of the Recovery Period. At the 2019 valuation the policy adopted by the Administering Authority for most employers in surplus is to target a funding level of 105% at the end of the Recovery Period.

The Trajectory Period and the Recovery Period are not necessarily equal. The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods for employers with a deficiency and has agreed with the Fund Actuary

a limit of 16 years, for employers with a deficiency which are assessed by the Administering Authority as being long term secure employers. For surplus recovery (where applicable) in relation to employers in surplus, the Administering Authority has agreed with the Fund Actuary that a Recovery Period of 19 years will normally be used, or for employers with a fixed term of participation the remaining term of participation may be used as the Recovery Period.

For employers with a deficiency, the Administering Authority's policy is normally to set Recovery Periods for each employer which are as short as possible within this framework, whilst attempting to maintain stability of contribution levels where possible. An exception applies for academies – see subsection 3.9.7. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

3.8.2 Grouped contributions

In some circumstances it may be desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority's policy is to consider the position carefully at the initial grouping and at each valuation and to notify each employer that is grouped, which other employers it is grouped with, and details of the grouping method used. If the employer objects to this grouping, it will be offered its own contribution rate on an ungrouped basis. For employers with more than 50 contributing members, the Administering Authority would look for evidence of homogeneity between employers before considering grouping. For employers whose participation is for a fixed period grouping is unlikely to be permitted.

Best Value Admission Bodies continue to be ineligible for grouping.

Where employers are grouped for funding purposes, this will only occur with the consent of the employers involved.

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum and spouses pension benefits on death in service as well as ill-health retirement costs – in other words, the cost of such benefits is shared across the employers in the Fund. Such benefits can cause immediate funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low-cost approach to spreading the risk.

3.8.3 Stepping

Again, consistent with the desirability of keeping employer contribution levels as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three annual steps will be permitted. Further steps may be permitted in extreme cases in consultation with the Fund Actuary, but the total is very unlikely to exceed six steps.

3.8.4 Long-term cost efficiency

In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the Administering Authority has assessed the actual contributions payable by considering:

- The implied average deficit recovery period, allowing for the stepping of employer contribution changes where applicable;
- The investment return required to achieve full funding over the recovery period; and
- How the investment return compares to the Administering Authority's view of the expected future return being targeted by the Fund's investment strategy

3.8.5 Inter-valuation funding calculations

In order to monitor developments, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal triennial valuations.

3.9 Special Circumstances related to certain employers

3.9.1 Interim reviews

Regulation 64(4) of the LGPS Regulations provides the Administering Authority with a power to carry out valuations in respect of employers which are expected to cease at some point in the future, and for the Fund Actuary to certify revised contribution rates, between triennial valuation dates.

The Administering Authority's overriding objective at all times in relation to Admission Bodies is that, where possible, there is clarity over the Funding Target for that body, and that contribution rates payable are appropriate for that Funding Target. However, this is not always possible as any date of exit of participation may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to cease within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) applies.

3.9.2 Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of

future funding in respect of those liabilities should future deficiencies emerge.

- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

3.9.3 Bonds and other securitization

Paragraph 6 of Schedule 2 Part 3 of the LGPS Regulations creates a requirement for a new admission body to carry out, to the satisfaction of the Administering Authority (and Scheme Employer in the case of an Admission Body admitted under paragraph 1 (d)(i) of that part of the Regulations), an assessment taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the admission body.

Where the level of risk identified by the assessment is such as to require it, the Admission Body shall enter into an indemnity or bond with an appropriate party.

Where for any reason it is not desirable for an Admission Body to enter into an indemnity bond, the Admission Body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of that admission body.

The Administering Authority's approach in this area is as follows:

- In the case of Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the LGPS Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond from the Admission Body, if any. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer or Guarantor, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor confirms their agreement to the level of bond cover proposed, the Administering Authority will be happy to supply a separate document (provided by the Fund Actuary) to the Admission Body setting out the level of cover that the Administering Authority and Scheme Employer/Guarantor consider suitable. Again, this should not be construed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and recommends that relevant Scheme Employers review the required cover regularly, at least once a year.

- In the case of Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations or Admission Bodies admitted under that Part of the Regulations where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant and Admission Bodies admitted under Paragraph 1(e) of Part 3, Schedule 2 of the Regulations where there is no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. As such, the Administering Authority will obtain some "standard" calculations from the Fund Actuary to assist them to form a view on what level of bond would be satisfactory. The Administering Authority will be pleased to supply this calculation to the Scheme Employer or Guarantor, where relevant, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor, where relevant, confirms their agreement to the level of bond proposed, the Administering Authority will be happy to provide a separate document to the Admission Body setting out the level of cover which the Administering Authority and Scheme Employer/Guarantor, where relevant, consider suitable, but this should not be constructed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and will require the relevant Scheme Employer or Guarantor, where relevant, to jointly review the required cover with it regularly, at least once a year.

3.9.4 Subsumed liabilities

Where an employer is ceasing participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, this will mean assuming continued investment in more risky investments than Government bonds.

3.9.5 Orphan liabilities

Where an employer is exiting the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this

creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the notional assets of the other employers participating in the Fund.

3.9.6 Cessation of participation

Where an employer ceases participation, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the exit valuation may distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers.

Unless the Administering Authority has agreed to the contrary, the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds.

For subsumed liabilities, the Administering Authority may in its absolute discretion instruct the Actuary to value those liabilities using the Funding Target appropriate to the accepting employer.

The departing employer will be expected to make good any deficit revealed in the exit valuation. The fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the employer.

In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and the accepting employer that a condition of accepting the liabilities is that there is to be no exit credit to the exiting employer on exit, all of the assets which are notionally allocated to the liabilities being accepted will transfer to the accepting employer and no exit credit will be paid to the departing employer.

In all other cases where the exit valuation above shows a surplus in relation to employers exiting on or after 14 May 2018, an exit credit will be paid to the exiting employer within 3 months of the later of (a) the exit date; and (b) the date when the employer has provided the Fund with all requisite information in order for the Fund to facilitate the exit valuation.

3.9.7 Academies

Academies are scheduled bodies and, as such, have an automatic right to join the LGPS. Guidance has been issued by the Secretaries of State for Education and Communities and Local Government but in practice differing approaches are being taken when setting the funding strategy for academies.

New Academy conversions

In future for a new academy conversion while the London Borough of Enfield's sub-fund is in deficit, the Administering Authority's standard approach will be to:

- Allocate liabilities to the academy in relation to its current employees only, with the London Borough of Enfield Group sub-fund retaining liability for former employees;
- Allocate a share of assets from the London Borough of Enfield's sub-fund to the new academy's sub-fund based on what is known as a "prioritised share of fund" approach. This means that the academy will inherit an appropriate share of the deficit attributable at conversion to the London Borough of Enfield's former employees as well as the academy's own employees.
- Set contribution levels prior to the next valuation in line with the London Borough of Enfield's contribution rate, provided this leads to a Recovery Period for the Academy which is no longer than the Recovery Period for the London Borough of Enfield. In the latter case the Recovery Period would be set to coincide with the Recovery Period for the London Borough of Enfield and a contribution level determined accordingly.

In future for a new academy conversion while the London Borough of Enfield's sub-fund is in surplus, the Administering Authority's standard approach will be to:

- Allocate liabilities to the academy in relation to its current employees only, with the London Borough of Enfield Group sub-fund retaining liability for former employees;
- Allocate a share of assets from the London Borough of Enfield's sub-fund to the new academy's sub-fund which is equal to the value placed on the liabilities upon conversion for the academy's current employees.
- Set contribution levels prior to the next valuation in line with the London Borough of Enfield's future service ("primary") contribution rate.

The same principles as above apply for the allocation of assets and liabilities in cases where a local authority school is being converted to join a Multi Academy Trust. However, the contribution level required will be in line with the rate applicable to the Multi Academy Trust.

Existing academies and Multi Academy Trusts

Where contributions are reviewed at triennial valuations, the same principles apply in relation to existing academies and Multi Academy Trusts as for other employers.

The exception is that for academies which converted on or after 1 April 2017 with a deficit and whose sub-fund has subsequently remained in deficit (and where the London Borough of Enfield's sub-fund is also in deficit at that valuation), the contribution levels for the academy will normally be set in line with the London Borough of Enfield's rate provided this leads to a Recovery Period not longer than the relevant period for the London Borough of Enfield (in which case the Recovery Period will be set to coincide with the Recovery Period for the London Borough of Enfield).

3.9.8 Admission Bodies with 10 members or fewer

In the case of an Admission Body which has 10 members or fewer (active members, deferred pensioners and pensioners) at a triennial valuation date or on its admission to the Fund between valuations, the Administering Authority may at its sole discretion permit/require the employer to pay the same long-term total % of pay contribution rate as applies for the London Borough of Enfield.

The above approach (which can involve higher/lower contribution levels being required than might be the case if the contributions were set on an employer-specific basis) is adopted in the interests of simple and cost-effective administration, having weighed up the advantages of the approach against the associated risks. The Administering Authority will keep the approach under review at future valuations.

3.10 Early Retirement Costs

3.10.1 Non Ill-Health retirements

The Actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. All employers, irrespective of whether or not they are pooled, are required to pay additional contributions wherever an employee retires early (see below) with no reduction to their benefit or receives an enhanced pension on retirement. The current costs of these are calculated by reference to formulae and factors provided by the Actuary.

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

| | |
|--|--|
| 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

| Risk | Summary of Control Mechanisms |
|--|---|
| These risks arise from the ever-changing mix of employers; from short-term and ceasing employers; and the potential for a shortfall in payments and/or orphaned liabilities. | <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

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 27th February 2020, the Committee approved additional investment beliefs as set out in Appendix 3 of this statement. This set out the ESG themes of important areas of focus for the Fund Responsible Investment activities, and our core positions in each area. This provides greater clarity

about the Fund expectations to both investee businesses and other stakeholders

7 The suitability of particular investments and types of investments

- 7.1 The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.
- 7.2 The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility, risk and the nature of the Fund's liabilities.
- 7.3 The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members) and the liabilities arising therefrom, together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Fund's projected cash flow requirements.
- 7.4 Following the triennial valuation in 2016 the Panel, as advised by Aon Hewitt, considered its investment strategy alongside its funding objective and agreed the following structure:

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

- 7.5 The most significant rationale of the structure is to invest the majority of the Fund assets in "growth assets" i.e. those expected to generate 'excess' returns over the long term. The structure also includes an allocation to "matching" assets, such as index bonds, gilts and corporate bonds. The investments in property and infrastructure provide diversification whilst the hedge fund protects the Fund on the downside by targeting absolute returns. This strategy is aimed to provide in excess of the discount rate used to value liabilities in the triennial valuation.

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

8 Asset classes

- 8.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index linked and corporate bonds, hedge funds, infrastructure and property either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.
- 8.2 In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007"
- 8.3 With investment returns included, the Fund has a positive cash flow that enables investment in illiquid asset classes e.g. property. The majority of the Fund's assets are highly liquid i.e. can be readily converted into cash, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. However, as a long term investor the Council considers it prudent to include illiquid assets in its strategic asset

allocation in order to benefit from the additional diversification and extra return this should provide.

- 8.4 For most of its investments the Council has delegated to the fund managers responsibility for the selection, retention and realisation of assets. The Fund retains sufficient cash to meet its liquidity requirements, and cash balances are invested in appropriate interest earning investments pending their use. The investment of these cash balances is managed internally.

9 Fund Managers

- 9.1 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.
- 9.2 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management.
- 9.3 The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.
- 9.4 The investment management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets.
- 9.5 As at the date of this ISS the details of the managers appointed by the Committee are set out in Appendix 1
- 9.6 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.
- 9.7 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser and the independent advisory member. In addition, the Committee requires all managers to attend a separate manager day meeting twice a year, and officers meet each of the

managers in the “alternate quarters” (i.e. when there is no “manager day” meeting) to review and scrutinise performance.

- 9.8 The Committee also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

10 Stock lending

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

11 Approach to risk

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

11.2 Funding risks

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

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

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

- a) The return on the assets, the benchmark and the liabilities.
- b) Estimated funding level and how it compares to the expected or targeted funding level.
- c) The probability of the Fund achieving its long-term funding objectives.

11.3 Manager risks

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

compares the level of active manager risk and excess return of each manager against a universe of similar mandates and the benchmark.

11.4 **Liquidity risk**

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

11.5 **Concentration risk**

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

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

11.6 **Market risk**

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

11.7 **Operational risk**

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

12 **Approach to pooling**

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

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

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

12.3 Approval for the structure has been signed off by the 32 participating London Authorities.

12.4 The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors. This is achieved through:

- The Shareholder Committee, which acts on behalf of the Shareholders as a consultative body, including on the Company's business plans and financial performance, and topics such as Responsible Investment. It comprises 12 Committee Members made up of 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. A trade union representative sits as an observer.
- The client services framework, which is informed by shareholder consultation and includes a programme of events for clients collectively.

12.5 At the company level for London CIV, it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers

13 Social, environmental and governance considerations

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

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

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

13.4 The Fund is committed to be a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

13.5 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major

institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

- 13.6 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.
- 13.7 Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In Autumn 2019, Trucost were commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.
- 13.8 Having taken into account the risks associated with exposure to fossil fuel reserves, the Committee has approved a target to:
- a. Reduce the Fund's total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in MtCO₂e – million tonnes of CO₂ emissions) by 50% over 5 years up to 30 September 2025.
 - b. Measure the reduction relative to the Fund's total equity portfolio position as at 30 September 2019 and adjusted for Assets Under Management (£AUM)
- 13.9 The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.
- 13.10 The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.
- 13.11 Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.

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

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

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

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

15 Stewardship

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

16 Compliance with "Myners" Principles

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

Appendix 1

Fund Manager Structure (This prescribed in the ISS regulations)

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

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

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

Appendix 2

Compliance with “Myners” Principles”

Principle 1: Effective Decision Making

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

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

Principle 2: Clear Objectives

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

Principle 3: Risk and Liabilities

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

Principle 4: Performance Assessment

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

Principle 5: Responsible Ownership

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

Principle 6: Transparency and Reporting

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

Appendix 3

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

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

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

Supporting evidence

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 to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives

Enfield Council recognises the significance of its role as Administering Authority to the London Borough of Enfield Pension Fund on behalf of its stakeholders which include:

- Over 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:

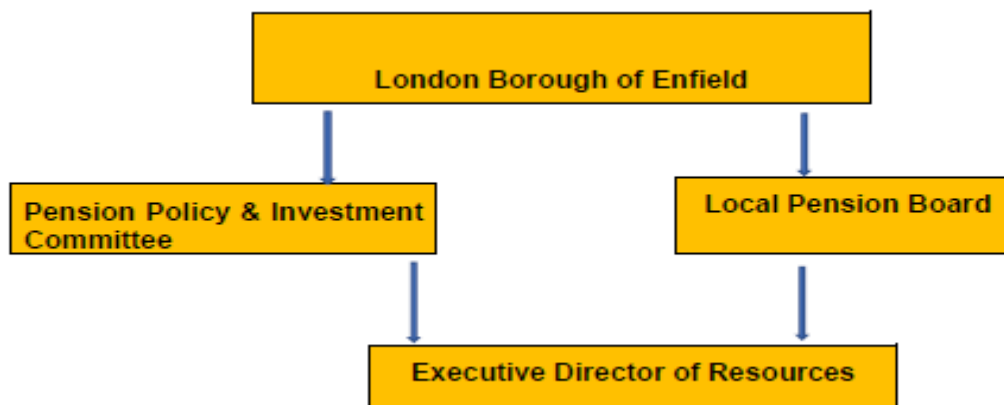
- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance 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

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

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. |

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|--|---|---|--|
| | 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"> ■ employing authorities (including nonscheme employers, e.g. admitted bodies), ■ scheme members (including deferred and pensioner scheme members), ■ independent professional observers, ■ expert advisors (on an ad-hoc basis). | Compliant | Trade unions and admitted bodies are represented on the Local Pension Board |
| | That where lay members sit on a main or 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 |

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|---------------------------------|--|-----------|---|
| | 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
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) |
|--|--|-----------------------|------------------------------------|
| 1 – Pensions legislation | | | |
| A general understanding of the pensions legislative framework in the UK. | | 1 2 3 4 5 | |
| An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment. | | 1 2 3 4 5 | |
| An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers. | | 1 2 3 4 5 | |
| A regularly updated appreciation of the latest changes to the scheme rules. | | 1 2 3 4 5 | |
| 2 – Pensions governance | | | |
| Knowledge of the role of the administering authority in relation to the LGPS. | | 1 2 3 4 5 | |
| An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. | | 1 2 3 4 5 | |
| Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure. | | 1 2 3 4 5 | |
| A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers. | | 1 2 3 4 5 | |
| An awareness of the role and statutory responsibilities of the treasurer and monitoring officer. | | 1 2 3 4 5 | |

Resources Department

Enfield Council
Civic Centre, Silver Street
Enfield EN1 3XY

www.enfield.gov.uk

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

| Do I possess...? | Rate my skills 1 – no knowledge 5 – highly skilled | Training requirements | Training plan (sources and timing) |
|--|--|-----------------------|------------------------------------|
| Knowledge of the Myners principles and associated 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 | |
| 3 – Pensions administration | | | |
| An understanding of best practice in pensions administration eg performance and cost measures. | | 1 2 3 4 5 | |
| Understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> • member data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communication and materials. | | 1 2 3 4 5 | |

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

| Do I possess...? | Rate my skills 1 – no knowledge 5 – highly skilled | Training requirements | Training plan (sources and timing) |
|---|--|-----------------------|------------------------------------|
| Knowledge of how discretionary powers operate. | 1 2 3 4 5 | 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 | |
| 4 – Pensions accounting and auditing standards | | | |
| An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice. | 1 2 3 4 5 | 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 | |
| 5 – Pensions services procurement and relationship management | | | |
| An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations. | 1 2 3 4 5 | 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 | | |
| 6 – Investment performance and risk management | | | |
| An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks. | 1 2 3 4 5 | | |
| An awareness of the 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
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>
 In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Council Monitoring Officer and the Executive Director of Resources, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 ***Clarification when a breach is suspected***

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Council Monitoring Officer and the Executive Director of Resources, a member of the Pension Policy & Investment Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 ***Determining whether the breach is likely to be of material significance***

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

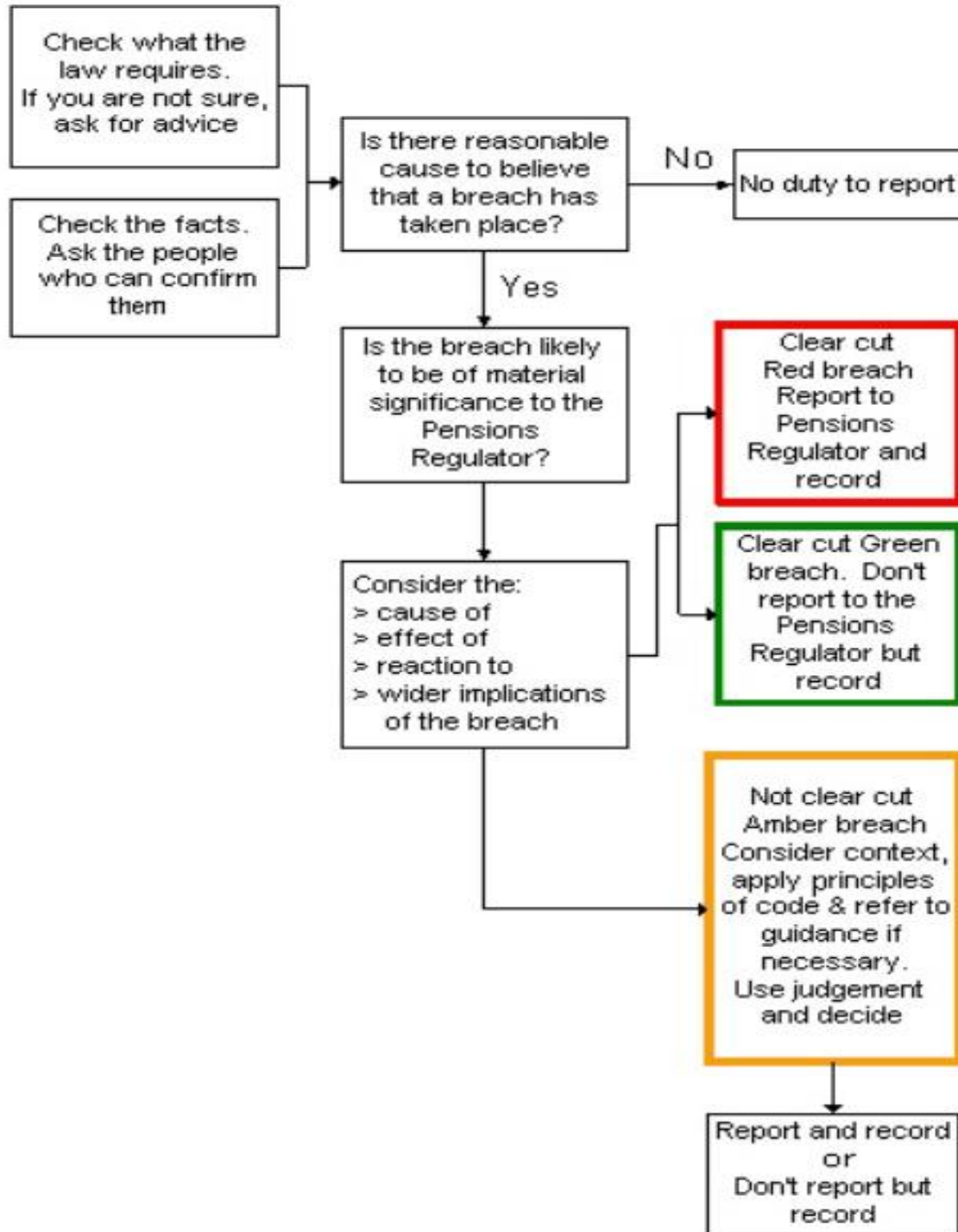
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

- ### 3.4
- A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

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, 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
 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

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

3) Monitoring Officer/Director of Law & Governance – Terry Osborne
 Email: 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.

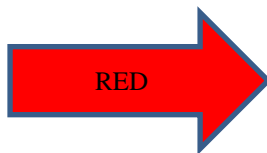
The wider implications of the breach

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.

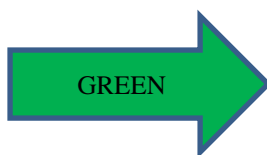
These must be reported to The Pensions Regulator.

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.

| What is required | How this will be done |
|--|--|
| <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 & 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 & 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 & 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> |

| What is required | How this will be done |
|---|---|
| <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
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

| | |
|---|--|
| Actuary | A person who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent. |
| Admitted bodies | These are employers who have been allowed into the Fund at the Council's discretion. |
| Alternative investments (Other Pooled Funds) | These are less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures. |
| AVCs | Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Fund's AVC provider (Prudential). |
| Bulk transfer | A transfer of a group of members agreed by, and taking place between, two pension schemes. |
| Commutation | The conversion of an annual pension entitlement into a lump sum on retirement. |
| Contingent liability | A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain. |
| Custodian | A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund. |
| Cross subsidies | Amounts of money by which organisations subsidise each other. |
| Discretionary | Allowable but not compulsory under law. |
| Dividends | Income to the Fund on its holdings of UK and overseas equities. |
| Emerging markets | The financial markets of developing economies. |
| Equities | Shares in UK and overseas companies. |
| FTSE | Financial Times – publishers of the FTSE-100, and other indices. |
| Gilt-edged securities (or Gilts) | Fixed-interest stocks issued by the UK Government. |
| Hedge fund | A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets. |
| Index | A measure of the value of a stock market based on a representative sample of stocks. |

| | |
|--|--|
| LGPS | The Local Government Pension Scheme is a nationwide scheme for employees working in local government or working for other employers participating in the scheme and for some councillors. |
| LIBOR | London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments. |
| Mandatory | Compulsory by force of law. |
| Myners | Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001. |
| Private equity | Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (ie, not easily turned into cash) and higher-risk investments that should provide high returns over the long term. |
| Projected unit actuarial method | One of the common methods used by actuaries to calculate a contribution rate to the Scheme, which is usually expressed as a percentage of the members' pensionable pay. |
| Recovery period | Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated. |
| Rolling three-year periods | Successive periods of three years, such as years one to three, followed by years two to four. Performance is often measured over longer periods than a single year to eliminate the short-term effects of volatile changes in stock markets. |
| Scheduled bodies | These are organisations that have a right to be in the Fund. |
| Transfer value | A cash sum representing the value of a member's pension rights. |
| With profits | With-profits funds are investments that give a return in the form of annual bonuses and usually a final or terminal bonus. |
| Yield | Annual income on an investment divided by its price and expressed as a percentage. |



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

| | |
|--------------------------------------|--|
| Report Title | Update on Enfield Pension Fund Investments & Managers, Economic/market update and investment outlook. |
| Report to | Pension Policy & Investment Committee (PPIC) |
| Date of Meeting | 17 January 2023 |
| Cabinet Member | Cllr Tim Leaver |
| Executive Director / Director | Fay Hammond |
| Report Author | Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk |
| Classification | Part 1 Public and Part 2 Private |
| Reason for exemption | 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). |

Purpose of Report

1. To provide the Pension, Policy & Investment committee (PPIC) with an update on the Enfield Pension Fund ("Fund") investments and their performance as at 30 September 2023.
2. To introduce a paper from the Fund's Investment advisors (Aon) presenting a market update and investment outlook. (Appendix 4)

(Disclaimer: No information contained in this report should be considered investment advice and is for the purposes of the Enfield Pension Fund only.)

Recommendations

- I. Members are asked to note the contents of this report.

Reason for Recommendation

3. The Pension Fund Regulations require that the Council establishes arrangements for monitoring investments of the Fund and it considers the activities of the investment managers and ensure that proper advice is obtained on investment issues.
4. Officers and Aon (the Fund's investment advisors) meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to PPIC to explain performance further.
5. All investment managers will be reviewed over the next 12-24 months, as part of the Strategic Asset Allocation (SAA) review exercise, to ensure their mandates and performance align with the objectives of the Enfield Pension Fund.

Main Considerations for the committee

6. The value of the fund as at 30 September 2023 was £1,453.8m which was a £2.2m increase in the quarter.

Fund performance:

7. The table below summaries the Fund's annual performance over recent time periods :

| | Quarter ending 30 September 2023 | 1 year | 3 year | 5 year |
|---------------------|----------------------------------|--------|--------|--------|
| Fund Return | +0.2% | +0.8% | +3.7% | +4.0% |
| Strategic benchmark | +0.2% | +1.4% | +3.4% | +4.0% |
| Excess return | 0% | -0.6% | +0.3% | 0% |

*Figures are on an annual basis

Asset Class and Manager performance (significant issues)

Performance of the Fund's managers over this time frame and since inception can be found in Appendix 1: (Northern Trust Enfield PF performance)

A quarterly investment dashboard and a comprehensive evaluation of manager performance is provided by the Fund's investment advisor's Aon and can be found in Appendix 2 and 3 respectively.

Equities

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|----------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Total Equities | 582,893,450 | 40.09 | -1.63 | -1.43 | 5.75 | 8.53 | 7.33 |
| Enfield Equities BM | | | -0.61 | 0.68 | 8.08 | 9.54 | 8.55 |
| Excess Return | | | -1.01 | -2.12 | -2.33 | -1.01 | -1.22 |
| Blackrock Low Carbon | 259,377,887 | 17.84 | -0.96 | 0.74 | 8.93 | 9.50 | 10.16 |
| LEFD02 MSCI Wld Lw | | | -0.97 | 0.70 | 8.63 | 9.08 | 9.10 |
| CrbnTgtxFsl | | | 0.01 | 0.03 | 0.30 | 0.42 | 1.07 |
| Excess Return | | | | | | | |
| LCIV - JP Morgan (EM) | 30,480,450 | 2.10 | -0.18 | -1.72 | -1.60 | 0.61 | -0.25 |
| LEFD05018 MSCI EM Mrkts ND | | | 1.10 | 1.12 | 0.35 | 2.16 | 0.18 |
| Excess Return | | | -1.28 | -2.84 | -1.95 | -1.55 | -0.42 |
| LCIV - Longview (FOCUS GE) | 112,851,616 | 7.76 | -1.84 | -2.51 | 6.05 | 11.72 | 13.04 |
| LEFD05019 MSCI ACWI ND | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 |
| Excess Return | | | -1.36 | -3.12 | -2.42 | 1.24 | 4.08 |

| | | | | | | | |
|--------------------------------|-------------|------|-------|-------|-------|-------|-------|
| LCIV-Baillie Gifford(ALPHA GE) | 101,535,138 | 6.98 | -2.84 | -4.33 | 3.29 | 4.49 | -0.26 |
| LEFD05016 MSCI ACWI ND | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 |
| Excess Return | | | -2.36 | -4.94 | -5.18 | -6.00 | -9.22 |
| MFS Global Equity | 77,823,961 | 5.35 | -2.55 | -2.97 | 1.68 | 7.04 | 6.52 |
| LEFD05005 MSCI ACWI ND | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 |
| Excess Return | | | -2.08 | -3.58 | -6.78 | -3.45 | -2.45 |

8. Equity Markets fell marginally in Q3 2023. Equity markets remain in fragile territory, as the pressure from high interest rates and the gradual deterioration in the economic and corporate profits environment make themselves felt.
9. After gaining for first half of the year, index heavyweight sectors like Information Technology (-5.5%) and Consumer Discretionary (-4.3%) underperformed in Q3. On a YTD basis, Information Technology and Consumer Discretionary gained 32.9% and 26.3% respectively. Other heavy-weight sectors like Health Care and Financials fell 2.5% and 0.9% over the quarter.
10. All active Equity managers underperformed their benchmark in Q3.
11. Baillie Gifford – Global Alpha Growth Fund – The manager continues to underperform the benchmark over medium term time horizons 3 and 5 year. The Global Alpha growth fund is invested in through the Enfield Pension Funds pooling partners, London CIV. Aon continue to buy rate the Global Alpha Growth fund, following a review in 2023, citing the skills, research and talent of the management team built on harvesting the best research ideas from the broader analyst resource at Baillie Gifford. However, Aon stress that growth strategies such as these will remain the spotlight in world no longer characterised by low interest rates.
12. MFS continue to underperform the benchmark over 3 and 5 year periods.

Bonds

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|--------------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Total Bonds and Index Linked | 436,263,679 | 30.01 | -0.83 | 0.08 | 0.99 | 3.88 | -4.30 |
| Enfield Bonds & IL BM | | | -0.73 | -0.02 | 0.68 | 3.51 | -3.83 |
| Excess Return | | | -0.10 | 0.11 | 0.31 | 0.37 | -0.47 |
| AON Diversified Liquid Credit | 68,543,160 | 4.71 | 0.61 | 2.08 | 5.09 | 6.96 | - |
| LEFD07003 1 month SONIA + 1.5% | | | 0.53 | 1.63 | 4.48 | 5.62 | - |
| Excess Return | | | 0.08 | 0.45 | 0.61 | 1.33 | - |
| Blackrock IL Gilts | 112,114,936 | 7.71 | -0.75 | -0.37 | -2.04 | -2.89 | -6.29 |
| LEFD01 Blended Benchmark | | | -0.78 | -0.45 | -2.21 | -2.99 | -6.34 |
| Excess Return | | | 0.03 | 0.08 | 0.17 | 0.09 | 0.05 |
| Insight Bonds | 31,438,142 | 2.16 | 0.90 | 1.97 | 3.77 | 0.65 | 1.34 |
| LEFD05006 SONIA 3 Month GBP+2% | | | 0.57 | 1.79 | 4.99 | 6.74 | 5.28 |
| Excess Return | | | 0.33 | 0.18 | -1.22 | -6.08 | -3.94 |
| LCIV - CQS (MAC) | 55,119,903 | 3.79 | -0.61 | 0.99 | 5.03 | 9.39 | 2.68 |
| LEFD05020 3 Month GBP SONIA | | | 0.42 | 1.32 | 3.49 | 4.37 | 1.81 |
| Excess Return | | | -1.03 | -0.33 | 1.54 | 5.02 | 0.87 |
| LCIV Global Bond Fund | 76,152,043 | 5.24 | -2.14 | -1.65 | 1.45 | - | - |
| LEFD05021 Bloomberg Global Agg | | | -1.95 | -1.77 | 0.60 | - | - |
| Excess Return | | | -0.19 | 0.11 | 0.84 | - | - |
| Western | 92,895,496 | 6.39 | -1.60 | -0.45 | -2.45 | 6.48 | -11.45 |

| | | | | | |
|-----------------------------|-------|-------|-------|------|--------|
| LEFD03 ML Stg Non-Gilts 10+ | -1.70 | -0.78 | -2.38 | 5.72 | -11.92 |
| Excess Return | 0.10 | 0.33 | -0.06 | 0.76 | 0.47 |

13. Global bond yields trended higher as major central banks continued to move forward with tighter monetary policy but a slower pace.
14. On a 1 year basis, Bonds have contributed +3.9% on an absolute basis and +0.4% on a relative basis.
15. Over a 3 year period, Insight have produced the lowest absolute return and highest negative relative performance figures out of all the Bond managers.
16. Over a 5 year period the asset class has produced close to nil returns for the fund. This is line with the benchmark.

Inflation Protection Illiquids

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|---------------------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Inflation Protection Illiquids | 98,510,870 | 6.78 | -1.09 | 0.81 | -1.02 | -12.00 | -5.47 |
| <i>Enfield Inflation Illiquids BM</i> | | | 0.42 | 1.30 | 5.50 | -1.05 | 6.03 |
| <i>Excess Return</i> | | | -1.51 | -0.49 | -6.52 | -10.95 | -11.50 |
| CBRE Long Income Fund | 36,977,157 | 2.54 | 0.00 | 1.57 | 3.08 | -17.97 | -2.18 |
| <i>LEFD06007 BMK</i> | | | 0.00 | 1.57 | 3.08 | -17.97 | -2.18 |
| <i>Excess Return</i> | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| M&G Inflation Opportunities Fd | 61,533,713 | 4.23 | -1.73 | 0.36 | -3.32 | -7.75 | -7.06 |
| <i>LEFD05010 UK RPI +2.5%</i> | | | 0.67 | 1.12 | 6.86 | 11.34 | 11.25 |
| <i>Excess Return</i> | | | -2.39 | -0.76 | -10.19 | -19.09 | -18.31 |

17. Over 1 year the asset class and managers within it have continued to produce negative returns. The allocation to the asset class will be reviewed by the investment committee, over the next 12 months as part of the Strategic Asset Allocation (SAA) review to ensure that an allocation still meets the needs of the Enfield Pension Fund.

Private Equity

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|-------------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Private Equity | 109,862,752 | 7.56 | 4.25 | 4.57 | -1.60 | -11.07 | 22.45 |
| <i>Enfield PE BM</i> | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 |
| <i>Excess Return</i> | | | 4.73 | 3.95 | -10.07 | -21.55 | 13.49 |
| Adams Street | 109,862,752 | 7.56 | 4.25 | 4.57 | -1.60 | -11.07 | 22.45 |
| <i>LEFD06005 MSCI ACWI ND</i> | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 |
| <i>Excess Return</i> | | | 4.73 | 3.95 | -10.07 | -21.55 | 13.49 |

18. There is only 1 fund manager for private equity – Adams Street. On a one-year time frame it has performed negatively on an absolute and relative basis. Rising interest rates across major economies will have contributed to private equity valuations

reducing substantially. It should be noted however as the private equity fund has matured it has become cashflow positive over recent years (the fund is receiving more in distributions than is being called up through drawdown requests).

19. Over longer time periods (3 and 5 years) Adams Street has produced positive returns significantly beating the benchmark. Over a 5 year period Adams Street has been the best performing asset for the fund producing returns of +18% p.a.

Infrastructure

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|----------------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Infrastructure | 57,855,618 | 3.98 | -1.59 | 0.49 | -10.23 | -9.15 | 0.77 |
| <i>Enfield Infrastructure BM</i> | | | -3.14 | -1.19 | -13.27 | -13.36 | -3.75 |
| <i>Excess Return</i> | | | 1.54 | 1.68 | 3.04 | 4.21 | 4.52 |
| Antin Infrastructure | 20,810,906 | 1.43 | 1.27 | 3.63 | -4.32 | -1.06 | 10.13 |
| INPP | 36,942,412 | 2.54 | -3.14 | -1.19 | -13.27 | -13.36 | -3.75 |
| <i>LEFD05015 Fund returns</i> | | | -3.14 | -1.19 | -13.27 | -13.36 | -3.75 |
| <i>Excess Return</i> | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| LCIV Renewable Infra | 102,300 | 0.01 | - | - | - | - | - |
| <i>LEFD05022 8.5% BMK</i> | | | - | - | - | - | - |
| <i>Excess Return</i> | | | - | - | - | - | - |

20. On a one year basis performance is negative for the infrastructure asset class (-9.15%). Relative performance is +4.21%. The negative return is partly attributable to all Pension funds needing greater liquidity thereby creating a fall in demand and therefore values in illiquid funds such as infrastructure. For those less liquidity constrained, the weaker demand for illiquid assets could, in fact, present an eventual buying opportunity.
21. The Fund is currently underweight the asset class when compared to the strategic allocation. (4% actual allocation v 16% strategic allocation)
22. The committee has recently made a number of commitments to infrastructure managers as follows:
- LCIV Renewable Infrastructure Fund - £75m
 - Copenhagen Infrastructure Partners -£50m
 - Blackrock Global Infrastructure Fund - £41m
- These commitments are expected to be called in stages over the next 4 years.

Property

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | |
|---------------------------------------|-------------------------|---------------|------------------|--------------|--------------|----------|-------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years |
| Property | 79,902,749 | 5.50 | -0.29 | -0.16 | -1.54 | -13.23 | 2.80 |
| <i>Enfield Property BM</i> | | | -0.42 | -0.42 | -0.24 | -14.31 | 3.17 |
| <i>Excess Return</i> | | | 0.13 | 0.26 | -1.30 | 1.08 | -0.38 |
| Blackrock UK FD | 33,740,772 | 2.32 | -0.49 | -0.84 | -0.86 | -15.05 | 1.87 |
| <i>LEFD05012 IPD All Balncd Prpty</i> | | | -0.42 | -0.42 | -0.24 | -14.31 | 3.17 |
| <i>Excess Return</i> | | | -0.07 | -0.41 | -0.61 | -0.74 | -1.30 |
| Brockton Capital Fund | 9,324,566 | 0.64 | 0.00 | 0.31 | -4.43 | -2.11 | 2.81 |
| <i>LEFD06001 IPD All Balncd Prpty</i> | | | -0.42 | -0.42 | -0.24 | -14.31 | 3.17 |
| <i>Excess Return</i> | | | 0.42 | 0.73 | -4.18 | 12.19 | -0.37 |
| Legal & General Property | 36,837,410 | 2.53 | -0.18 | 0.35 | -1.45 | -13.98 | 3.67 |
| <i>LEFD05013 IPD All Balncd Prpty</i> | | | -0.42 | -0.42 | -0.24 | -14.31 | 3.17 |
| <i>Excess Return</i> | | | 0.24 | 0.77 | -1.20 | 0.33 | 0.50 |

23. The property asset class produced a negative return of -0.2% over the quarter. On a 1 year basis the asset class for the Fund has shown -13.2% performance which is marginally better than the benchmark. Over 5 years the return has been 1.8% p.a. in line with benchmark.
24. UK property capital values continued to fall over the third quarter and weighed over the increase in income return, recording a total return of -0.2%. Capital values fell by 1.6% whilst the income return was 1.4%. Vacancy rates rose from 10.4% to 10.6%. The Office sector was the worst performer, returning -3.7% while the Industrial sector was the best performer returning 1.7%. The Retail sector fell 0.5%.

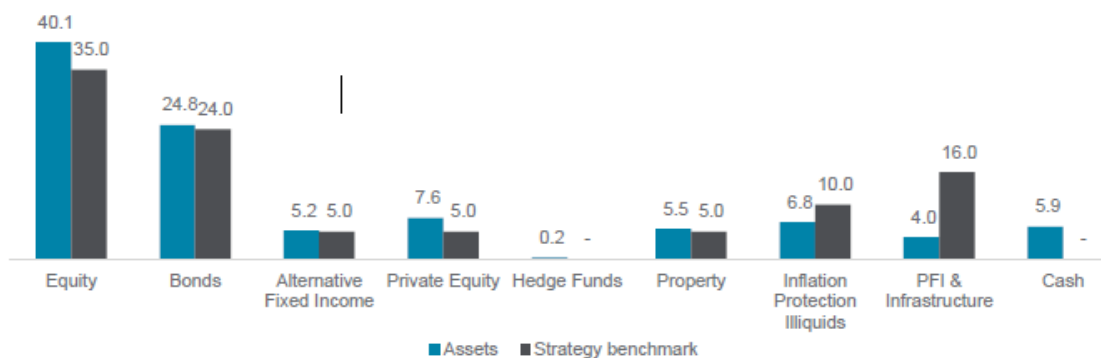
Hedge Funds

25. It should be noted that in line with previous decisions, Hedge funds have been or are in the process of being liquidated. As at 30 September 2023, only a small holding remained, York Distressed Securities, and this fund is the process of being wound down.

Strategic Allocations

26. Asset allocation when compared to benchmark can be seen below:

30 September 2023 strategic allocation & benchmark (%)



27. The fund is significantly underweight infrastructure. As mentioned above the committee has recently made a number of commitments to the asset class. However, due to the nature of these funds it will take between for 2-4 years for all the funds to be called/drawdown.

28. Changes in funds in line with previous Committee decisions (for quarter 3 - as at 30 September 2023)

Additions/Investments - Bonds -£35m Blackrock Passive Gilts Fund
Disposals/redemptions – none

29. Changes coming up in Q4 in line with previous Committee decisions
Additions/Investments – none
Disposals/redemptions – none

Cash Position

30. The cash position as at 30 September 2023 was £85.7m.

31. The cash balance is currently invested in short term Money Market funds in line with the treasury management strategy. These funds offer an overnight rate of rate return, offer instant liquidity, are heavily diversified and are only invested with the highest quality credit rated instruments. At the end of the quarter they were yielding approximatley 4-5%.

Economic & Market performance

32. A market update and investment outlook is covered in Appendix 4 provided by Aon covering Inflation, Recession and interest rates, Economic highlights and market outlook.

Relevance to Council Plans and Strategies

33. An economy that works for everyone.

Financial Implications

34. The Pension fund is invested in a mix of assets in order to generate a return to ensure that it can meet its liabilities (pension payments) when they fall due. Higher investment returns will ensure that employers in the fund (including Enfield Council) have a lower level of contributions thereby enabling budgets to be utilised on other service areas.

35. The Fund is 104.9% funded as at 30th September 2023. This means that there are more assets in the Fund than the liabilities (i.e. pension payments to members as they fall due). This is based on a number of assumptions and will constantly change due to investment returns, inflation, changes in membership etc.

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

Appendices

- Appendix 1 – Northern Trust – Enfield PF performance -Part 1
Appendix 2 - Quarterly Investment dashboard -Part 2 - **Part 2 – Exempt Confidential**
Appendix 3 – Manager Monitoring report – **Part 2 – Exempt Confidential**
Appendix 4 – Market update & Investment outlook – **Part 2 – Exempt Confidential**



NORTHERN
TRUST

London Borough of Enfield

Investment Risk & Analytical Services

September 30, 2023

Investment Hierarchy

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | | | | |
|--|-------------------------|---------------|------------------|--------------|--------------|--------------|--------------|--------------|-------------------|-------------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years | Five Years | Inception to Date | Inception Date |
| London Borough of Enfield | 1,453,790,127 | 100.00 | -0.52 | 0.15 | 1.96 | 0.81 | 3.74 | 4.04 | 7.99 | 31/03/1987 |
| <i>Enfield Strategic BM</i> | | | <i>-0.93</i> | <i>0.19</i> | <i>2.14</i> | <i>1.46</i> | <i>3.35</i> | <i>4.01</i> | <i>-</i> | <i>31/03/1987</i> |
| <i>Excess Return</i> | | | <i>0.41</i> | <i>-0.04</i> | <i>-0.18</i> | <i>-0.65</i> | <i>0.39</i> | <i>0.03</i> | <i>-</i> | <i>31/03/1987</i> |
| Total Equities | 582,893,450 | 40.09 | -1.63 | -1.43 | 5.75 | 8.53 | 7.33 | 7.13 | 9.21 | 31/03/1987 |
| <i>Enfield Equities BM</i> | | | <i>-0.61</i> | <i>0.68</i> | <i>8.08</i> | <i>9.54</i> | <i>8.55</i> | <i>7.65</i> | <i>-</i> | <i>31/03/1987</i> |
| <i>Excess Return</i> | | | <i>-1.01</i> | <i>-2.12</i> | <i>-2.33</i> | <i>-1.01</i> | <i>-1.22</i> | <i>-0.53</i> | <i>-</i> | <i>31/03/1987</i> |
| Blackrock Low Carbon | 259,377,887 | 17.84 | -0.96 | 0.74 | 8.93 | 9.50 | 10.16 | 8.75 | 12.66 | 31/03/2009 |
| <i>LEFD02 MSCI Wld Lw Crbn TgtxFsl</i> | | | <i>-0.97</i> | <i>0.70</i> | <i>8.63</i> | <i>9.08</i> | <i>9.10</i> | <i>7.89</i> | <i>11.69</i> | <i>31/03/2009</i> |
| <i>Excess Return</i> | | | <i>0.01</i> | <i>0.03</i> | <i>0.30</i> | <i>0.42</i> | <i>1.07</i> | <i>0.87</i> | <i>0.97</i> | <i>31/03/2009</i> |
| LCIV - JP Morgan (EM) | 30,480,450 | 2.10 | -0.18 | -1.72 | -1.60 | 0.61 | -0.25 | - | 2.95 | 24/10/2018 |
| <i>LEFD05018 MSCI EM Mkts ND</i> | | | <i>1.10</i> | <i>1.12</i> | <i>0.35</i> | <i>2.16</i> | <i>0.18</i> | <i>-</i> | <i>3.68</i> | <i>24/10/2018</i> |
| <i>Excess Return</i> | | | <i>-1.28</i> | <i>-2.84</i> | <i>-1.95</i> | <i>-1.55</i> | <i>-0.42</i> | <i>-</i> | <i>-0.73</i> | <i>24/10/2018</i> |
| LCIV - Longview (FOCUS GE) | 112,851,616 | 7.76 | -1.84 | -2.51 | 6.05 | 11.72 | 13.04 | - | 9.44 | 24/10/2018 |
| <i>LEFD05019 MSCI ACWI ND</i> | | | <i>-0.48</i> | <i>0.62</i> | <i>8.47</i> | <i>10.48</i> | <i>8.96</i> | <i>-</i> | <i>9.82</i> | <i>24/10/2018</i> |
| <i>Excess Return</i> | | | <i>-1.36</i> | <i>-3.12</i> | <i>-2.42</i> | <i>1.24</i> | <i>4.08</i> | <i>-</i> | <i>-0.38</i> | <i>24/10/2018</i> |
| LCIV-Baillie Gifford(ALPHA GE) | 101,535,138 | 6.98 | -2.84 | -4.33 | 3.29 | 4.49 | -0.26 | 5.80 | 9.17 | 30/09/2016 |
| <i>LEFD05016 MSCI ACWI ND</i> | | | <i>-0.48</i> | <i>0.62</i> | <i>8.47</i> | <i>10.48</i> | <i>8.96</i> | <i>7.88</i> | <i>9.57</i> | <i>30/09/2016</i> |
| <i>Excess Return</i> | | | <i>-2.36</i> | <i>-4.94</i> | <i>-5.18</i> | <i>-6.00</i> | <i>-9.22</i> | <i>-2.08</i> | <i>-0.40</i> | <i>30/09/2016</i> |
| MFS Global Equity | 77,823,961 | 5.35 | -2.55 | -2.97 | 1.68 | 7.04 | 6.52 | 6.77 | 11.61 | 31/07/2010 |
| <i>LEFD05005 MSCI ACWI ND</i> | | | <i>-0.48</i> | <i>0.62</i> | <i>8.47</i> | <i>10.48</i> | <i>8.96</i> | <i>7.88</i> | <i>10.58</i> | <i>31/07/2010</i> |
| <i>Excess Return</i> | | | <i>-2.08</i> | <i>-3.58</i> | <i>-6.78</i> | <i>-3.45</i> | <i>-2.45</i> | <i>-1.11</i> | <i>1.03</i> | <i>31/07/2010</i> |
| Transition Account For Enfield | 15,820 | 0.00 | 0.82 | 1.89 | -0.62 | -2.46 | - | - | -4.45 | 05/03/2021 |
| Trilogy | 808,578 | 0.06 | - | - | - | - | - | - | - | 30/09/2007 |
| <i>LEFD04 MSCI ACWI ND</i> | | | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>30/09/2007</i> |
| <i>Excess Return</i> | | | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>30/09/2007</i> |
| Total Bonds and Index Linked | 436,263,679 | 30.01 | -0.83 | 0.08 | 0.99 | 3.88 | -4.30 | -0.41 | 4.25 | 30/06/2005 |
| <i>Enfield Bonds & IL BM</i> | | | <i>-0.73</i> | <i>-0.02</i> | <i>0.68</i> | <i>3.51</i> | <i>-3.83</i> | <i>0.10</i> | <i>-</i> | <i>30/06/2005</i> |
| <i>Excess Return</i> | | | <i>-0.10</i> | <i>0.11</i> | <i>0.31</i> | <i>0.37</i> | <i>-0.47</i> | <i>-0.51</i> | <i>-</i> | <i>30/06/2005</i> |
| AON Diversified Liquid Credit | 68,543,160 | 4.71 | 0.61 | 2.08 | 5.09 | 6.96 | - | - | 0.38 | 06/12/2021 |
| <i>LEFD07003 1 month SONIA + 1.5%</i> | | | <i>0.53</i> | <i>1.63</i> | <i>4.48</i> | <i>5.62</i> | <i>-</i> | <i>-</i> | <i>4.21</i> | <i>06/12/2021</i> |
| <i>Excess Return</i> | | | <i>0.08</i> | <i>0.45</i> | <i>0.61</i> | <i>1.33</i> | <i>-</i> | <i>-</i> | <i>-3.84</i> | <i>06/12/2021</i> |
| Blackrock IL Gilts | 112,114,936 | 7.71 | -0.75 | -0.37 | -2.04 | -2.89 | -6.29 | -2.02 | 3.36 | 30/09/2005 |
| <i>LEFD01 Blended Benchmark</i> | | | <i>-0.78</i> | <i>-0.45</i> | <i>-2.21</i> | <i>-2.99</i> | <i>-6.34</i> | <i>-2.09</i> | <i>5.06</i> | <i>30/09/2005</i> |
| <i>Excess Return</i> | | | <i>0.03</i> | <i>0.08</i> | <i>0.17</i> | <i>0.09</i> | <i>0.05</i> | <i>0.07</i> | <i>-1.70</i> | <i>30/09/2005</i> |

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | | | | |
|---|-------------------------|---------------|------------------|--------------|--------------|---------------|---------------|--------------|-------------------|-------------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years | Five Years | Inception to Date | Inception Date |
| Insight Bonds | 31,438,142 | 2.16 | 0.90 | 1.97 | 3.77 | 0.65 | 1.34 | 0.49 | 0.61 | 31/12/2013 |
| <i>LEFD05006 SONIA 3 Month GBP+2%</i> | | | 0.57 | 1.79 | 4.99 | 6.74 | 5.28 | 5.14 | 3.83 | 31/12/2013 |
| <i>Excess Return</i> | | | 0.33 | 0.18 | -1.22 | -6.08 | -3.94 | -4.65 | -3.22 | 31/12/2013 |
| LCIV - CQS (MAC) | 55,119,903 | 3.79 | -0.61 | 0.99 | 5.03 | 9.39 | 2.68 | - | 1.98 | 30/11/2018 |
| <i>LEFD05020 3 Month GBP SONIA</i> | | | 0.42 | 1.32 | 3.49 | 4.37 | 1.81 | - | 1.47 | 30/11/2018 |
| <i>Excess Return</i> | | | -1.03 | -0.33 | 1.54 | 5.02 | 0.87 | - | 0.50 | 30/11/2018 |
| LCIV Global Bond Fund | 76,152,043 | 5.24 | -2.14 | -1.65 | 1.45 | - | - | - | 1.54 | 16/11/2022 |
| <i>LEFD05021 Bloomberg Global Agg</i> | | | -1.95 | -1.77 | 0.60 | - | - | - | 4.45 | 16/11/2022 |
| <i>Excess Return</i> | | | -0.19 | 0.11 | 0.84 | - | - | - | -2.92 | 16/11/2022 |
| Western | 92,895,496 | 6.39 | -1.60 | -0.45 | -2.45 | 6.48 | -11.45 | -2.97 | 3.95 | 31/03/2003 |
| <i>LEFD03 ML Stg Non-Gilts 10+</i> | | | -1.70 | -0.78 | -2.38 | 5.72 | -11.92 | -3.36 | - | 31/03/2003 |
| <i>Excess Return</i> | | | 0.10 | 0.33 | -0.06 | 0.76 | 0.47 | 0.38 | - | 31/03/2003 |
| Inflation Protection Illiquids | 98,510,870 | 6.78 | -1.09 | 0.81 | -1.02 | -12.00 | -5.47 | - | -2.03 | 30/11/2018 |
| <i>Enfield Inflation Illiquids BM</i> | | | 0.42 | 1.30 | 5.50 | -1.05 | 6.03 | - | 4.88 | 30/11/2018 |
| <i>Excess Return</i> | | | -1.51 | -0.49 | -6.52 | -10.95 | -11.50 | - | -6.91 | 30/11/2018 |
| CBRE Long Income Fund | 36,977,157 | 2.54 | 0.00 | 1.57 | 3.08 | -17.97 | -2.18 | - | -2.31 | 17/12/2018 |
| <i>LEFD06007 BMK</i> | | | 0.00 | 1.57 | 3.08 | -17.97 | -2.18 | - | -2.31 | 17/12/2018 |
| <i>Excess Return</i> | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | -0.00 | 17/12/2018 |
| M&G Inflation Opportunities Fd | 61,533,713 | 4.23 | -1.73 | 0.36 | -3.32 | -7.75 | -7.06 | -2.25 | 2.46 | 30/04/2013 |
| <i>LEFD05010 UK RPI +2.5%</i> | | | 0.67 | 1.12 | 6.86 | 11.34 | 11.25 | 8.41 | 6.58 | 30/04/2013 |
| <i>Excess Return</i> | | | -2.39 | -0.76 | -10.19 | -19.09 | -18.31 | -10.66 | -4.12 | 30/04/2013 |
| Total Hedge Funds | 2,818,138 | 0.19 | 7.66 | 16.53 | 12.41 | 6.17 | 11.13 | 2.84 | 4.95 | 31/07/2007 |
| <i>Enfield Hedge Funds BM</i> | | | 4.24 | 5.49 | 3.40 | 0.39 | 3.16 | 2.53 | - | 31/07/2007 |
| <i>Excess Return</i> | | | 3.42 | 11.04 | 9.01 | 5.78 | 7.97 | 0.30 | - | 31/07/2007 |
| CFM Stratus | 1 | 0.00 | - | - | - | - | - | - | - | 31/12/2015 |
| <i>LEFD06004 SONIA 3 Month GBP</i> | | | - | - | - | - | - | - | - | 31/12/2015 |
| <i>Excess Return</i> | | | - | - | - | - | - | - | - | 31/12/2015 |
| York Capital | 2,818,137 | 0.19 | 7.66 | 16.53 | 13.03 | -10.30 | 13.57 | -5.56 | 1.78 | 31/12/2009 |
| <i>LEFD05011 SOFR 3 Month GBP</i> | | | 4.24 | 5.49 | 2.22 | -4.07 | 4.13 | 3.57 | 2.90 | 31/12/2009 |
| <i>Excess Return</i> | | | 3.42 | 11.04 | 10.81 | -6.23 | 9.44 | -9.13 | -1.12 | 31/12/2009 |
| Private Equity | 109,862,752 | 7.56 | 4.25 | 4.57 | -1.60 | -11.07 | 22.45 | 17.96 | 13.49 | 31/03/2007 |
| <i>Enfield PE BM</i> | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 | 7.88 | - | 31/03/2007 |
| <i>Excess Return</i> | | | 4.73 | 3.95 | -10.07 | -21.55 | 13.49 | 10.08 | - | 31/03/2007 |
| Adams Street | 109,862,752 | 7.56 | 4.25 | 4.57 | -1.60 | -11.07 | 22.45 | 17.96 | 12.29 | 31/12/2004 |
| <i>LEFD06005 MSCI ACWI ND</i> | | | -0.48 | 0.62 | 8.47 | 10.48 | 8.96 | 7.88 | 7.56 | 31/12/2004 |
| <i>Excess Return</i> | | | 4.73 | 3.95 | -10.07 | -21.55 | 13.49 | 10.08 | 4.73 | 31/12/2004 |

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return | | | | | | | | Inception to Date | Inception Date |
|---|-------------------------|---------------|------------------|--------------|---------------|---------------|--------------|--------------|--------------|-------------------|-------------------|----------------|
| | | | One Month | Three Months | Year to Date | One Year | Three Years | Five Years | | | | |
| Infrastructure | 57,855,618 | 3.98 | -1.59 | 0.49 | -10.23 | -9.15 | 0.77 | 4.16 | 2.52 | 30/06/2016 | | |
| <i>Enfield Infrastructure BM</i> | | | <i>-3.14</i> | <i>-1.19</i> | <i>-13.27</i> | <i>-13.36</i> | <i>-3.75</i> | <i>0.78</i> | <i>1.36</i> | <i>30/06/2016</i> | | |
| <i>Excess Return</i> | | | <i>1.54</i> | <i>1.68</i> | <i>3.04</i> | <i>4.21</i> | <i>4.52</i> | <i>3.38</i> | <i>1.16</i> | <i>30/06/2016</i> | | |
| Antin Infrastructure | 20,810,906 | 1.43 | 1.27 | 3.63 | -4.32 | -1.06 | 10.13 | 11.16 | 9.38 | 31/12/2017 | | |
| INPP | 36,942,412 | 2.54 | -3.14 | -1.19 | -13.27 | -13.36 | -3.75 | 0.78 | 5.86 | 31/12/2008 | | |
| <i>LEFD05015 Fund returns</i> | | | <i>-3.14</i> | <i>-1.19</i> | <i>-13.27</i> | <i>-13.36</i> | <i>-3.75</i> | <i>0.78</i> | <i>2.20</i> | <i>31/12/2008</i> | | |
| <i>Excess Return</i> | | | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>-0.00</i> | <i>3.66</i> | <i>31/12/2008</i> | | |
| LCIV Renewable Infra | 102,300 | 0.01 | - | - | - | - | - | - | - | 30/09/2023 | | |
| <i>LEFD05022 8.5% BMK</i> | | | - | - | - | - | - | - | - | <i>30/09/2023</i> | | |
| <i>Excess Return</i> | | | - | - | - | - | - | - | - | <i>30/09/2023</i> | | |
| Property | 79,902,749 | 5.50 | -0.29 | -0.16 | -1.54 | -13.23 | 2.80 | 1.82 | 8.24 | 31/03/1987 | | |
| <i>Enfield Property BM</i> | | | <i>-0.42</i> | <i>-0.42</i> | <i>-0.24</i> | <i>-14.31</i> | <i>3.17</i> | <i>1.76</i> | - | <i>31/03/1987</i> | | |
| <i>Excess Return</i> | | | <i>0.13</i> | <i>0.26</i> | <i>-1.30</i> | <i>1.08</i> | <i>-0.38</i> | <i>0.06</i> | - | <i>31/03/1987</i> | | |
| Blackrock UK FD | 33,740,772 | 2.32 | -0.49 | -0.84 | -0.86 | -15.05 | 1.87 | 1.02 | 3.02 | 31/07/2002 | | |
| <i>LEFD05012 IPD All Balncd Prpty</i> | | | <i>-0.42</i> | <i>-0.42</i> | <i>-0.24</i> | <i>-14.31</i> | <i>3.17</i> | <i>1.76</i> | <i>5.67</i> | <i>31/07/2002</i> | | |
| <i>Excess Return</i> | | | <i>-0.07</i> | <i>-0.41</i> | <i>-0.61</i> | <i>-0.74</i> | <i>-1.30</i> | <i>-0.75</i> | <i>-2.65</i> | <i>31/07/2002</i> | | |
| Brockton Capital Fund | 9,324,566 | 0.64 | 0.00 | 0.31 | -4.43 | -2.11 | 2.81 | 4.49 | 4.42 | 30/11/2014 | | |
| <i>LEFD06001 IPD All Balncd Prpty</i> | | | <i>-0.42</i> | <i>-0.42</i> | <i>-0.24</i> | <i>-14.31</i> | <i>3.17</i> | <i>1.76</i> | <i>2.92</i> | <i>30/11/2014</i> | | |
| <i>Excess Return</i> | | | <i>0.42</i> | <i>0.73</i> | <i>-4.18</i> | <i>12.19</i> | <i>-0.37</i> | <i>2.73</i> | <i>1.50</i> | <i>30/11/2014</i> | | |
| Legal & General Property | 36,837,410 | 2.53 | -0.18 | 0.35 | -1.45 | -13.98 | 3.67 | 2.21 | 5.60 | 31/01/2010 | | |
| <i>LEFD05013 IPD All Balncd Prpty</i> | | | <i>-0.42</i> | <i>-0.42</i> | <i>-0.24</i> | <i>-14.31</i> | <i>3.17</i> | <i>1.76</i> | <i>5.89</i> | <i>31/01/2010</i> | | |
| <i>Excess Return</i> | | | <i>0.24</i> | <i>0.77</i> | <i>-1.20</i> | <i>0.33</i> | <i>0.50</i> | <i>0.45</i> | <i>-0.29</i> | <i>31/01/2010</i> | | |
| Cash | 85,682,871 | 5.89 | 3.95 | 5.11 | 3.16 | -0.36 | 3.31 | 2.20 | 2.29 | 30/06/2016 | | |
| Cash & Other Assets | 1,243,638 | 0.09 | 0.38 | 45.37 | 68.19 | 68.55 | 19.04 | 10.98 | 1.27 | 30/06/2016 | | |
| Cash & Other Transition Assets | 182 | 0.00 | 1.19 | 0.59 | -13.49 | -11.90 | -8.52 | - | -8.56 | 30/11/2018 | | |
| Goldman Sachs Funds | 23,310,228 | 1.60 | 4.08 | 5.84 | 5.43 | 2.25 | 3.64 | 2.93 | 2.54 | 30/06/2016 | | |
| <i>LEFD07001 SONIA 7 Day</i> | | | <i>0.40</i> | <i>1.24</i> | <i>3.26</i> | <i>3.94</i> | - | - | - | <i>30/06/2016</i> | | |
| <i>Excess Return</i> | | | <i>3.68</i> | <i>4.60</i> | <i>2.17</i> | <i>-1.69</i> | - | - | - | <i>30/06/2016</i> | | |
| PE Cash & Other Assets | 25,806,090 | 1.78 | 3.59 | 4.53 | 1.41 | -3.36 | 3.01 | 1.47 | 1.52 | 30/06/2016 | | |
| <i>LEFD06002 SONIA 7 Day</i> | | | <i>0.40</i> | <i>1.24</i> | <i>3.26</i> | <i>3.94</i> | <i>1.49</i> | <i>1.06</i> | <i>0.80</i> | <i>30/06/2016</i> | | |
| <i>Excess Return</i> | | | <i>3.19</i> | <i>3.29</i> | <i>-1.85</i> | <i>-7.31</i> | <i>1.52</i> | <i>0.41</i> | <i>0.71</i> | <i>30/06/2016</i> | | |
| UT Cash & Other Assets | 35,322,733 | 2.43 | 4.26 | 5.69 | 3.17 | 1.24 | 1.95 | 1.69 | 5.70 | 30/06/2016 | | |
| <i>LEFD05002 SONIA 7 Day</i> | | | <i>0.40</i> | <i>1.24</i> | <i>3.26</i> | <i>3.94</i> | <i>1.49</i> | <i>1.06</i> | <i>0.80</i> | <i>30/06/2016</i> | | |
| <i>Excess Return</i> | | | <i>3.86</i> | <i>4.44</i> | <i>-0.09</i> | <i>-2.70</i> | <i>0.45</i> | <i>0.63</i> | <i>4.90</i> | <i>30/06/2016</i> | | |

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London Borough of Enfield

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|--------------------------------------|--|
| Report Title | Strategic Asset Allocation - Enfield Pension Fund |
| Report to | Pension, Policy & Investment Committee (PPIC) |
| Date of Meeting | 17 January 2023 |
| Cabinet Member | Cllr Tim Leaver |
| Executive Director / Director | Fay Hammond |
| Report Author | Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk |
| Classification | Part 1 Public & part 2 (Private & Confidential) |
| Reason for exemption | 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). |

Note: No information contained within the report should be deemed investment advice and is for the use of the Enfield Pension Committee only.

Purpose of Report

1. To present options for the Strategic Asset Allocation for the Enfield Pension Fund ("Fund") and agree the recommended allocation.

Recommendations

2. The Committee are asked to agree the recommended Strategic Asset Allocation and next steps for implementation.

| Asset class | Proposed allocation |
|--------------------------------|---------------------|
| Equities | 40 |
| Bonds | 24 |
| Private Equity | 8 |
| Inflation Protection illiquids | 7 |
| UK Property | 5 |
| Infrastructure | 16 |
| Cash | 0 |
| Total | 100 |

Background.

3. The Local Government Pension Scheme (LGPS) is governed by the Public Service Pensions Act 2013. In managing an LGPS fund, the administering authority (Enfield Council) has both fiduciary duties and public law duties. Fiduciary duties are legal obligations that require the administering authority to act in the best interests of scheme members. The investment powers must be directed to achieving what is the best for the financial position of the fund.
4. The Fund has a paramount duty to seek the best possible return on it's investment 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.
5. Investment returns have a direct correlation to contribution rates from Employers in the Fund. Any additional investment returns will result in lower future pension contribution from Employers resulting in those employers (including Enfield Council) having additional funds to spend on front line services.
6. However, this must be considered in the overall context of risk and volatility.
7. Although the investment allocations for the Fund are continually kept under observation, the Fund's investment strategy is formally reviewed in line with the Actuarial valuation cycle (every 3 years- last completed in 2022).
8. In addition, during 2023, the Department for Levelling Up, Housing and Communities (DLUHC), following the 'Mansion House' proposals, consulted on a number of issues concerning Local Government Pension Schemes (LGPS) which covered asset pooling, levelling up and opportunities in private equity.
9. DLHUC announced in late 2023 that they intend to implement many of the proposals in the consultation. The impacts of this on strategic allocation are as follows:
 - require funds to consider investments to meet the government's ambition of a 10% allocation to private equity.
 - amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.

These proposals will need to be considered by the Fund in future Strategic Asset Allocations.

10. A dedicated session to review the Funds Strategic Asset Allocation was held in October 2023. The key focus of this session was the Strategic Asset Allocation to various assets classes. Strategic asset allocation is the most significant factor in determining investment returns over the long term.
11. The session was led by the Fund's investments advisors, Aon. The presentation is attached as Appendix 1 – LB Enfield Investment strategy slides (part 2 Private & Confidential)
12. The current actual allocation of the portfolio v the Strategic Asset Allocation is presented in the table below as at September 2023:

| Asset Class | Current | Actual | Strategic | Difference |
|-------------|---------|--------|-----------|------------|
|-------------|---------|--------|-----------|------------|

| | Allocation | Allocation | |
|--------------------------------|------------|------------|-----|
| | % | % | |
| Equities | 40 | 35 | +5 |
| Bonds | 30 | 29 | +1 |
| Private Equity | 8 | 5 | +3 |
| Inflation Protection illiquids | 7 | 10 | -3 |
| UK Property | 5 | 5 | 0 |
| Infrastructure | 4 | 16 | -12 |
| Cash | 6 | 0 | +6 |
| Total | 100 | 100 | |

13. An explanation of each asset class is provided in the Aon presentation and as a summary in Appendix 2 – Asset class explanations.

Preferred Option and Reasons For Preferred Option

14. Following the investment strategy session in October 23, Aon presented the following Portfolios for consideration:

| Notes | Strategy allocation | Current allocation | Mansion House | Increase private markets | Increase equities and infrastructure |
|--|------------------------------|---------------------------------------|--|--------------------------------------|--|
| Description | Current strategic allocation | Current (30 Sep 23) actual allocation | Compared to the current strategic portfolio this option considers implications of Mansion House speech, by increasing allocations to private markets | Increasing private equity allocation | Increased equity and infrastructure allocation |
| Equities | 35.0 | 40.1 | 37.0 | 35.0 | 38.0 |
| Private Equity | 5.0 | 7.6 | 10.0 | 10.0 | 7.0 |
| Hedge Funds | - | 0.2 | - | - | - |
| UK Property | 5.0 | 5.5 | 5.0 | 5.0 | 5.0 |
| PFI and Infrastructure | 16.0 | 4.0 | 20.0 | 16.0 | 18.0 |
| Bonds | 29.0 | 30.0 | 21.0 | 27.0 | 25.0 |
| Inflation Protection Illiquids | 10.0 | 6.8 | 7.0 | 7.0 | 7.0 |
| Cash | - | 5.9 | - | - | - |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Expected return (% pa) Median ¹ | 7.2% | 7.1% | 7.5% | 7.5% | 7.4% |
| 80 th percentile return (% pa) ² | 5.4% | 5.2% | 5.5% | 5.5% | 5.4% |
| Value at Risk (95% £m) ³ | £314m | £320m | £350m | £336m | £338m |

15. Members were asked to consider the following options from the above table with regards to the strategic asset allocation:

- Remain at the Current Strategic Allocation
- Increase Private Equity Allocation
- Increased Equity and Infrastructure allocation

16. Options B and C were considered due to:

- Alignment with current actual allocations

- Closer alignment with the DLUHC proposal on Private Equity and Levelling up
- Market Conditions
- Risk/Reward ratio

All of these are considered in more depth in Appendix 1.

17. Following conversation between officers, members, the Funds investment advisors (Aon) and the Funds independent advisor the following strategic allocation has been proposed:

| Asset class | Current Strategic Allocation | Current Actual Allocation | Proposed allocation * |
|--------------------------------|------------------------------|---------------------------|-----------------------|
| Equities | 35 | 40 | 40 |
| Bonds | 29 | 30 | 24 |
| Private Equity | 5 | 8 | 8 |
| Inflation Protection illiquids | 10 | 7 | 7 |
| UK Property | 5 | 5 | 5 |
| Infrastructure | 16 | 4 | 16 |
| Cash | 0 | 6 | 0 |
| Total | 100 | 100 | 100 |

*Although this proposed allocation is not specifically modelled in the Aon investment slides they indicated that they are in agreement with the proposed allocation and it is close enough to the modelled portfolios that it would not materially move the expected return, 80th percentile or value risk number's to warrant additional cost to be incurred by the Fund in modelling the proposed allocation.

18. **Recommendation:** agree proposed allocation

19. The rationale for this is

- Closer alignment with current actual allocations
- Closer alignment with DLUHC proposal on Private Equity and Levelling up proposals
- Risk/Reward – Increasing Private Equity and Equity allocations would be suitable for the Fund given the current funding position of the Fund (105%). This enables the fund to marginally increase the allocation to riskier assets. Historically, these 2 asset classes have been the Fund's best performing asset classes.

20. This allocation is expected to deliver investment returns of between 7.4% -7.6% p.a. It is also expected that 80% of the time it will return at least 5.4%. The discount rate of the fund (the investment return which the fund is expected to deliver to meet it's obligations) as at 30th September 2023 is 5.0%. Therefore the investment return with the proposed portfolio is in excess of this.

Implementation plan

21. Use current cash balance to fund infrastructure commitments. These commitments wont be completely drawdown for another 2-4 years so it makes sense to utilise the cash balance to fund these.

22. The next steps would be review the managers within each asset class to ensure they meet the needs of the Fund.

23. Given the overweight position in Bonds (in the proposed portfolio v the current actual allocation) this would be the asset class to be reviewed by the committee first. In 2023 there were a number a short-term investments placed to utilise the cash balance and take advantage of the high interest rate environment impacting Bonds and Gilts. In addition, Aon have identified private debt (that would be categorised under bonds) as an investment that the Fund may wish to take advantage of given the attractive returns on offer.
24. Following on from the review of the bond portfolio the Committee should review the Inflation protection illiquids to ensure that they still meet the objectives of the Fund and if necessary determine a exit strategy given the long running nature of the investments.
25. The new Strategic Asset Allocation will be incorporated into the Investment Strategy Statement to be presented at the March 2024 PPIC meeting.
26. The Investment Strategy Statement will include a policy for the committee to review the Strategic Asset allocation on an annual basis to ensure that it is still achieving the objectives of the Fund and is able to respond to global macro-economic events.

Relevance to Council Plans and Strategies

27. An economy that works for everyone

Financial Implications

28. Investment returns have a direct correlation to contribution rates from Employers in the Fund. Any additional investment returns will result in lower future pension contribution from Employers resulting in those employers (including Enfield Council) having additional funds to spend on front line services

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

Appendices

- Appendix 1: Aon – Investment Strategy update – **Part 2 -Private & Confidential**
Appendix 2 – Asset class explanations

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| Asset Class | Description | Advantages | Disadvantages | Expected return | Expected Volatility |
|---|--|---|--|-----------------|---------------------|
| Equities | <ul style="list-style-type: none"> -Equity is a share of ownership in a company. These are listed on public stock markets and tradeable and therefore liquid. - Return comes from increase in share price or dividends. -Investor view of future profitability is a key factor that affects equity values | <ul style="list-style-type: none"> - High expected long term return -Key Contributor to outperformance objective -Highly liquid and can exit at any time | <ul style="list-style-type: none"> - Can be more volatile -Active Funds depend on managers skill | 7.1% | 17.3% |
| Bonds & Gilts (Fixed income) | <ul style="list-style-type: none"> -Bonds represent a promise by a borrower to pay the principal and interest on a loan. These can be traded. -Gilts are investments with UK Government issued by HM treasury and listed on the London Stock Exchange. | <ul style="list-style-type: none"> - Regular income over a specified time period -liquid -Move in line with liabilities -Historically less volatile | <ul style="list-style-type: none"> - Typically lower returns than equities - In a rising interest rate environment the holding of existing bonds decrease in value | 5.9% | 5.2% |
| Private Equity | Capital that are not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity | <ul style="list-style-type: none"> -High expected returns when compared to other asset classes -Boards are typically more active and engaged than for public equity | <ul style="list-style-type: none"> -Higher level of volatility -Dependent on manager ability -High management fees - Valuations decrease in a high interest rate environment | 8.7% | 28.3% |
| Inflation Protection Illiquids | Investments in Funds that provide long term contractual cash flows typically over 50 years. | <ul style="list-style-type: none"> - Provide regular income - Linked to pension fund liabilities | -Returns are lower when compared to other asset classes | 5.5% | 7.5% |

| Asset Class | Description | Advantages | Disadvantages | Expected return | Expected Volatility |
|--------------------------------------|---|--|--|-----------------|---------------------|
| | | | -Highly illiquid -Performs poorly in high interest rate environment | | |
| UK Property | Investment in property assets where returns are generated through both capital appreciation and rental income -Categories include Industrial, Retail, Office and Residential | - Diversification from equities and Fixed income -Generate investment income -Some inflation protection | - Illiquid -Difficult to adapt to change in demand e.g. COVID impact on office space demand | 5.9% | 12.5% |
| Infrastructure | Real assets which include physical assets such as bridges roads highways sewage systems, energy production sites. Falls under 4 categories; transportation, energy and utilities, social infrastructure and communication | Generates sustainable, reliable income with significant linkage to inflation. Provides risk mitigation from declining fossil fuel usage. -Significant ESG credentials | -Funds are concentrated - Illiquid | 7.1% | 18.6% |
| Private Debt (Direct lending) | Corporate lending to small and medium sized enterprises. | Private Debt is a risk-efficient way to gain credit exposure but is not publicly traded -low volatility | - Lower returns when compare to other asset classes | 4.2% | 1.6% |
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