

# Pension Fund Accounts

London Borough of Enfield

Pension Fund Draft Statement of Accounts 2023/24

## Pension Fund Accounts

31 March 2023* £000s	London Borough of Enfield Pension Fund Account	Notes	31 March 2024 £000s
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(56,214)	Contributions	7	(57,614)
(12,591)	Transfers in from other pension funds	8	(8,068)
<b>(68,805)</b>			<b>(65,682)</b>
49,478	Benefits payable	9	54,654
3,766	Payments to and on account of leavers	10	12,813
<b>53,244</b>			<b>67,467</b>
<b>(15,561)</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>1,785</b>
11,034	Management expenses	11	9,383
<b>(4,527)</b>	<b>Net additional/(withdrawals) including fund management</b>		<b>11,168</b>
	<b>Returns on investments</b>		
(22,223)	Investment income	12	(34,280)
-	Taxes on income	13A	412
93,302	Profit & losses on disposal of investments and changes in the market value of investments	14A	(98,299)
<b>71,079</b>	<b>Net returns on investments</b>		<b>(132,167)</b>
<b>66,552</b>	<b>Net change in assets available for benefits during the year</b>		<b>(120,999)</b>
(1,522,779)	<b>Opening net assets of the scheme</b>		(1,456,227)
<b>(1,456,227)</b>	<b>Closing net assets of the scheme</b>		<b>(1,577,226)</b>

\*Restated – following updated information that was not available at the time of publication of 2022/23 draft accounts, investment management expenses, and asset values for private equity and infrastructure have been restated.

## Pension Fund Accounts continued:

31 March 2023		Net Assets Statement for Year Ended 31 March 2024		Notes	31 March 2024
£000s					£000s
1,325,901	Investment assets			14	1,482,821
(103)	Investment liabilities				(19)
<b>1,325,798</b>	<b>Total net investments</b>				<b>1,482,802</b>
128,959	Cash deposits			14	93,706
1,992	Other investment balances -assets			14	2,467
(872)	Other investment balances - liabilities				(2,358)
<b>1,445,877</b>	<b>Other investment balances</b>			14	<b>1,576,617</b>
117	Long Term Debtor			20a	234
612	Current assets			20	807
(379)	Current liabilities			21	(432)
<b>1,456,227</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>				<b>1,577,226</b>

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

I can confirm that these Statement of Accounts have been prepared on the basis of providing a true and fair view of the Council's financial position with the best known information at this time. However, these accounts' opening balances have not been subject to finalised external audit for over three years and, given the number of years now outstanding, the level of risk of amendment is compounded. On this basis, it is not possible to substantially confirm that these accounts present a true and fair view at this time and until the external audits have been completed for 2019/20, 2020/21, 2021/22 and 2022/23.

Signed:

Fay Hammond  
Executive Director Resources & S151  
31 May 2024

# Notes Supporting Pension Fund

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# Notes Supporting Pension Fund Accounts

## Note 1 Description of the Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the [Enfield Pension Fund Annual Report 2022/23\(Draft\)](#) 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.

## Notes Supporting Pension Fund Accounts

### Note 1 Description of the Fund continued:

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:

<b>Enfield Pension Fund</b>	<b>31 March 2023</b>	<b>31 March 2024</b>
Number of employers with active members	7,719	7,343
Number of pensioners	6,489	6,813
Deferred pensioners	8,179	8,230
Frozen/undecided	3,034	3,530
<b>Total number of members in pension scheme</b>	<b>25,421</b>	<b>25,916</b>

#### C. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. 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 2023 has employer contribution rates range from 8.5% to 21.7% 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.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits, as explained on the LGPS website – see [www.lgpsmember.org](http://www.lgpsmember.org)

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.

# Notes Supporting Pension Fund Accounts

## Note 2 Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 Summary of Significant 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 accruals basis in accordance with the terms of the transfer agreement.

## Notes Supporting Pension Fund Accounts

### Note 3 Summary of Significant Accounting Policies continued:

#### 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.



## Notes Supporting Pension Fund Accounts

### Note 3 Summary of Significant Accounting Policies continued:

- 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).

#### H. Foreign currency transactions

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.

## Notes Supporting Pension Fund Accounts

### Note 3 Summary of Significant Accounting Policies continued:

#### 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.

## Notes Supporting Pension Fund Accounts

### 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.

There were no such critical judgements made during 2023/24

## Notes Supporting Pension Fund Accounts

### 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 2024 (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
<b>Actuarial present value of promised retirement benefits (Note 19)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>a. 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £27m.</li> <li>b. 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1m.</li> <li>c. 0.1% increase in the assumed Rate of CPI Inflation would increase the value of liabilities by approximately £26m.</li> <li>d. if life expectancy increases by 1 years, it would increase the liability by approximately £67m.</li> </ul> <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>
<b>Inflation Opportunities Fund (Note 15)</b>	In November 2023 the Government released consultation on legislative reform of the residential leasehold sector, this included additional proposals to cap ground rents. The inflation opportunities fund has an allocation to ground rent debt, meaning the consultation, has impeded the ability to provide certainty for the valuation of these holdings.	The total value in the financial statements is £64.3m. There is a risk that the investment may be under or overstated in the accounts. Given a tolerance of +/-10% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £6.4m.
<b>Private equity – venture capital investments (Note 15)</b>	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 total value of relevant investments in the financial statements is £129.6m. There is a risk that this may be over or understated. A 10% change in the value of these investments would equate to a change in asset value of +/-£13.0m.
<b>Pooled property investments (Note 15)</b>	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. A change of 10% would result in an increase or decrease of £4.8m, on carrying values of £47.7m.

## Notes Supporting Pension Fund Accounts

### **Note 6 Events After the Reporting Date**

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

## Notes Supporting Pension Fund Accounts

### Note 7 Contributions

By Category:

31 March 2023 £000s		31 March 2024 £000s
(14,057)	Employees' contributions	(14,728)
	<b>Employers' contributions:</b>	
(38,524)	Normal	(41,062)
(2,891)	Deficit recovery contributions	(159)
(742)	Augmentation contributions	(1,665)
<b>(42,157)</b>	<b>Total employers' contributions</b>	<b>(42,886)</b>
<b>(56,214)</b>		<b>(57,614)</b>

By Authority:

31 March 2023 £000s		31 March 2024 £000s
(44,404)	Administering authority	(44,769)
(11,450)	Scheduled bodies	(12,483)
(360)	Admitted bodies	(362)
<b>(56,214)</b>		<b>(57,614)</b>

### Note 8 Transfers in from other Pension Funds

31 March 2023 £000s		31 March 2024 £000s
(12,591)	Individual transfers	(8,068)
<b>(12,591)</b>		<b>(8,068)</b>

## Notes Supporting Pension Fund Accounts

### Note 9 Benefits Paid/Payable

#### By category

31 March 2023		31 March 2024
£000s		£000s
40,608	Pensions	45,776
7,905	Commutation and lump sum retirement benefits	7,990
965	Lump sum death benefits	888
<b>49,478</b>		<b>54,654</b>

#### By authority

31 March 2023		31 March 2024
£000s		£000s
46,129	Administration authority	51,403
2,858	Scheduled bodies	2,722
491	Admitted bodies	529
<b>49,478</b>		<b>54,654</b>

### Note 10 Payments to and on Account of Leavers

31 March 2023		31 March 2024
£000s		£000s
141	Refunds to members leaving service	176
3,625	Individual transfers	12,637
<b>3,766</b>		<b>12,813</b>

## Notes Supporting Pension Fund Accounts

### Note 11 Management Expenses

31 March 2023		31 March 2024
£000s		£000s
1,178	Administrative costs	1,307
537	Oversight and governance costs	685
9,319	Investment management expenses	7,391
<b>11,034</b>		<b>9,383</b>

### Note 11a Investment Management Expenses

	Total	Custody fees	Management fees	Transaction fees	Performance related fees
2023/24	£000s		£000s	£000s	£000s
Bonds	227	-	171	56	-
Pooled Investments	3,498	-	2,838	660	
Pooled property Investments	1,980	-	2,082	143	(245)
Private equity/Infrastructure	1,618	-	1,321	2	295
Custody fees	-	68	-	-	-
	<b>7,391</b>	<b>68</b>	<b>6,412</b>	<b>861</b>	<b>50</b>

	Total		Management fees	Transaction fees	Performance related fees
2022/23	£000s		£000s	£000s	£000s
Bonds	148	-	122	26	-
Pooled Investments	6,299	-	4,252	718	1,327
Pooled property Investments	2,189	-	1,948	478	(237)
Private equity/Infrastructure	614	-	1,632	11	(1,029)
Custody fees	-	71	-	-	-
	<b>9,319</b>	<b>71</b>	<b>7,954</b>	<b>1,235</b>	<b>61</b>



## Notes Supporting Pension Fund Accounts

### Note 12 Investment Income

31 March 2023		31 March 2024
£000s		£000s
(3,314)	Income from bonds	(4,281)
(2,189)	Income from equities	(2,287)
(12,725)	Pooled investment funds	(18,711)
(2,521)	Pooled property investments	(2,466)
(1,474)	Interest on cash deposits	(6,535)
<b>(22,223)</b>	<b>Total income before taxes</b>	<b>(34,280)</b>

### Note 13 Other Account Fund Disclosures

#### Note 13a External Audit Fees

31 March 2023		31 March 2024
£000s		£000s
25	Paid in respect of external audit (excluding VAT)	78
<b>25</b>		<b>78</b>

## Notes Supporting Pension Fund Accounts

### Note 14 Investments

31 March 2023*		31 March 2024
£000		£000
	<b>Investment assets</b>	
74,997	Bonds	99,926
41,779	Equities**	35,827
	<b>Pooled Investments</b>	
289,785	Fixed income funds	361,671
573,302	Equity funds	676,950
34,981	Hedge funds	-
65,069	Inflation opportunity fund	64,341
<b>1,079,913</b>		<b>1,238,715</b>
	<b>Other Investments</b>	
115,975	Pooled property investments	114,216
109,086	Private equity funds	104,889
20,563	Infrastructure funds	24,743
	Derivative contracts:	
261	Futures	251
103	Forward currency contracts	7
<b>245,988</b>		<b>244,106</b>
128,959	Cash deposits	93,706
1,992	Investment Income due	2,467
<b>130,951</b>		<b>96,173</b>
<b>1,456,852</b>	<b>Total Investment assets</b>	<b>1,578,994</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(95)	Futures	(8)
(8)	Forward currency contracts	(11)
(872)	Amounts payable for purchases	(2,358)
<b>(975)</b>	<b>Total Investment liabilities</b>	<b>(2,377)</b>
<b>1,455,877</b>	<b>Net Investment assets</b>	<b>1,576,617</b>

\*Restated - following a review of the 2022/23 draft accounts some investments have been re-categorised in this and subsequent disclosures, so they are more accurately aligned with the Fund's strategic asset allocation.

\*\*Equities consists of one holding in International Public Partnerships Limited for the purposes of the Funds strategic asset allocation this would be categorised as an Infrastructure consists of one holding in International Public Partnerships Limited for the purposes of the Funds strategic asset allocation this would be categorised as an Infrastructure investment.

## Notes Supporting Pension Fund Accounts

### Note 14a: Reconciliation of Movements in Investments and Derivatives

Period 2023/24	Market Value as at 1 April 2023 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in Market Value during the year £000s	Market Value as at 31 March 2024 £000s
Bonds	74,997	34,746	(12,010)	2,193	99,926
Equities	41,779	-	(2)	(5,950)	35,827
Pooled Investments	963,137	70,969	(35,690)	104,546	1,102,962
Pooled property Investments	115,975	4,444	(1,481)	(4,722)	114,216
Private equity/Infrastructure	129,649	11,076	(9,194)	(1,899)	129,632
Management fees taken off value	-	-	(6,088)	6,088	-
	<b>1,325,537</b>	<b>121,235</b>	<b>(64,465)</b>	<b>100,256</b>	<b>1,482,563</b>
<b>Derivative contracts:</b>					
Futures	166	812	(491)	(244)	243
Forward currency contracts	95	153	(380)	128	(4)
	<b>1,325,798</b>	<b>122,200</b>	<b>(65,336)</b>	<b>100,140</b>	<b>1,482,802</b>
<b>Other Investment balances:</b>					
Cash deposits	128,959			(1,840)	93,706
Investment income due	1,992			-	2,467
Spot FX contracts	-			(1)	-
Amounts payable for purchases of Investments	(872)			-	(2,358)
	<b>1,455,877</b>			<b>98,299</b>	<b>1,576,617</b>

## Notes Supporting Pension Fund Accounts

### Note 14a Reconciliation of Movements in Investments and Derivatives continued:

Period 2022/23	Market Value as at 31 March 2022 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in Market Value during the year £000s	Market Value as at 31 March 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	130,813	8,089	(31)	(22,896)	115,975
Private equity/Infrastructure	187,334	14,101	(19,238)	(52,548)	129,649
Adjustment for management fees	-	-	(7,660)	7,660	-
	<b>1,448,046</b>	<b>177,556</b>	<b>(205,533)</b>	<b>(94,532)</b>	<b>1,325,537</b>
<b>Derivative contracts:</b>					
Futures	(48)	1,702	(456)	(1,032)	166
Forward currency contracts	(83)	790	(349)	(263)	95
	<b>1,447,915</b>	<b>180,048</b>	<b>(206,338)</b>	<b>(95,827)</b>	<b>1,325,798</b>
<b>Other Investment balances:</b>					
Cash deposits	73,478			2,539	128,959
Amount receivable for sales of investments	650			2	-
Investment income due	1,973			-	1,992
Spot FX contracts	1			(16)	-
Amounts payable for purchases of Investments	(785)			-	(872)
	<b>1,523,232</b>	<b>-</b>	<b>-</b>	<b>(93,302)</b>	<b>1,455,877</b>

Purchases and sales of derivatives are recognised in Note 14a above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

## Notes Supporting Pension Fund Accounts

### Note 14b Analysis of Investments

The Fund employs external investment managers to manage all of its investments apart from an amount of cash, which is managed internally in line with the Fund's treasury management strategy. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager. The Market value of investments in the hands of each manager is shown in the table below:

31 March 2023			31 March 2024	
£000	%		£000	%
<b>Investments managed by London CIV regional pool:</b>				
110,802	7.6	LCIV Global Equity Focus Fund - Longview Partners	130,761	8.3
102,865	7.1	LCIV Global Alpha Growth Paris Aligned Fund - Baillie Gifford & Co	119,300	7.6
77,365	5.3	LCIV Global Bond Fund - PIMCO	82,306	5.2
53,558	3.7	LCIV MAC Fund - London CIV	59,727	3.8
31,856	2.2	LCIV Emerging Market Equity Fund - J.P. Morgan Asset Management	31,431	2.0
-	-	LCIV Renewable Infrastructure Fund - London CIV	4,078	0.2
<b>376,446</b>	<b>25.9</b>		<b>427,603</b>	<b>27.1</b>
<b>Investments managed outside London CIV pool:</b>				
360,247	24.7	BlackRock Inc	452,707	28.7
109,087	7.5	Adams Street Partners L.P.	104,889	6.7
77,507	5.3	Western Asset Management Company Ltd	103,889	6.6
127,626	8.8	Cash (internally managed)	89,901	5.7
79,878	5.5	MFS International (UK) Limited	88,043	5.6
47,618	3.2	Aon Investments Limited	69,495	4.4
65,069	4.5	M&G Investments	64,341	4.0
36,248	2.5	Legal & General Investment Management Limited	36,646	2.3
36,752	2.5	CBRE Investment Management	36,245	2.3
41,779	2.9	International Public Partnerships Limited – Amber Infrastructure	35,827	2.3
30,357	2.1	Insight Investment	32,973	2.1
20,563	1.4	Antin Infrastructure Partners	20,665	1.3
9,295	0.6	Brockton Everlast Inc.	11,406	0.7
2,424	0.2	York Capital Management	1,987	0.1
34,981	2.4	Davidson Kempner Capital Management L.P.	-	-
<b>1,079,430</b>	<b>74.1</b>		<b>1,149,014</b>	<b>72.9</b>
<b>1,455,877</b>	<b>100</b>		<b>1,576,617</b>	<b>100</b>

## Notes Supporting Pension Fund Accounts

### Note 14b Analysis of Investments continued:

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

Security	Market value	% of total	Market value	% of total
	31-Mar-2023 £000s	Fund	31-Mar-2024 £000s	Fund
ACS World Low Carbon Equity Tracker Fund - Blackrock	245,477	16.9	305,429	19.4
LCIV Global Equity Focus Fund - Longview Partners	110,802	7.6	130,761	8.3
LCIV Global Alpha Growth Paris Aligned Fund - Baillie Gifford & Co	102,865	7.1	119,300	7.6
Global Equity Fund - MFS	79,878	5.5	88,043	5.6
LCIV Global Bond Fund - PIMCO	77,365	5.3	82,306	5.2
<b>Total Value of Investments</b>	<b>616,387</b>		<b>725,839</b>	

# Notes Supporting Pension Fund Accounts

## 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:

## Notes Supporting Pension Fund Accounts

### Note 15 Fair Value – Basis of Valuation continued:

Description of asset	Valuation hierarchy	Basis of valuation	Observable & Unobservable Inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Futures and options in UK bonds</b>	Level 1	Published exchange prices at the year-end	Not required	Not required
<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
<b>Overseas bond options</b>	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Published bid market price at the end of accounting period.	NAV per share	Not required
<b>Pooled investments – hedge funds</b>	Level 2	Most recent valuation	NAV published, Cashflow transactions, i.e., distributions or capital calls	Not Required
<b>Property held in a limited partnership</b>	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period.	NAV published, Cashflow transactions, i.e., distributions or capital calls	Valuations could be affected by material events between the date of the pool fund financial statements and the funds own reporting date, audited accounts received and the pension funds' year end.
<b>Private equity</b>	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)	- EBITDA multiple - Revenue multiple - Control Premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts



## Notes Supporting Pension Fund 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 2024.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2024 £000s	Value on increase £000s	Value on decrease £000s
Pooled property investments	13%	47,651	53,608	41,695
Private equity funds	20%	104,889	125,867	83,911
Infrastructure funds	15%	24,743	28,455	21,032
Inflation opportunity fund	17%	64,341	75,279	53,403
<b>Total</b>		<b>241,624</b>	<b>283,209</b>	<b>200,041</b>

## Notes Supporting Pension Fund Accounts

### 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.

31 March 2024	Quoted market price	Using observable inputs	With significant observable inputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
<b>Financial assets at fair value through profit and loss</b>				
Bonds	-	99,926	-	99,926
Equities	35,827	-	-	35,827
Pooled investments	697,546	341,076	64,341	1,102,962
Pooled Property Investments	-	66,565	47,651	114,216
Private Equity/Infrastructure	-	-	129,632	129,632
Derivative Assets	495	7	-	502
Cash deposits	93,427	35	-	93,462
Investment income due	469	1,998	-	2,467
<b>Financial liabilities at fair value through profit and loss</b>				
Payable for investment purchases	-	(2,358)	-	(2,358)
Derivative liabilities	(8)	(11)	-	(19)
<b>Net financial assets</b>	<b>827,756</b>	<b>507,238</b>	<b>241,624</b>	<b>1,576,617</b>

## Notes Supporting Pension Fund Accounts

### Note 15a Fair Value Hierarchy continued:

31 March 2023	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
<b>Financial assets at fair value through profit and loss</b>				
Bonds	-	74,997	-	74,997
Equities	41,779	-	-	41,779
Pooled investments	583,559	379,578	-	963,137
Pooled Property Investments	-	69,927	46,048	115,975
Private Equity	-	-	129,649	129,649
Derivative Assets	260	353	-	613
Cash deposits	128,675	35	-	128,710
Investment income due	562	1,430	-	1,992
<b>Financial liabilities at fair value through profit and loss</b>				
Payable for investment purchases	-	(872)	-	(872)
Derivative liabilities	(95)	(8)	-	(104)
<b>Net financial assets</b>	<b>754,740</b>	<b>525,440</b>	<b>175,697</b>	<b>1,455,877</b>

## Notes Supporting Pension Fund Accounts

### Note 15b: Transfers Between Levels 1 and 2

There has been no movement during 2022/23.

### Note 15c Reconciliation of Fair Value Measurements Within Level 3\*

	Market Value as at 1 April 2023 £000	Transfers in/out of level 3 £000	Purchases £000	Sales £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market Value as at 31 March 2024 £000
Pooled property investments	46,048	-	4,444	(1,481)	(1,701)	342	47,651
Pooled private equity	109,086	-	6,998	(9,195)	(7,565)	5,563	104,889
Pooled infrastructure funds	20,563	-	4,078	-	103	-	24,743
Inflation opportunity fund*	-	65,877	1,104	-	(2,640)	-	64,341
	<b>175,697</b>	<b>65,877</b>	<b>16,624</b>	<b>(10,676)</b>	<b>(11,803)</b>	<b>5,905</b>	<b>241,624</b>

\*Transferred from level 2 to level 3 in November 2023 following a government consultation on legislative reform of the residential leasehold sector, including additional proposals to cap ground rents. This resulted in valuation uncertainty and suspension of trading, reducing the amount of observable market data available.

## Notes Supporting Pension Fund Accounts

### 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.

Designated as fair value through profit and loss £000	31 March 2023		Designated as fair value through profit and loss £000	31 March 2024	
	Loans and receivables £000	Financial liabilities £000		Loans and receivables £000	Financial liabilities £000
<b>Financial assets</b>					
74,997	-	-	Bonds	99,926	-
41,779	-	-	Equities	35,827	-
963,137	-	-	Pooled investments	1,102,962	-
115,975	-	-	Pooled property Investments	114,216	-
129,649	-	-	Private Equity	129,632	-
364	-	-	Derivative Assets	258	-
48,666	80,293	-	Cash deposits	84,043	9,663
-	1,992	-	Other investment balances	-	2,467
<b>1,374,567</b>	<b>82,285</b>	<b>-</b>		<b>1,566,864</b>	<b>12,130</b>
<b>Financial liabilities</b>					
(103)	-	-	Other Investment balances	(19)	-
-	-	(872)	Creditors		(2,358)
<b>(103)</b>	<b>-</b>	<b>(872)</b>		<b>(19)</b>	<b>(2,358)</b>
<b>1,374,464</b>	<b>82,285</b>	<b>(872)</b>	<b>Total</b>	<b>1,566,845</b>	<b>12,130</b>
		<b>1,455,877</b>	<b>Grand Total</b>		<b>1,576,617</b>

## Notes Supporting Pension Fund Accounts

### Note 16b Net Gains and Losses on Financial Instruments

31 March 2023 £000		31 March 2024 £000
<b>Financial assets</b>		
(94,532)	Fair value through profit and loss	100,254
2,541	Loans and receivables	-
<b>Financial liabilities</b>		
(1,295)	Fair value through profit and loss	(116)
(16)	Loans and receivables	(1,839)
<b>(93,302)</b>		<b>98,299</b>

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

## Notes Supporting Pension Fund Accounts

### 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.

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.

## Notes Supporting Pension Fund Accounts

### Note 17 Nature and Extent of Risks Arising from Financial Instruments continued:

#### **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 2023/24 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).



## Notes Supporting Pension Fund Accounts

### Note 17 Nature and Extent of Risks Arising from Financial Instruments continued:

Asset type	Market Value as at 31 March 2024 £000	Percentage change %	Value on increase £000	Value on decrease £000
<b>Cash and cash equivalents</b>	93,706	-	93,706	93,706
<b>Investment portfolio assets:</b>				
Bonds	99,926	9.0	108,919	90,933
Equities	35,827	16.0	41,559	30,095
Fixed Income funds	361,671	9.0	394,221	329,121
Equity funds	676,950	18.0	798,801	555,099
Hedge funds	-	8.0	-	-
Inflation opportunity fund	64,341	9.0	70,132	58,550
Pooled property Investments	114,216	12.5	128,493	99,939
Private equity funds	104,889	20.0	125,867	83,911
Infrastructure funds	24,743	15.0	28,454	21,032
Net derivatives	239	0.0	239	239
Investment income due	2,467	0.0	2,467	2,467
Amounts payable for purchases	(2,358)	0.0	(2,358)	(2,358)
<b>Total assets available to pay benefits</b>	<b>1,576,617</b>		<b>1,790,500</b>	<b>1,362,734</b>

Asset type	Market Value as at 31 March 2023 £000	Percentage change %	Value on increase £000	Value on decrease £000
<b>Cash and cash equivalents</b>	128,959	-	128,959	128,959
<b>Investment portfolio assets:</b>				
Bonds	74,997	9.0	81,747	68,247
Equities	41,779	16.0	48,464	35,094
Fixed Income funds	289,785	9.0	315,866	263,704
Equity unit trusts	573,302	18.0	676,496	470,108
Hedge funds	34,981	8.0	37,779	32,183
Inflation opportunity fund	65,069	9.0	70,925	59,213
Pooled property Investments	115,975	12.5	130,472	101,478
Private equity/Infrastructure funds	109,086	20.0	130,903	87,269
Infrastructure funds	20,563	15.0	23,647	17,479
Net derivatives	261	0.0	261	261
Investment income due	1,992	0.0	1,992	1,992
Amounts payable for purchases	(872)	0.0	(872)	(872)
<b>Total assets available to pay benefits</b>	<b>1,455,877</b>		<b>1,646,639</b>	<b>1,265,115</b>

## Notes Supporting Pension Fund Accounts

### 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 2024 and 31 March 2023 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 March 2024 £000	Change in year in the net assets available to pay benefits £000	
<b>Cash and cash equivalents</b>				
Cash	-	93,706	-	-
<b>Bonds</b>				
UK public sector quoted	14.2	8,148	(1,155)	1,155
UK quoted	10.8	51,478	(5,547)	5,547
Overseas public sector quoted	17.4	659	(114)	114
Overseas quoted	9.4	39,640	(3,739)	3,739
<b>Total change in assets available</b>	-	-	<b>(10,555)</b>	<b>10,555</b>

## Notes Supporting Pension Fund Accounts

### Note 17 Nature and Extent of Risks Arising from Financial Instruments continued:

Asset type	Average Duration Years	Market Value as at 31 March 2023 £000	Change in year in the net assets available to pay benefits £000	
<b>Cash and cash equivalents</b>				
Cash		128,959	-	-
<b>Bonds</b>				
UK public sector quoted	16.8	2,769	(465)	465
UK quoted	10.5	40,026	(4,184)	4,184
Overseas public sector quoted	17.8	669	(119)	119
Overseas quoted	9.6	31,534	(3,025)	3,025
<b>Total change in assets available</b>			<b>(7,793)</b>	<b>7,793</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	6,535	937	7,472	5,598
Bonds	4,281	-	4,281	4,281
<b>Total</b>	<b>10,816</b>	<b>937</b>	<b>11,753</b>	<b>9,879</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	1,474	1,290	2,764	184
Bonds	3,314	-	3,314	3,314
<b>Total</b>	<b>4,788</b>	<b>1,290</b>	<b>6,078</b>	<b>3,498</b>

## Notes Supporting Pension Fund Accounts

### Note 17 Nature and Extent of Risks Arising from Financial Instruments continued:

#### 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 March 2024 £000	Change in year in the net assets available to pay benefits	
		+10% £000	-10% £000
Bonds	3,304	3,634	2,974
Pooled Investments	1,987	2,186	1,788
Private equity/Infrastructure	125,554	138,109	112,999
Derivatives	(4,161)	(4,577)	(3,745)
Cash Balances	85,655	94,221	77,090
Investment income due	247	272	222
<b>Total change in assets available</b>	<b>212,586</b>	<b>233,845</b>	<b>191,328</b>

## Notes Supporting Pension Fund Accounts

### Note 17 Nature and Extent of Risks Arising from Financial Instruments continued:

Currency exposure - asset type	Market Value as at 31 March 2023 £000	Change in year in the net assets available to pay benefits	
		+10% £000	-10% £000
Bonds	3,284	3,612	2,956
Pooled Investments	37,405	41,146	33,665
Private equity/Infrastructure	129,649	142,614	116,684
Derivatives	(3,850)	(4,235)	(3,465)
Cash Balances	48,854	53,739	43,969
Investment income due	274	301	247
<b>Total change in assets available</b>	<b>215,616</b>	<b>237,177</b>	<b>194,056</b>

#### b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives' positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

## Notes Supporting Pension Fund Accounts

### 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. Detailed below are the specifics of the Fund's cash, held under internal treasury management arrangements, and the respective institutions where these holdings are kept:

	Rating	Balances as at 31 March 2023 £000	Balances as at 31 March 2024 £000
<b>Money market funds</b>			
Goldman Sachs money market fund	AAAm	48,631	22,747
Northern Trust market fund	AAAm	-	61,261
<b>Bank current accounts</b>			
HSBC	AA-	11	1
Northern Trust Custodian	AA-	78,491	5,488
		<b>127,133</b>	<b>89,497</b>

#### c) Liquidity risk

This represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and 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 2024 are due within one year.

#### a) 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.

# Notes Supporting Pension Fund Accounts

## Note 18 Funding Arrangements

### Description of Funding Policy

In line with the Local Government Pension Scheme Regulations, the Fund's actuary undertakes a funding valuation every three years for the purpose of ensuring the Enfield Pension Fund can meet its liabilities to past and present contributors, and to review employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and was carried out by the Fund's actuary at the time - Aon.

The funding policy is set out in the Funding Strategy Statement (FSS), dated September 2022. In summary 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 25 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. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 80% likelihood that the Fund will achieve the funding target over 25 years.

### Funding Position at last formal valuation

The 2022 actuarial valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,523 million, were sufficient to meet 104% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £53 million.

### 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:

<b>Financial assumptions</b>	<b>31 March 2022</b>
Discount rate	4.4% p.a.
Salary increase assumption	3.8% p.a.
Benefit increase assumption (CPI)	2.3% p.a.

## Notes Supporting Pension Fund Accounts

### Note 18 Funding Arrangements continued:

#### 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:

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	21.7	24.1
Future pensioners aged 45 at the valuation date	23.0	25.5

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS. Copies of the 2022 valuation report and FSS are available on the Fund's website. The next actuarial valuation will be carried out as at 31 March 2025, The FSS will also be reviewed at that time.

### Note 19 Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The table below shows the present value of promised retirement benefits as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2024 (£m)
Active Members	603
Deferred members	292
Pensioners	769
<b>Total</b>	<b>1,664</b>



## Notes Supporting Pension Fund Accounts

### Note 19 Actuarial Present Value of Promised Retirement Benefits continued:

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, Hymans Robertson are satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

#### Assumptions

<b>Financial assumptions</b>	<b>31 March 2024</b>
Discount rate	4.8% p.a.
Salary increase assumption	4.3% p.a.
Benefit increase assumption (CPI)	2.8% p.a.

#### Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the S3PA heavy tables (with a multiplier of 85% for males and 95% for females), with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

<b>Life expectancy</b>	<b>Males</b>	<b>Females</b>
Current pensioners	21.0	23.5
Future pensioners aged 45 at the valuation date	22.3	24.9

## Notes Supporting Pension Fund Accounts

### Note 20 Current Assets

31 March 2023 £000s		31 March 2024 £000s
	<b>Debtors</b>	
146	Contributions due - employees	162
456	Contributions due - employers	492
-	- London Borough of Enfield	152
<b>602</b>		<b>806</b>
	<b>Cash balances</b>	
10	Current account	1
<b>612</b>		<b>807</b>

### Note 20a Long Term Debtors

31 March 2023 £000s		31 March 2024 £000s
	<b>Debtors</b>	
117	Pensioner Tax liability	234
<b>117</b>		<b>234</b>

### Note 21 Current Liabilities

31 March 2023 £000s		31 March 2024 £000s
(280)	Sundry creditors	(349)
(99)	Benefits payable	(83)
<b>(379)</b>		<b>(432)</b>

## Notes Supporting Pension Fund Accounts

### 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. Funds held are summarised in the table below (at the time of publishing Prudential have not finalised their 2023/24 accounts so the data below is based on draft accounts):

	Opening Balance at 1 April 2023 £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2024 £000s
Plan Value	4,433	1,361	(999)	266	5,061
	<b>4,433</b>	<b>1,361</b>	<b>(999)</b>	<b>266</b>	<b>5,061</b>

### Note 23 Agency Services

The Enfield Pension Fund does not use any agency services to administer the pension service.

### Note 24 Related Party Transactions

#### London Borough of Enfield

The Enfield Pension Fund is administered by the London Borough of Enfield. Consequently, there is a strong relationship between the Council and the Pension fund.

During the reporting period, the Council incurred costs of £1.621m (2022/23: £1.379m) 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, the total contribution paid by the Council are disclosed in note 7 above. At year end the Council owed the Pension Fund £152k (in 2022/23 the Pension Fund owed the Council £13k).

## Notes Supporting Pension Fund Accounts

### 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 fund has identified the Director of Capital and Commercial, the Head of Pension Investments, and the Head of Exchequer Services as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Enfield Pension Fund is shown below:

31 March 2023* £000s		31 March 2024 £000s
46	Short-term benefits	123
9	Post-employment benefits	24
<b>55</b>		<b>147</b>

\*restated 2022/23, in line final pension fund report

#### Note 25 Contingent Liabilities And Contractual Commitments

The total outstanding capital commitments (investments) at 31 March 2024 are £198.7m (31 March 2023 were £37.9m).

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.

# Glossary of Terms

Accruals	Amounts charged to the accounts for goods and services received during the year for which payments or transfers of economic benefit are expected to be made in the next or a subsequent reporting period. Amounts credited to the accounts for goods and services provided during the year for which payments or transfers of economic benefit are expected to be received in the next or subsequent reporting period.
Actuary	A specialised Professional who calculates projections for pensions and insurance purposes.
Amortise	To liquidate (a debt, such as a mortgage) by instalment payments, or payment into a sinking fund; or to write off an intangible asset by pro-rating the cost or income over the life of the related asset.
Appropriation	The assignment of revenue to a specific purpose.
Balance Sheet	A formal statement of the assets, liabilities and reserves of the Council.
Capital Expenditure	Payments for the acquisition, replacement or enhancement of assets that are considered to be of benefit to the Council over a period of more than one year, e.g. buildings and land, vehicles and equipment. Payments of grants and financial assistance to third parties towards the cost of capital expenditure. Expenditure that is classified as capital following a ministerial direction, e.g. capitalised redundancy costs.
Capital Financing Requirement (CFR)	The measure of the Council's underlying need to borrow in order to fund capital expenditure.
Capital Adjustment Account	This reserve includes amounts set aside from revenue, capital receipts and capital grants to fund capital expenditure and makes contributions in the Movement in Reserves Statement to offset net depreciation charges included in the Comprehensive Income and Expenditure Statement.
Capital Grants	Grant received from Government departments, other statutory bodies and external parties to finance capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non Domestic Rates.
Comprehensive Income and Expenditure Statement	A statement showing the net cost for the year of all the services for which the Council is responsible and how that cost has been financed from general government grants and income from local taxpayers.
Contingent Liability	A possible liability at the Balance Sheet Date to transfer future economic benefit to a Third Party, where the existence of the liability is subject to one or more future uncertain events that are outside the control of the Council.
Council Tax	A local tax on domestic property values.
Creditors	Amounts owed by the Council for goods received or services provided but not yet paid for as at the Balance Sheet date.

## Glossary of Terms

Debtors	Amounts owed to the Council but not received at the Balance Sheet date.
Depreciation	The consumption of an asset's economic value due to normal wear and tear and deterioration in the day to day provision of services.
Earmarked Reserves	Reserves set aside from revenue funding to meet future expenditure for specific purposes.
Expenditure	Activity which has been charged to the Accounts. This includes payments physically made, creditors and capital charges such as depreciation and impairment.
Funded Scheme	A pension scheme that is supported by a fund of money, which is maintained at a level sufficient to meet all future liabilities under the scheme.
General Fund	A statutory account that summarises the cost of providing Council services. It excludes the provision of council housing.
Gross Expenditure	The total cost of providing a service or activity before taking into account income, e.g. from government grants or fees and charges.
Housing Revenue Account (HRA)	A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
Impairment	Additional charges above normal depreciation representing the reduction in asset values arising from a fall in market values or deterioration/obsolescence.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed.
Income	The Inflow of resources to the Council which has been recognised and recorded in the accounts. This includes actual receipts, plus debtors.
Materiality	<p>Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements (International Accounting Standards Board Framework).</p> <p>Materiality therefore relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold or cut off point after which financial information becomes relevant to the users. Information contained in the financial statements must therefore be complete in all material respects (both qualitative and quantities) in order for them to present a true and fair view of the affairs of the entity.</p>
Minimum Revenue Provision	The statutory minimum amount that the Council must charge to revenue to provide for the reduction in the Capital Financing Requirement.
Non-Domestic Rates (NDR)	Also known as Business Rates, this is a flat rate in the pound set by Central Government and levied on businesses in the borough. The money is essentially collected by Enfield and then shared between Enfield, the Greater London Authority and Central Government. These arrangements were introduced under the Localism Act in April 2013, so that the Council gets to retain a proportion of Business Rate Income growth locally without sharing.
Net Expenditure	Expenditure less income

## Glossary of Terms

Non-Current Assets	Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Precept	A charge on the Collection Fund by the Greater London Authority.
Prior Year Adjustment	An adjustment applicable to prior years arising from changes in accounting policies or from the correction of material errors.
Provision	An amount set aside for liabilities and losses, which are likely to be incurred, but where the exact amount and the date on which they will arise is uncertain.
Public Works Loans Board	Central Government agency, which is used to fund local government borrowing.
Revenue Expenditure	Spending on day-to-day items including salaries and wages, premises costs, and supplies and services.
Revenue Expenditure Funded from Capital Under Statute	Expenditure of a capital nature not in connection with a Council-owned asset e.g. private sector renewal grants, Disabled Facilities Grants and funding for Voluntary Aided Schools.
Revenue Support Grant	A general grant paid by Central Government to the Council towards the cost of all its services.
Reserves	The difference between cumulative income and cumulative expenditure. Reserves are resources available to the Council.
Support Services	These are services provided centrally in support of the corporate management of the Council and the delivery of front-line services. They include financial, legal, HR, IT, property and general administrative support services.
Unfunded Scheme	A superannuation scheme that is not supported by a fund of money.