

PENSION FUND ACCOUNTS – 2017/18

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT			
2016/17 £000s		Notes	2017/18 £000s
	Dealings with members, employers and others directly involved in the Fund		
40,681	Contributions	7	43,725
181	Transfers in from other pension funds	8	1,844
40,862			45,569
(40,069)	Benefits payable	9	(38,739)
(1,038)	Payments to and on account of leavers	10	(6,289)
(41,107)			(45,028)
(245)	Net additions/(withdrawals) from dealings with members		541
(8,144)	Management expenses	11	(9,289)
(8,389)	Net additional/(withdrawals) including fund management		(8,748)
	Returns on investments		
9,852	Investment income	12	11,339
(321)	Taxes on income	13	(592)
161,032	Profit & losses on disposal of investments and changes in the market value of investments	14A	18,518
170,563	Net returns on investments		29,265
162,174	Net change in assets available for benefits during the year		20,517
916,311	Opening net assets of the scheme		1,078,485
1,078,485	Closing net assets of the scheme		1,099,002

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2018			
2016/17 £000s		Notes	2017/18 £000s
1,022,550	Investment assets		1,026,666
(21)	Investment liabilities		(148)
1,022,529	Total net investments		1,026,518
54,406	Cash deposits		69,956
1,414	Other investment balances		1,870
1,078,349		14	1,098,344
499	Current assets	21	1,081
(363)	Current liabilities	22	(423)
1,078,485	Net assets of the fund available to fund benefits at the end of the reporting period		1,099,002

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

Signed:



James Rolfe
Executive Director Resources
31st May 2018

PENSION FUND ACCOUNTS – 2017/18

Notes to the Financial Statement –index

Note 1	Description of the Fund
Note 2	Basis of preparation
Note 3	Summary of significant account policies
Note 4	Critical judgements in applying accounting policies
Note 5	Assumptions made about the future & other major sources of estimation uncertainty
Note 6	Events after the reporting date
Note 7	Contributions receivable
Note 8	Transfers in from other pension funds
Note 9	Benefits payable
Note 10	Payments to & on account of leavers
Note 11	Management expenses
Note 11a	Investment management expenses
Note 12	Investment income
Note 12a	Property income
Note 13a	Taxes on income
Note 13b	External audit costs
Note 14	Investments
Note 14a	Reconciliation of movements in investment & derivatives
Note 14b	Analysis of investments
Note 14c	Investments analysed by fund manager
Note 14d	Stock lending
Note 14e	Property holdings
Note 15	Analysis of derivatives
Note 16	Fair value
Note 16a	Fair value fair value hierarchy
Note 16b	Transfer between levels 1,2 & 3
Note 16c	Reconciliation of fair value measurements with level 3
Note 17	Financial instruments
Note 17a	Classification of financial instruments
Note 17b	Net gains and losses on financial instruments
Note 18	Nature and extent of risks arising from financial instruments
Note 19	Funding arrangements
Note 20	Actuarial present value of promised retirement benefits
Note 21	Current assets
Note 22	Current liabilities
Note 23	Additional voluntary contributions
Note 24	Agency services
Note 25	Related party transactions
Note 25a	Key management personnel
Note 26	Contingent liabilities and contractual commitments
Note 27	Contingent assets
Note 28	Impairment losses

PENSION FUND ACCOUNTS – 2017/18

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 2017/18* 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 33 employer organisations within the fund (including the Council itself), and 21,347 individual members, as detailed below. A fully analysis is included

Enfield Pension Fund	31 March 2018	31 March 2017
Number of employers with active members	7,385	7,447
Number of pensioners	5,188	5,265
Deferred pensioners	4,891	4,889
Frozen/undecided	3,883	3,089
Total number of members in pension scheme	21,347	20,690

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 9.9% to 25.0% of pensionable pay.

PENSION FUND ACCOUNTS – 2017/18

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 uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The 2017/18 statement of accounts has been prepared in accordance with the CIPFA exemplified accounts. This has meant the 2016/17 disclosure notes have been reformatted to reflect the CIPFA Code of Practice.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).

PENSION FUND ACCOUNTS – 2017/18

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) **Interest income** Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) **Dividend income** Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) **Distributions from pooled funds** Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) **Property-related income** Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) **Movement in the net market value of investments** Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses* (2016).

PENSION FUND ACCOUNTS – 2017/18

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.

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.

Investment management expenses All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related. Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). 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) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see Note 15).

j) 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.

k) 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.

PENSION FUND ACCOUNTS – 2017/18

From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) 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 20)

m) 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 23).

n) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

4: Critical judgements in applying accounting policies

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

.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 date and the amounts reported for the revenues and expenses 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 outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

PENSION FUND ACCOUNTS – 2017/18

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a. 1% increase in the discount rate assumption would result in a decrease in the pension liability of £173m a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £43m a three-year increase in assumed life expectancy would increase the liability by approximately £61m.
Private equity investments (Note 16)	Private equity investments are valued at fair value in accordance with generally accepted accounting principles (GAAP). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £63m in the financial statements. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £3 million.
Property Limited Partnership	The estimate of the value of the investment in Portfolio Companies and Intermediate Vehicles requires considerable judgment and estimation techniques. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.	Given a tolerance of +/-5% around the effect of variations in the factors supporting the valuation would be an increase or decrease in the value of held property of £0.4m, on a fair value of £8.1m.
Hedge funds (Note 16)	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The element of Hedge funds which contain level 3 underlying investments total £8m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. A tolerance of +/- 10% around the net asset values on which the hedge fund valuation is based. This equates to a tolerance of +/- £0.8m.

PENSION FUND ACCOUNTS – 2017/18

NOTE 6: EVENTS AFTER THE REPORTING DATE

At the time of submission of the draft statements for external audit there are no post balance events requiring to be reported.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2016/17 £000s		2017/18 £000s
9,614	Employees' contributions	9,589
	Employers' contributions:-	
22,833	Normal	25,762
6,870	Deficit recovery contributions	7,511
1,364	Augmentation contributions	863
31,067	Total employers' contributions	34,136
40,681		43,725

By authority

2016/17 £000s		2017/18 £000s
35,101	Administering authority	36,533
4,842	Scheduled bodies	5,825
738	Admitted bodies	1,367
40,681		43,725

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2016/17 £000s		2017/18 £000s
181	Individual transfers	1,844
181		1,844

NOTE 9: BENEFITS PAYABLE

By category

2016/17 £000s		2017/18 £000s
(30,239)	Pensions	(31,985)
(8,390)	Commutation and lump sum retirement benefits	(5,982)
(1,440)	Lump sum death benefits	(772)
(40,069)		(38,739)

By authority

2016/17 £000s		2017/18 £000s
(37,787)	Administration authority	(36,812)
(1,789)	Scheduled bodies	(1,444)
(493)	Admitted bodies	(483)
(40,069)		(38,739)

PENSION FUND ACCOUNTS – 2017/18

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17		2017/18
£000s		£000s
(129)	Refunds to members leaving service	(132)
(909)	Individual transfers	(6,157)
(1,038)		(6,289)

NOTE 11: MANAGEMENT EXPENSES

2016/17		2017/18
£000s		£000s
(673)	Administrative costs	(773)
(344)	Oversight and governance costs	(391)
(7,127)	Investment management expenses	(8,125)
(8,144)		(9,289)

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2016/17		2017/18
£000s		£000s
(6,760)	Management fees	(6,589)
-	Performance related fees	(588)
(162)	Transaction costs	(893)
(73)	Custody fees	(39)
(132)	Other	(16)
(7,127)		(8,125)

NOTE 12: INVESTMENT INCOME

2016/17		2017/18
£000s		£000s
4,089	Income from equities	4,800
3,570	Income from bonds	3,248
946	Pooled property investments	1,643
529	Pooled investments – unit trusts and other managed funds	1,329
718	Interest on cash deposits	319
9,852		11,339

NOTE 13: TAXES ON INCOME

2016/17		2017/18
£000s		£000s
	<i>Withholding tax</i>	
-	Income from equities	(315)
(321)	Pooled investments – unit trusts and other managed funds	(277)
(321)		(592)

NOTE 13B: EXTERNAL AUDIT FEES

2016/17		2017/18
£000s		£000s
25	Paid in respect of external audit	25
25		25

PENSION FUND ACCOUNTS – 2017/18

NOTE 14: INVESTMENTS

Market value 31 March 2017 £000s		Market value 31 March 2018 £000s
	Investments	
80,870	Fixed interest securities	82,344
182,276	Equities	192,565
624,293	Pooled investments	620,173
65,535	Pooled property investments	67,887
69,314	Private equity	63,333
	Derivative contracts:	
168	- Futures	262
94	- Forward currency contracts	102
1,022,550	Total investment assets	1,026,666
54,406	Cash deposits	69,956
2,054	Investment income due	2,346
256	Amounts receivable for sales	-
1,079,266	Total investment assets	1,098,968
	Investment liabilities	
	Derivative contracts:	
(9)	- Futures	(89)
(12)	- Forward currency contracts	(59)
(731)	Investment expenditure due	(476)
(165)	Amounts payable for purchases	-
(917)	Total investment liabilities	(624)
1,078,349	Net investment assets	1,098,344

PENSION FUND ACCOUNTS – 2017/18

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

	Market value 1 April 2017	Purchases	Sales	Managem't fees in Market value	Change in market value	Market value 31 March 2018
Period 2017/18	£000s	£000s	£000s	£000s	£000s	£000s
Fixed interest securities	80,870	17,127	-14,006	-	-1,647	82,344
Equities	182,277	75,462	-64,152	-	-1,022	192,565
Pooled investments	624,292	78,901	-94,290	-3,948	15,218	620,173
Pooled property	65,535	-	-1,517	-3	3,872	67,887
Private equity	69,314	13,789	-20,279	-2,291	2,800	63,333
	1,022,287	185,279	-194,244	-6,242	19,221	1,026,302
Derivatives contracts:						
Futures	159	739	-553	-	-172	173
Options	-	20	-	-	-20	-
Forward foreign exchange	82	417	-732	-	276	43
	241	1,176	-1,285	-	84	216
	1,022,529	185,455	-195,529	-6,242	19,305	1,026,518
Other investment balances						
Cash deposits	54,406				-780	69,956
Pending sales on investment	256					-
Investment income due	2,054				-7	2,346
Spot FX contracts	-					
Pending purchases on investments	(165)					
Other investment expenses	(731)					(476)
Net investment assets	1,078,349				18,518	1,098,344

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.
- Options – premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arising from early termination.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

PENSION FUND ACCOUNTS – 2017/18

	Market value 1 April 2016	Purchases	Sales	Managem't fees in Market value	Change in market value	Market value 31 March 2017
Period 2016/17	£000s	£000s	£000s	£000s	£000s	£000s
Bonds	81,605	15,076	-24,640		8,829	80,870
Equities	142,357	65,735	-65,093		39,278	182,277
Pooled investments	518,772	137,244	-123,963	-3,424	95,664	624,293
Pooled property	64,758			-480	1,257	65,535
Private equity	71,676	8,965	-25,290	-1,165	15,127	69,313
	879,168	227,020	-238,986	-5,069	160,155	1,022,288
Derivatives contracts:						
Futures	8	8,712	-8,878		317	159
Forward foreign exchange	(208)	52,299	-50,555		-1,454	82
	(200)	61,011	-59,433	0	-1,136	241
	878,968	288,031	-298,419	-5,069	159,018	1,022,529
Other investment balances						
Cash deposits	36,781				2,014	54,406
Pending sales on investment	362					256
Investment income due	1,561					2,054
Pending purchases on investments	(165)					(731)
Other investment expenses						(165)
Net investment assets	917,507				161,032	1,078,349

PENSION FUND ACCOUNTS – 2017/18

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2017 £000s		Market value 31 March 2018 £000s
	Bonds	
	UK	
6,258	Public sector quoted	4,531
3,589	Corporate quoted	3,852
	Overseas	
34,963	Public sector quoted	38,155
36,060	Corporate quoted	35,806
80,870		82,344
	Equities	
41,247	UK –quoted	47,659
141,030	Overseas –quoted	144,906
182,277		192,565
	Pooled funds –additional analysis	
86,530	Indexed linked securities	86,301
298,676	Equities	310,071
52,478	Developed markets equity long short fund	55,672
69,439	Events driven fund hedge fund	65,238
17,844	Global macro fund hedge fund	-
40,739	Inflation opportunities hedge fund	43,615
32,651	Absolute bond fund hedge fund	32,693
25,935	Multi-strategy equity hedge fund	26,583
624,292		620,173
	Pooled property investments	
65,535	UK property investments	67,887
65,535		67,887
	Private equity	
10,822	Opportunistic property	5,888
-	European infrastructure	2,178
58,492	Fund of Funds global private equity	55,267
68,314		63,333
	Derivatives- Assets	
168	Futures	262
94	Forward foreign exchange	102
262		364
1,022,550	Total Investment Assets	1,026,666
54,406	Cash deposits	69,956
256	Investment income due	2,346
2,054	Amounts receivable from sales	-
1,079,266		1,098,968
	Investment liabilities	
(9)	Derivatives- futures	(89)
(12)	Derivatives- forward foreign exchanges	(59)
(731)	Amounts payable for purchases	-
(165)	Investment expenses	(476)
(917)		(624)
1,078,349	Net investment assets	1,098,344

PENSION FUND ACCOUNTS – 2017/18

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2017			Market value 31 March 2018	
£000s			£000s	%
		Fixed income securities		
84,975	7.9%	Western Asset	86,598	7.9%
		Equities		
156,092	14.5%	Trilogy	161,997	14.7%
33,665	3.1%	International Public Partnerships	38,456	3.5%
		Pooled investments		
86,530	8.0%	Blackrock indexed linked bonds	86,301	7.9%
11,144	1.0%	Blackrock UK passive fund	11,295	1.0%
135,502	12.6%	Blackrock Global passive	138,611	12.6%
10,983	1.0%	Blackrock emerging markets	12,202	1.1%
95,485	8.9%	MFS global equities	96,434	8.8%
45,591	4.2%	LCIV Baillie Gifford global equities	51,528	4.7%
52,478	4.9%	Lansdowne hedge fund	55,672	5.1%
18,827	1.7%	York Capital hedge fund	18,950	1.7%
8,466	0.8%	Brevan Howard hedge fund	-	-
40,739	3.8%	M&G inflation opportunities	43,616	4.0%
32,651	3.0%	Insight hedge fund	32,693	3.0%
26,683	2.5%	Davidson Kempner hedge fund	24,983	2.3%
23,929	2.2%	Gruss hedge fund	21,305	1.9%
25,935	2.4%	CFM hedge fund	26,583	2.4%
9,378	0.9%	Markham Rae hedge fund	-	-
		Pooled property		
1,846	0.2%	RREEF commercial property	339	-
34,218	3.2%	Blackrock commercial property	36,087	3.3%
29,471	2.7%	Legal & General commercial prop.	31,886	2.9%
		Private equity		
58,492	5.4%	Adam St Partners fund of funds	55,267	5.0%
91	-	Antin European infrastructure	2,178	0.2%
10,822	1.0%	Brockton opportunistic property	5,888	0.5%
		Cash & accruals		
21,476	2.0%	Goldman Sachs cash	35,161	3.2%
23,576	2.2%	Northern Trust cash	24,755	2.3%
35	-	Blackrock cash	35	-
(731)	(0.1%)	Enfield Investment accruals	(476)	-
1,078,349	100.0%		1,098,344	100.0%

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

Security	Market value 31 March 2017 £000s	% of total Fund	Market value 31 March 2018 £000s	% of total Fund
Trilogy global equities	156,092	14.5%	161,997	14.8%
Blackrock –global equities	135,502	12.6%	138,611	12.7%
MFS –global equities	95,485	8.9%	96,434	8.8%
Western Asset – corporate bonds	84,976	7.9%	86,598	7.9%
Blackrock – indexed linked bonds	86,530	8.0%	86,300	7.9%
Adam Street Partners – private equity	58,492	5.4%	55,672	5.1%
Lansdowne – equity hedge fund	52,478	4.9%	55,267	5.1%

NOTE 14D: STOCK LENDING

The Fund's investment strategy does not permit stock lending.

PENSION FUND ACCOUNTS – 2017/18

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers.

a) Futures

The fund had to hold cash assets towards the end of the year in order to meet an expected peak in retirements. The pension fund committee did not want this cash to be 'out of the market' and so bought index-based futures contracts which had an underlying economic value broadly equivalent to the cash held in anticipation of the cash outflow for year-end retirements. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity and bond portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the relevant fund manager currency programme in place managed by the global custodian, and hedges a proportion of the overseas holdings

Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
1 to 6 months	GBP	2,334	EUR	(2,643)	14	-
1 to 6 months	USD	400	GBP	(287)	-	(2)
1 to 6 months	GBP	2,801	USD	(3,960)	4	(22)
1 to 6 months	GBP	1,582	SEK	(17,592)	84	-
1 to 6 months	SEK	9,469	GBP	(842)	-	(35)
Open forward currency contracts at 31 March 2018					102	(59)
Net forward currency contracts at 31 March 2018						43
Prior year comparative						
Open forward currency contracts at 31 March 2017					94	(12)
Net forward currency contracts at 31 March 2017						82

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure £000s	Market value 31 March 2017 £000s	Economic exposure £000s	Market value 31 March 2018 £000s
Assets					
UK Fixed income	Less than a year	10,717	160	12,773	239
Overseas fixed income	Less than a year	3,839	8	3,327	23
Total assets			168		262
Overseas fixed income	Less than a year	(1,413)	(9)	(3,952)	(89)
Total liabilities			(9)		(89)
Net Futures			159		173

PENSION FUND ACCOUNTS – 2017/18

NOTE 16: FAIR VALUE – BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable & unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	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	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Property held in a limited partnership	Level 3		Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Private equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

PENSION FUND ACCOUNTS – 2017/18

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above are likely to be accurate to 10% within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2018	Value on increase	Value on decrease
		£000s	£000s	£000s
Pooled investments – hedge funds	10%	8,831	9,714	7,948
UK opportunistic property	10%	5,888	6,477	5,299
European Infrastructure	10%	2,178	2,374	1,942
Private equity fund of funds	10%	55,267	60,793	49,741
Total		72,144	79,358	64,930

NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices 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.

Level 3

Assets and liabilities 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.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £000s	Level 2 £000s	Level 3 £000s	
Values at 31 March 2018				£000s
Financial assets at fair value	274,909	679,593	72,164	1,026,666
Financial liabilities at fair value	-	(148)	-	(148)
Net investment assets	274,909	679,445	72,164	1,026,518

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £000s	Level 2 £000s	Level 3 £000s	
Values at 31 March 2017				£000s
Financial assets at fair value	263,147	690,089	69,314	1,022,550
Financial liabilities at fair value	-	(21)	-	(21)
Net investment assets	263,147	690,068	69,314	1,022,529

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2017/18.

PENSION FUND ACCOUNTS – 2017/18

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1 April 2017	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Property	10,822	-	3,633	-9,034	-2,803	3,270	5,888
Infrastructure	-	-	2,404	-	-226	-	2,178
Venture capital	58,492	-	10,156	-11,244	-8,767	6,630	55,267
Hedge funds*	-	8,831	-	-	-	-	8,831
	69,314	8,831	16,193	-20,278	-11,796	9,900	72,164

*An assessment has been made of pooled vehicle hedge funds that have underlying assets that are level 3.

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period

31 March 2017			31 March 2018		
Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
£000s	£000s	£000s	£000s	£000s	£000s
			Financial assets		
80,870			82,344		
182,276			192,565		
624,293			620,173		
65,535			67,887		
69,314			63,333		
262			364		
	54,406		-	70,434	
	1,846		-	1,606	
	499		-	606	
1,022,550	56,751	-	1,026,666	72,646	-
			Financial liabilities		
(21)			(148)		
		(896)			(477)
		(363)			(423)
(21)	-	(1,259)	(148)	-	(900)
1,022,529	56,751	(1,259)	1,026,518	72,646	(900)
			Grand total		

PENSION FUND ACCOUNTS – 2017/18

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2017		31 March 2018
£000s		£000s
	Financial assets	
159,018	Designated at fair value through profit & loss	19,305
2,014	Loans & receivables	(787)
161,032	Total	18,518

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

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (ie promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

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

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

PENSION FUND ACCOUNTS – 2017/18

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 2017/18 reporting period (based on assumption made in September 2017 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.

Asset type	Potential market movements (+/-) 2017/18	Potential market movements (+/-) 2016/17
Fixed income government bond	1.4%	4.0%
Inflation-linked government bonds	1.2%	4.0%
Investment grade corporate bonds	2.2%	4.0%
Equities	6.5%	9.0%
Private equity	8.7%	9.0%
Real estate	5.5%	5.0%
Hedge funds	3.7%	4.0%

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset type	Value at 31 March 2018 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	42,686	+598	-598
Inflation-linked government bonds	86,301	+1,036	-1,036
Investment grade corporate bonds	39,658	+872	-872
Equities	502,636	+32,671	-32,671
Private equity	63,333	+5,510	-5,510
Real estate	67,887	+3,734	-3,734
Hedge funds	223,801	+8,281	-8,281
Cash & accruals	72,042	-	-
	1,098,344	+52,702	-52,702

PENSION FUND ACCOUNTS – 2017/18

Asset type	Value at 31 March 2017	Potential value on increase	Potential value on decrease
	£000	£000	£000
Fixed income government bond	41,221	+1,649	-1,649
Inflation-linked government bonds	86,530	+3,461	-3,461
Investment grade corporate bonds	39,649	+1,586	-1,586
Equities	480,953	+43,286	-43,286
Private equity	58,492	+5,264	-5,264
Real estate	76,357	+3,818	-3,818
Hedge funds	239,086	+9,563	-9,563
Cash & accruals	56,061	-	-
Total	1,078,349	+68,627	-68,627

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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Assets exposed to interest rate risk	Value as at 31 March 2018	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash & cash equivalents	69,956	700	70,656	69,256
Cash balances	435	4	439	431
Bonds	168,644	1,686	170,330	166,958
Total	239,035	2,390	241,425	236,645

Assets exposed to interest rate risk	Value as at 31 March 2017	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash & cash equivalents	54,406	544	54,950	53,862
Cash balances	30	-	30	30
Bonds	167,400	1,674	169,074	165,726
Total	221,836	2,218	224,054	219,618

PENSION FUND ACCOUNTS – 2017/18

Income exposed to interest rate risk	Amount receivable as at 31 March 2018 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	321	3	324	318
Cash balances	-	-	-	-
Bonds	3,217	32	3,249	3,185
Total	3,538	35	3,573	3,503

Income exposed to interest rate risk	Amount receivable as at 31 March 2017 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	718	7	725	711
Cash balances	-	-	-	-
Bonds	3,569	36	3,605	3,533
Total	4,287	43	4,330	4,244

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

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 10%.

A 10% fluctuation in the currency is considered reasonable. This analysis assumes that all other variables, in particular interest rates, remain constant.

Assets exposed to currency risk	Assets value as at 31 March 2018 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Canadian dollar	1,079	108	1,187	971
Danish Krone	4,091	409	4,500	3,682
Euro	34,661	3,466	38,127	31,195
Hong Kong	7,993	799	8,792	7,194
Japanese Yen	18,787	1,879	20,666	16,908
Swedish Krona	5	1	6	4
Norwegian Krone	611	61	672	550
Swiss Franc	1,153	115	1,268	1,038
US Dollar	222,875	22,288	245,163	200,587
	291,255	29,126	320,381	262,129

PENSION FUND ACCOUNTS – 2017/18

Assets exposed to currency risk	Assets value as at 31 March 2017 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Australian Dollar	979	49	1,028	930
Brazilian Real	2,473	124	2,597	2,349
China Renminbi	2,508	125	2,633	2,383
Danish Krone	713	36	749	677
Euro	53,850	2,693	56,543	51,157
Hong Kong Dollar	1,972	99	2,071	1,873
Indian Rupee	4,467	223	4,690	4,244
Japanese Yen	18,078	904	18,982	17,174
Mexican Peso	665	33	698	632
Norwegian Krone	767	38	805	729
Russian Rouble	840	42	882	798
Singapore Dollar	1,117	56	1,173	1,061
South Korean Won	6,457	323	6,780	6,134
Swedish Krona	1,846	92	1,938	1,754
Swiss Franc	2,210	111	2,321	2,099
Taiwan Dollar	1,939	97	2,036	1,842
US Dollar	225,462	11,272	236,734	214,190
	326,343	16,317	342,660	310,026

b) Credit risk

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

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2018 was £100.9m (31 March 2017: £54.4m). This was held with the following institutions:

PENSION FUND ACCOUNTS – 2017/18

	Rating	Balances as at 31 March 2018 £000	Balances as at 31 March 2017 £000
Money market funds			
Goldman Sachs money market fund	AAAm	34,161	21,472
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	434	30
Cash held by fund managers and custodian	AA-	35,760	32,899
		70,390	54,436

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

The Fund has immediate access to its pension fund cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2018 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 19: 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 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- 1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- 2) to ensure that employer contribution rates are as stable as possible
- 3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- 4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so, and
- 5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2016 actuarial valuation, the fund was assessed as 87% funded.

PENSION FUND ACCOUNTS – 2017/18

Financial assumptions

The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service

Scheduled body funding target	4.5%pa
Orphan body funding target	4.1%pa

Discount rate for periods after leaving service

Scheduled body funding target	4.5%pa
Orphan body funding target	2.5%pa
Rate of inflationary pay increases	3.5%pa
Rate of increase to pension accounts	2.0%pa
Rate of increases in pensions in payment	2.0%pa

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

- a) The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £916.3M) covering 87% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- b) The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
 - 17.7% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 19 years from 1 April 2017 (the secondary rate), equivalent to 5.1% of pensionable pay (or £7.8M in 2017/18, and increasing by 3.5% p.a. thereafter).
- c) In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2017 (the "actuarial valuation

PENSION FUND ACCOUNTS – 2017/18

report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

- d) The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, was agreed with the Administering Authority reflecting the employers' circumstances.
- e) The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body funding target *	4.5% p.a.
Orphan body funding target	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body funding target *	4.5% p.a.
Orphan body funding target	2.5% p.a.
Rate of inflationary pay increases (additional allowance made for promotional increases)	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

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

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

- f) The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
- g) The actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 27 March 2017. 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

PENSION FUND ACCOUNTS – 2017/18

31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

- h)** Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material. In addition, amendment Regulations have been laid which provide for exit credits to be repaid to employers on exit, effective from 14 May 2018. It is anticipated that the Administering Authority will consider whether its Funding Strategy Statement should be revised on account of these changes.
- i)** This Statement has been prepared by the current 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 2016. 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.
- j)** The actuarial valuation report as at 31 March 2016 is available from the Fund's website at the following address:

<https://new.enfield.gov.uk/pensions/wp-content/uploads/2017/10/London-Borough-of-Enfield-Pension-Fund-Actuarial-valuation-as-at-31-March-2016-.pdf>

NOTE 21: CURRENT ASSETS

31 March 2017 £000s		31 March 2018 £000s
	Debtors	
84	Contributions due - employees	120
264	Contributions due - employers	382
51	Sundry debtors	145
70	Prepayments	-
469		647
	Cash balances	
30	Current account	434
499		1,081

Analysis of debtors

31 March 2017 £000s		31 March 2018 £000s
-	Central government bodies	-
121	Local authorities	145
348	Public corporations	502
-	Other entities & individuals	-
469		647

PENSION FUND ACCOUNTS – 2017/18

NOTE 22: CURRENT LIABILITIES

31 March 2017 £000s		31 March 2018 £000s
(325)	Sundry creditors	-
(38)	Benefits payable	(423)
(363)		(423)

Analysis of creditors

31 March 2017 £000s		31 March 2018 £000s
-	Central government bodies	-
(325)	Other local authorities	(423)
-	Public corporations	-
(38)	Other entities & individuals	-
(363)		(423)

NOTE 23: 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 st April 17	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2018
	£000s	£000s	£000s	£000s	£000s
With profits cash accumulation	1,163	256	-181	43	1,281
Cash statement	-	34	-21	-	13
Deposit fund statement	807	434	-300	3	944
Discretionary fund	627	164	-171	19	639
	2,597	888	-673	65	2,877

NOTE 24: AGENCY SERVICES

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

NOTE 25: 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 £775k (2016/17: £673k) 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 £36.5m to the fund in 2017/18 (2016/17: £35.1m). At year end the London Borough of Enfield owed the Pension Fund £44k (-£215K in 2016/17).

PENSION FUND ACCOUNTS – 2017/18

Scheduled and admitted bodies owed the Fund £501k (£400k in 2016/17) from employer & employee contributions. All payments were received by 19th April 2018.

Governance

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund. Councillor Taylor, a member of the Pension Policy & Investment Committee, is also a Governor of Capel Manor, a scheduled body. Councillor Simon's wife is a pensioner within the Fund and is a trustee with the ELT academy at scheduled body.

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 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Head of Finance of Finance and the Head of Exchequer Services

31 March 2017 £000s		31 March 2018 £000s
62	Short-term benefits	119
192	Post-employment benefits	41
254		160

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2018 totalled £68.5m (31 March 2017: £77.8m).

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.

NOTE 27: CONTINGENT ASSETS

There were no contingent assets recognised during the year

NOTE 28: IMPAIRMENT LOSSES

There were no impairments recognised during the year.