ENFIELD Council

2019/20

ENFIELD PENSION FUND STATEMENT OF ACCOUNTS

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London Borough of Enfield

2019/20

ENFIELD Council

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT			
2018/19 £000s		Notes	2019/20 £000s
	Dealings with members, employers and others directly involved in the Fund		
47,179	Contributions	7	51,044
4,009	Transfers in from other pension funds	8	3,971
51,188			**55,015**
(41,966)	Benefits payable	9	(42,778)
(5,116)	Payments to and on account of leavers	10	(5,302)
(47,082)			**(48,080)**
4,106	**Net additions/(withdrawals) from dealings with members**		**6,935**
(9,442)	Management expenses	11	(10,089)
(5,336)	**Net additional/(withdrawals) including fund management**		**(3,154)**
	Returns on investments		
12,643	Investment income	12	11,960
(462)	Taxes on income	13a	
79,653	Profit & losses on disposal of investments and changes in the market value of investments	14a	(44,875)
91,834	**Net returns on investments**		**(32,915)**
86,498	**Net change in assets available for benefits during the year**		(36,069)
1,099,002	**Opening net assets of the scheme**		1,185,500
1,185,500	**Closing net assets of the scheme**		**1,149,431**

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2020			
2018/19 £000s		Notes	2019/20 £000s
1,124,026	Investment assets	14	1,094,703
(150)	Investment liabilities		(252)
1,123,876			**1,094,451**
58,091	Cash deposits	14	52,855
3,533	Other investment balances -assets	14	2,351
(183)	Other investment balances - liabilities	14	(149)
1,185,317	**Total net investments**	14	**1,149,508**
14	Long term debtor	20a	53
801	Current assets	20	897
(632)	Current liabilities	21	(1,027)
1,185,500	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,149,431**

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 20.

Signed:

Fay Hammond

Executive Director Resources

31st May 2020

Notes to the Financial Statement –index

1. Description of the Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2019/20 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 39 employer organisations within the fund (including the Council itself), and 23,123 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2019	31 March 2020
Number of employers with active members	7,246	7,413
Number of pensioners	5,453	5,663
Deferred pensioners	5,930	6,899
Frozen/undecided	3,652	3,148
Total number of members in pension scheme	**22,281**	**23,123**

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 2020. 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 2019 has employer contribution rates range from 0% to 34.6% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

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

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19.

The accounts have been prepared on a going concern basis.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

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

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

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

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

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses; however, it requires the disclosure of investment management transaction costs. For greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016), which shows the breakdown of administrative expenses, including transaction costs.

i) **Administrative expenses** All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

ii) **Oversight and governance costs** All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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

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

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

Net assets statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

Foreign currency transactions

h) Dividends

Interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

l) Additional voluntary contributions

The Enfield Pension Fund provides an additional voluntary contribution (AVC) scheme for Its employers and are specifically for providing additional benefits for individual contributors. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

m) Contingent assets and contingent liabilities

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

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3 above, the Fund has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pooled property

As a result of the COVID-19 outbreak, which caused extensive disruption to businesses and economic activities on a global level in all sectors, the property valuers valuing the underlying assets within the two pooled property funds, have reported their valuation on the basis of 'material valuation uncertainty'. The declaration does not mean that the valuation cannot be relied upon, but it does mean that less certainty, and a higher degree of caution, should be attached to the valuation of the property than would normally be the case. Additionally, the two pooled property funds had suspended trading as at 31 March 2020. The effect of this is to require these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020. In September 2020, the material uncertainty and suspended trading were removed from these funds.

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 2020 (for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality 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% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £223m. b. 1% increase in assumed earnings inflation would decrease the value of liabilities by approximately £223m. c. if life expectancy increases by two years, it would decrease the liability by approximately £92m. ***It should be noted that any changes in the above would not have an effect on either the Fund Account or the Net Asset Statement.***

Hedge fund of funds (Note 15)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge is necessary. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £249m. There is a risk that the investment may be under or overstated in the accounts. Given a tolerance of +/-7.5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £18.7m.
Private equity – venture capital investments (Note 15)	The figure for "Investments at fair value" is based on the latest information received from asset managers prior to the Fund's accounting records closing for the quarter. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.	The venture capital private equity investments in the financial statements are £73.4m. There is a risk that this may be over or understated. Further detail is shown in Note 15 regarding the sensitivity of this valuation.
Pooled property investments (Note 15)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £0.68m, on carrying values of £6.8m.

NOTE 6: EVENTS AFTER THE REPORTING DATE

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

NOTE 7: CONTRIBUTIONS

By category

2018/19 £000s		2019/20 £000s
10,151	**Employees' contributions**	11,078
	Employers' contributions: -	
27,460	Normal	29,648
8,206	Deficit recovery contributions	9,503
1,362	Augmentation contributions	815
37,028	**Total employers' contributions**	**39,966**
47,179		**51,044**

By authority

2018/19 £000s		2019/20 £000s
38,245	Administering authority	39,237
7,296	Scheduled bodies	9,724
1,638	Admitted bodies	2,083
47,179		**51,044**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2018/19 £000s		2019/20 £000s
4,009	Individual transfers	3,971
4,009		**3,971**

NOTE 9: BENEFITS PAID/PAYABLE

By category

2018/19 £000s		2019/20 £000s
(34,195)	Pensions	(35,828)
(6,485)	Commutation and lump sum retirement benefits	(6,684)
(1,286)	Lump sum death benefits	(266)
(41,966)		**(42,778)**

By authority

2018/19 £000s		2019/20 £000s
(40,355)	Administration authority	(40,988)
(1,248)	Scheduled bodies	(1,405)
(363)	Admitted bodies	(385)
(41,966)		**(42,778)**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19 £000s		2019/20 £000s
(108)	Refunds to members leaving service	(129)
(5,008)	Individual transfers	(5,173)
(5,116)		**(5,302)**

NOTE 11: MANAGEMENT EXPENSES

2018/19 £000s		2019/20 £000s
(935)	Administrative costs	(1124)
(350)	Oversight and governance costs	(108)
(8,157)	Investment management expenses	(8,857)
(9,442)		**(10,089)**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2018/19 £000s		2019/20 £000s
(6,494)	Management fees	(6,785)
(186)	Performance related fees	(304)
(1,405)	Transaction costs	(1,575)
(66)	Custody fees	(63)
(6)	Other	(130)
(8,157)		**(8,857)**

NOTE 12: INVESTMENT INCOME

2018/19 £000s		2019/20 £000s
5,066	Income from equities	2,053
3,290	Income from bonds	3,439
1,704	Pooled property investments	1,786
1,855	Pooled investments – unit trusts and other managed funds	4,121
728	Interest on cash deposits	561
12,643		**11,960**

NOTE 13: TAXES ON INCOME

2018/19 £000s		2019/20 £000s
	Withholding tax	
(320)	Income from equities	(0)
(142)	Pooled investments – unit trusts and other managed funds	(0)
(462)		**(0)**

NOTE 13A: EXTERNAL AUDIT FEES

2018/19 £000s		2019/20 £000s
19	Paid in respect of external audit (excluding VAT)	19
19		**19**

NOTE 14: INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
	Investments	
88,279	Fixed interest securities	90,622
43,141	Equities	45,015
824,211	Pooled investments	766,037
69,598	Pooled property investments	68,861
98,549	Private equity	124,000
	Derivative contracts:	
215	- Futures	168
33	- Forward currency contracts	0
1,124,026	**Total investment assets**	**1,094,703**
58,091	Cash deposits	52,855
2,386	Investment income due	2,351
1,147	Amounts receivable for sales	0
1,185,650	**Total investment assets**	**1,149,909**
	Investment liabilities	
	Derivative contracts:	
(150)	- Futures	(69)
-	- Forward currency contracts	(183)
(183)	Investment expenditure due	(149)
(333)	**Total investment liabilities**	**(401)**
1,185,317	**Net investment assets**	**1,149,508**

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

Period 2019/20	Market value 1 April 2019 £000s	Purchases £000s	Sales £000s	Management fees in Market value £000s	Change in market value £000s	Market value 31 March 2020 £000s
Bonds	88,278	30,830	(27,041)	(0)	(1,445)	90,622
Equities	43,141	989	0	0	885	45,015
Pooled investments	824,211	10,111	(8,764)	(4,714)	(54,807)	766,037
Pooled property	69,598		0	(178)	(559)	68,861
Private equity	98,549	29,270	(10,973)	(1,893)	9,047	124,000
	1,123,777	71,200	(46,778)	(6,785)	(46,879)	1,094,535
Derivatives contracts:						
Futures Options	66	901	(1,290)	-	422	99
Forward foreign exchange	33	486	(455)	-	(247)	(183)
	99	1,387	(1,745)	-	175	(84)
	1,123,876	**72,587**	**(48,523)**	**(6,785)**	**(46,704)**	**1,094,451**
Other investment balances						
Cash deposits	58,091				1,829*	52,855
Investment income due	2,386					2,351
Pending investment sales	1,147					(149)
Other investment expenses	(183)					-
Net investment assets	**1,185,317**				**(44,875)**	**1,149,508**

**Change in MV of short term bills and notes*

	Market value 1 April 2018	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2019
Period 2018/19	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fixed interest securities	82,344	23,989	(18,982)	-	927	**88,278**
Equities	192,565	143,829	(301,690)	-	8,437	**43,141**
Pooled investments	620,173	193,379	(32,356)	(3,474)	46,489	**824,211**
Pooled property	67,887	-	(1)	-	1,712	**69,598**
Private equity	63,333	29,985	(13,045)	(2,092)	20,368	**98,549**
	1,026,302	**391,182**	**(366,074)**	**(5,566)**	**77,933**	**1,123,777**
Derivatives contracts:						
Futures	173	4,078	(2,130)	-	(2,055)	66
Forward foreign exchange	43	1,612	(2,288)	-	666	33
	216	5,690	(4,418)	-	(1,389)	**99**
	1,026,518	**396,872**	**(370,492)**	**(5,566)**	**76,544**	**1,123,876**
Other investment balances						
Cash deposits	69,956				3,553	58,091
Investment income due	2,346					2,386
Pending investment sales	-					1,147
Other investment expenses	(476)				(444)	(183)
Net investment assets	**1,098,344**				**79,653**	**1,185,317**

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

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

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
	Bonds	
	UK	
4,703	Public sector quoted	2,703
39,103	Corporate quoted	42,100
	Overseas	
1,868	Public sector quoted	806
42,604	Corporate quoted	45,013
88,278		**90,622**
	Equities	
43,141	UK –quoted	45,015
-	Overseas –quoted	-
43,141		**45,015**
	Pooled funds –additional analysis	
89,072	Indexed linked securities	90,762
458,410	Equities	426,067
50,041	Developed markets equity long short fund	38,925
46,806	Events driven fund hedge fund	36,286
72,354	Inflation opportunities fund	73,161
30,911	Absolute bond fund	29,321
25,921	Multi-strategy equity hedge fund	27,839
50,696	Multi asset credit fund	43,676
824,211		**766,037**
	Pooled property investments	
69,598	UK property investments	68,861
69,598		**68,861**
	Private equity	
4,610	Opportunistic property	6,791
17,045	European infrastructure	21,764
72,283	Fund of Funds global private equity	73,403
4,611	UK secured long income fund	22,042
98,549		**124,000**
	Derivatives- Assets	
215	Futures	168
33	Forward foreign exchange	-
248		**168**
1,124,025	**Total Investment Assets**	**1,094,703**
58,091	Cash deposits	52,855
2,386	Investment income due	2,351
1,147	Amounts receivable from sales	-
1,185,649		**1,149,909**
	Investment liabilities	
(149)	Derivatives- futures	(69)
-	Derivatives- forward foreign exchanges	(183)
(183)	Investment expenses	(149)
(332)		**(401)**
1,185,317	**Net investment assets**	**1,149,508**

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2019 £000s	%		Market value 31 March 2020 £000s	%
		Fixed income securities		
90,940	7.7%	Western Asset Management	90,621	7.9%
		Equities		
765	0.1%	Trilogy	-	-
43,141	3.6%	International Public Partnerships	45,015	3.9%
		Pooled investments		
89,072	7.5%	Blackrock indexed linked bonds	90,762	7.9%
12,022	1.0%	Blackrock UK passive fund	9,782	0.9%
155,836	13.2%	Blackrock Global passive	148,736	12.9%
110,109	9.3%	MFS global equities	102,567	8.9%
75,336	6.4%	LCIV Baillie Gifford global equities	74,376	6.5%
28,156	2.4%	LCIV JP Morgan emerging equities	23,420	2.0%
76,950	6.5%	LCIV Longview	67,187	5.8%
50,696	4.3%	LCIV CQS Multi asset	43,676	3.8%
50,041	4.2%	Lansdowne hedge fund	38,925	3.4%
19,147	1.6%	York Capital hedge fund	11,051	1.0%
72,354	6.1%	M&G inflation opportunities	73,161	6.4%
30,911	2.6%	Insight hedge fund	29,321	2.6%
27,659	2.3%	Davidson Kempner hedge fund	27,839	2.4%
1,147	0.1%	Gruss hedge fund	-	-
25,921	2.2%	CFM hedge fund	25,235	2.2%
		Pooled property		
338	-	RREEF commercial property	342	-
36,797	3.1%	Blackrock commercial property	35,263	3.1%
33,032	2.8%	Legal & General commercial prop.	33,256	2.9%
		Private equity		
72,283	6.1%	Adam St Partners fund of funds	73,403	6.4%
17,045	1.4%	Antin European infrastructure	21,764	1.9%
4,610	0.4%	Brockton opportunistic property	6,791	0.6%
4,611	0.4%	CBRE UK secured long income fund	22,042	1.8%
		Cash & accruals		
34,474	2.9%	Goldman Sachs cash	35,868	3.1%
17,063	1.4%	Northern Trust cash	16,952	1.5%
35	-	Blackrock MMF	35	-
(183)	-	Investment accruals	2,118	0.2%
1,185,317	**100.0%**		**1,1149,508**	**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 2019 £000s	% of total Fund	Market value 31 March 2020 £000s	% of total Fund
Blackrock –global equities	155,836	13.2%	158,518	13.8%
MFS – global equities	110,109	9.3%	102,567	8.9%
Western Asset – corporate bonds	90,940	7.7%	90,621	7.9%
Blackrock – indexed linked bonds	89,072	7.5%	90,762	7.9%
LCIV – Longview global equities	76,950	6.5%	67,187	5.8%
LCIV – Baillie Gifford global equities	75,336	6.4%	74,376	6.5%
M&G Inflation opportunities	72,354	6.1%	73,161	6.4%
Adam Street Partners – private equity	72,283	6.1%	73,403	6.4%

NOTE 15: FAIR VALUE – BASIS OF VALUATION

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

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

Private equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager. Prepared in line with *International Private Equity and Venture Capital Valuation Guidelines* (2018)	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided by the asset managers and the pension fund's own reporting date, including cash flows transacted in between the audited accounts received and the pension fund's year end.

Sensitivity of assets valued at level 3
Having analysed historical data and current market trends, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2020 £000s	Value on increase £000s	Value on decrease £000s
Pooled Property	10.0%	68,861	75,747	61,795
UK secured long income fund	7.5%	22,042	23,695	20,389
UK opportunistic property	10.0%	6,791	7,470	6,112
European Infrastructure	5.0%	21,764	22,852	20,676
Private equity fund of funds	15.0%	73,403	84,414	62,393
Total		**192,861**	**214,178**	**171,365**

NOTE 15A: FAIR VALUE HIERARCHY
Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, exchange traded quoted index linked securities and unit trusts.
Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

Values at 31 March 2020	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets at fair value	135,637	766,205	192,861	**1,094,703**
Financial liabilities at fair value	(69)	(332)	-	**(401)**
Net investment assets	**135,568**	**765,873**	**192,861**	**1,094,302**

Values at 31 March 2019	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets at fair value	131,420	894,057	98,549	**1,124,026**
Financial liabilities at fair value	-	(150)	-	**(150)**
Net investment assets	**131,420**	**893,907**	**98,549**	**1,123,876**

NOTE 15B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2019/20.

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

	Market value 1April 2019 £000s	Transfers in/out of level £000s	Purchases during the year £000s	Sales during the year £000s	Unrealised gains/losses £000s	Realised gains/losses £000s	Market value 31March 2020 £000s
Pooled Property		69,598*	0	0	(737)		68,861
	0	**69,598**	**0**	**0**	**(737)**	0	**68,861**
Venture capital	72,283	0	5,506	(8,619)	(946)	5,179	73,403
Infrastructure	17,045	0	2,459	0	2,260	0	21,764
Property Funds	4,610	0	18,505	0	(1,074)	0	22,042
UK Secured Income Funds	4,611	0	2,800	(2,354)	(344)	2,079	6,791
	98,549	**0**	**29,270**	**(10,973)**	**(104)**	**7,258**	**124,000**
	98,549	**69,598**	**29,270**	**(10,973)**	**(841)**	**7,258**	**192,861**

*There has been significant volatility in the financial markets as a result of the COVID-19 pandemic, the effect of this required these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020

NOTE 16: FINANCIAL INSTRUMENTS

NOTE 16A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2019				31 March 2020		
Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000s	£000s	£000s		£000s	£000s	£000s
			Financial assets			
88,278			Bonds	90,622		
43,141			Equities	45,015		
824,211			Pooled investments	766,037		
69,598			Pooled property	68,861		
98,549			Private equity	124,000		
248			Derivative contracts	168		
	58,091		Cash deposits		52,855	
	2,547		Other investment balances		2,351	
	815		Trade debtors			
1,124,025	**61,453**	**-**	**Total financial assets**	**1,094,703**	**55,206**	**-**
			Financial liabilities			
(149)			Derivative contracts			(252)
		(183)	Other investment balances			(149)
		(632)	Trade creditors			
(149)	**-**	**(815)**	**Total financial liabilities**		**-**	**(401)**
1,123,876	**61,453**	**(815)**	**Grand total**	**1,094,703**	**55,206**	**(401)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2019 £000s		31 March 2020 £000s
	Financial assets	
76,544	Designated at fair value through profit & loss	(46,704)
3,109	Financial assets at amortised costs	1,829
79,653	**Total**	**(44,875)**

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

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

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

Management of risk
The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk.

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis
Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period (based on assumption made in March 2020 on data provided by the Fund's investment consultant. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent

review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns.

Asset type	Potential market movements (+/-) 2018/19	Potential market movements (+/-) 2019/20
Fixed income government bond	1.2%	0.2%
Inflation-linked government bonds	1.2%	0.2%
Investment grade corporate bonds	2.0%	1.5%
Equities	7.0%	7.2%
Private equity	9.3%	9.2%
Real estate	5.3%	5.4%
Hedge funds	4.2%	3.2%

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 2020 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	3,508	3,515	3,501
Inflation-linked government bonds	90,762	90,944	90,580
Investment grade corporate bonds	87,114	88,421	85,807
Equities	471,044	504,959	437,129
Private equity	124,000	135,408	112,592
Real estate	68,861	72,579	65,143
Hedge funds	249,013	256,981	241,045
Cash & accruals	55,206	55,206	55,206
	1,149,508	**1,208,013**	**1,091,003**

Asset type	Value at 31 March 2019 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	43,806	44,332	43,280
Inflation-linked government bonds	89,072	90,141	88,003
Investment grade corporate bonds	44,473	45,362	43,584
Equities	501,551	536,660	466,442
Private equity	72,283	79,005	65,561
Real estate	91,253	96,089	86,417
Hedge funds	281,340	293,156	269,524
Cash & accruals	61,539	61,539	61,539
	1,185,317	**1,246,284**	**1,124,350**

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 2020 and 31 March 2019 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 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	-	-	-	-
Cash & cash equivalents	52,855	529	-	-
Cash balances	53	-	-	-
Bonds	181,383	1,814	183,197	179,569
Total	234,291	2,343	183,197	179,569

Assets exposed to interest rate risk	Value as at 31 March 2019 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	5,000	50	-	-
Cash & cash equivalents	53,091	531	-	-
Cash balances	13	-	-	-
Bonds	177,350	1,774	179,124	175,576
Total	235,454	2,355	179,124	175,576

Income exposed to interest rate risks	Amount receivable as at 31 March 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	561	6	567	554
Bonds	3,440	34	3,474	3,406
Total	4,001	40	4,041	3,960

Income exposed to interest rate risks	Amount receivable as at 31 March 2019 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Interest on cash deposits	728	7	735	721
Bonds	3,290	33	3,323	3,257
Total	4,018	40	4,058	3,978

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (UK sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

Assets exposed to currency risk	Assets value as at 31 March 2020	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£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 Dollar	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**

Assets exposed to currency risk	Assets value as at 31 March 2019	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Australian Dollar	1,562	156	1,718	1,406
Canadian Dollar	1	-	1	1
Danish Krone	737	74	811	663
Euro	39,617	3,962	43,579	35,655
Japanese Yen	291	29	320	262
Mexican Peso	677	68	745	609
Norwegian Krone	6	1	7	5
Singapore Dollar	1,143	114	1,257	1,029
South African Rand	480	48	528	432
Swedish Krona	541	54	595	487
Swiss Franc	1,089	109	1,198	980
US Dollar	161,988	16,199	178,187	145,789
	208,132	**20,814**	**228,946**	**187,318**

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 2020 was £52.9m (31 March 2019 - £58.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019 £000	Balances as at 31 March 2020 £000
Termed deposits			
Close Brothers	A-	5,009	-
Money market funds			
Goldman Sachs money market fund	AAAm	34,474	35,868
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	12	53
Northern Trust Custodian	AA-	17,063	15,108
Cash held by fund managers		1,510	1,844
		58,103	**52,908**

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

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

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

All financial liabilities at 31 March 2020 are due within one year.

d) Refinancing risk - The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its investment strategy

NOTE 18: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the results was approved by the Pension Policy & Investment Committee at their February 2020 meeting, for implementation from 01 April 2020.

The key elements of the funding policy are:

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

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

At the 2019 actuarial valuation, the fund was assessed as 103% funded.

Financial assumptions
The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates are shown in note 20 in the financial assumption section.

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

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

a) The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £1,185.5M) covering 103% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

b) The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 18.5% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 1.5% of pay for McCloud and cost management – see paragraph i below,

c) In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.8	0.008
2021	19.8	0.008
2022	19.8	0.009

d) The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

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

Summary of Assumptions	31 March 2016 Valuation	31 March 2019 Valuation
Discount rate for periods in service		
Scheduled body funding target *	4.5%pa	4.2%pa
Orphan body funding target	4.1%pa	3.3%pa
Discount rate for periods after leaving service		
Scheduled body funding target*	4.5%pa	4.2%pa
Orphan body funding target	2.5%pa	1.6%pa
Rate of inflationary pay increases	3.5%pa	3.6%pa
Rate of increase to pension accounts	2.0%pa	2.1%pa
Rate of increases in pensions in payment	2.0%pa	2.1%pa

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

The assets were valued at market value.

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

f) The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Fund's postcode data using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with s_k of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

g) The valuation results summarised in paragraphs a and b above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph j below.

h) The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):

i) There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to GMPs:**

  The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

  The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:**

  Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in the summer of 2020.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

j) Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.20% over the year to 31 March 2020, on its own leading to a reduction in the funding level. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

k) This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, London Borough of Enfield, the Administering Authority of the Fund, in respect of this Statement.

l) The report on the actuarial valuation as at 31 March 2019 is available on 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-2019-.pdf

NOTE 20: CURRENT ASSETS

31 March 2019 £000s		31 March 2020 £000s
	Debtors	
168	Contributions due - employees	208
495	Contributions due - employers	636
72	Sundry debtors	0
53	Prepayments	0
788		**844**
	Cash balances	
13	Current account	53
801		**897**

NOTE 20A: LONG TERM DEBTORS

31 March 2019 £000s		31 March 2020 £000s
	Debtors	
14	Pensioner Tax liability	53
14		**53**

NOTE 21: CURRENT LIABILITIES

31 March 2019 £000s		31 March 2020 £000s
(19)	Sundry creditors	(460)
(613)	Benefits payable	(567)
(632)		**(1,027)**

NOTE 22: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

The current provider is Prudential. Funds held are summarised below:

	Opening Balance at 1st April 19	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s
Plan Value	**3,512**	767	(1,100)	103	**3,282**
Bonus	**(332)**				**(411)**
	3,180	**767**	**(1,100)**	**103**	**2,871**

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 £1.124m (2018/19: £935k) 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 £39.2m to the fund in (2018/19 £38.2m). At year end the London Borough of Enfield owed the Pension Fund £460k (£72k in 2018/19).

Scheduled and admitted bodies owed the Fund £854k (£664k in 2018/19) from employer & employee contributions. All payments were received by 19th April 2020.

Governance

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund.

No allowances are paid to Members directly in respect of the Pension Policy & Investment Committee. The Chair of the Pension Policy & Investment Committee, however, is paid a special responsibility allowance.

During the year, no member or Council Officer with direct responsibility for pension fund issues had undertaken any declarable material transactions with the Pension Fund. Each member of the Pension Committee is required to declare their interests at meetings.

NOTE 24A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Pension manager, Finance Manager (Pensions & Treasury), the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2019/20 the figures below show the total remuneration and the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2019 £000s		31 March 2020 £000s
197	Short-term benefits	237
62	Post-employment benefits	72
259		**309**

NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total outstanding capital commitments (investments) at 31 March 2020 are £70m (31 March 2019 were £100.6m).

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.