

# London Borough of Enfield Pension Fund 2020/21 Annual Report and Accounts



## **Pension Policy and Investment Committee**

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

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## **Report from Chair of Pension Policy & Investment Committee – Cllr Tim Leaver**

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### **Welcome to Enfield Pension Fund Annual Report for 2020/21**

As Chair of the Enfield Pension Fund (EPF) Committee, I have the pleasure in introducing the Pension Fund's Annual Report and Accounts for 2020/21. Despite challenging market conditions and restrictions on face-to-face support, the Fund ended the year with annual return of 21% (7.96% p.a. over 3-years, more than recovering falls seen in March 2020).

The accounts focus on the financial activity in 2020/21, however we cannot ignore the continuing impact of the COVID 19 pandemic on our members, families and our community. On behalf of the EPF Committee I offer our heartfelt support and thoughts to all who have been affected by the pandemic.

The membership of the EPF at 31 March 2021 was 23,690 people (active:7,770, deferred: 7,560, undecided/frozen: 2,498 and pensioners: 5,862) and with 53 employer organisations, with £1.406bn funds under management at 31 March 2021 to meet the accrued benefits.

The Fund actuarial valuation at 31st March 2019 had seen the funding level improve to 103% allowing a reduction in the Council's contribution rates from 22.8% to 20% for 2020/21. Since 2019 economic conditions have changed considerably (largely because of the effects of the COVID crisis and Brexit) and as reported in last year report the funding level decreased to 97% at 31st March 2020. I am pleased to report now that by end of 2020/21, due to significant positive investment performance the funding level had recovered to an improved 107%, representing a surplus of £85 million at 31st March 2021. The long term 17 year recovery period assumptions for the valuation put the Fund in a strong position to weather the current uncertainties.

The Pension Policy and Investment Committee (PPIC) is responsible for managing the Fund, with the assistance of the Pension Board, Enfield Council officers, external advisors and fund managers.

This committee has the responsibility for the strategic management of the pension fund, which by the end of 31<sup>st</sup> March 2021 financial year had assets worth £1.406 billion with 23,690 scheme members. We are responsible for deciding the broad assets allocation of the Pension Fund along with its strategic direction and for ensuring the long term solvency of the fund, i.e. the ability to pay the pensions of all past, present and future scheme members. During the year, we have considered a wide range of issues and taken a number of key decisions affecting the Pension Fund.

For example, as a committee, in 2019 we committed to reducing the Fund's exposure to fossil fuel reserves by 50%. As a consequence, the Fund has made a number of substantial changes to its investment strategic allocations; committing assets to low carbon equity, sustainable funds and renewable investments adopting an approach of acquiring exposure to investments/funds better aligned with the goals of the Paris Agreement. The Committee has also issued a Responsible Investment Policy which fully articulate its investment beliefs.

Currently we have investment of over £220m (15% of the Fund's assets) in Blackrock's MSCI ACS World Low Carbon Target Reduced Fossil Fuel Equity Tracker Fund, to help reduce our exposure to fossil fuels and carbon emissions while maintaining exposure to a wide range of global markets. The allocation was funded by redeeming the exposure to the FTSE Allshare Index, which represented the Funds most significant exposure to fossil fuel companies.

The Committee believes in applying long-term thinking in pursuit of long-term sustainable returns from well governed assets; while using evidence based long-term investment appraisal to inform decision making in the implementation of its responsible investment principles, consistent with its fiduciary responsibilities. It will continue to evaluate and manage the Fund's carbon exposure in order to mitigate risks associated with Climate Change, while seeking to reconcile its need for income to pay pensions with the fact that many of the more carbon intensive companies and sectors provide a significant proportion of the market's dividend income.

EPF continues to favour engagement with companies and sectors over blanket divestment as it believes that this is the most effective strategy for promoting change and protecting its long run investment interests. However, the extent of its exposure to them will reflect an ongoing assessment of progress in engaging with the energy transition, and the associated risks and rewards of holding these assets in the Fund. The Fund does not own stocks directly but seeks to influence company and sector policies via its chosen investment managers.

Enfield has continued to be an active member in the London CIV (Collective Investment Vehicle) investment pool, together with other 32 London LGPS Funds. By the end of 2020/21 a total of £610.5m (44% of the Fund) was invested on the LCIV platform, in the following assets:

<b>Investments</b>	<b>£ million</b>
*Passive Global Equities	220,602
*Passive Gilts/Index Link	91,750
Active Emerging Market Equity Funds	35,927
Active Global Equity Funds	207,576
Active Multi Asset Credits	54,707
<b>Total Pooled Investments</b>	<b>610,562</b>

\*The passive investment funds are held on a pool governance basis under one investment.

The PPIC and Pension Board have worked hard in order to transform the EPF. I would like to take this opportunity to express my thanks for all the support and input provided by Committee and Board members and the diligence and professionalism of our Officers and Advisers. I look forward to continuing to work with members and officers in the new financial year as the Fund seeks to meet the challenges of an ever-changing national and global environment. In presenting the Annual Report, I hope you find it helpful in understanding the Fund.

Councillor Tim Leaver  
Chair of the Enfield Pension Fund  
November 2021

## INVESTMENT REPORT

## Objectives

The Pension Policy & Investment Committee's overarching objective is to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided.

In setting investment strategy, the Committee first considered the lowest risk asset allocation that it could adopt in relation to the Fund's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Fund's liabilities.

## The Strategy

The current target asset allocation strategy chosen to meet the objective above is set out in the table below. The suitability of the target asset allocation is monitored as the liabilities and market conditions develop, and the actual asset allocation will not exactly reflect the target weights at any particular point in time. The Committee monitors the actual asset allocation versus the target weighting.

Asset Class	Actual Position 31 March 2021 %	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity)	50.0	40.0	8-11%	30-50%
Bonds	20.2	24.0	4-5%	19-39%
Inflation protection	7.6	10.0		
Hedge Funds	4.6	10.0	9-11%	10-20%
Property (UK)	5.6	10.0	9%	5-15%
Infrastructure/PFI	5.0	6.0	9%	3-9%
Cash	7.0	-	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		

Source: Annual Accounts 20/21 & ISS

The asset allocation strategy has been determined with regard to the actuarial characteristics of the Fund, in particular the strength of the funding position and the liability profile. The Fund's policy is to make the assumptions that:

- Other asset classes will outperform bonds over the long term;
- Active fund management can be expected to add value; and
- Returns from other asset classes will be more volatile than bond returns when considered relative to the Fund's liabilities.

The Fund recognises the potential volatility in individual asset class returns, particularly relative to the Fund's liabilities, it has therefore decided to diversify across a wide range of asset classes.

MARKET RETURNS IN 2019/20 & LONGER TERM RETURNS % Source: PIRC – 2020/21 Annual Review

	2020/21 %	3yrs % p.a.	5yrs % p.a.	10yrs % p.a.	20yrs % p.a.	30yrs % p.a.
<b>EQUITIES:</b>						
UK	-18.2	-4.3	0.5	4.9	3.8	7.3
Overseas	-8.8	0.5	5.9	7.7	5.5	7.8
Global	-11.9	0.2	5.8	7.6		
<b>Total Equities</b>	<b>-12.5</b>	<b>-0.7</b>	<b>4.3</b>	<b>6.9</b>	<b>5.1</b>	<b>8.0</b>
<b>BONDS:</b>						
UK Government	8.1	5.0	5.0	2.5		
UK Corporate	0.1	2.0	3.5	1.7		
UK Indexed Linked	2.0	2.5	5.4	7.8		
Overseas bonds	1.7	1.9	4.8	4.6		
Absolute Return	-4.1	-0.2	0.9			
MAC	-11.8					
<b>Total Bonds</b>	<b>1.7</b>	<b>2.2</b>	<b>3.7</b>	<b>5.6</b>	<b>5.9</b>	<b>7.7</b>
<b>Alternatives</b>	<b>7.4</b>	<b>7.8</b>	<b>9.5</b>	<b>8.4</b>	<b>7.4</b>	
<b>Private Equity</b>	<b>12.1</b>	<b>12.0</b>	<b>14.0</b>	<b>11.8</b>		
<b>Hedge Funds</b>	<b>5.7</b>	<b>3.2</b>	<b>3.9</b>	<b>4.4</b>		
<b>Infrastructure</b>	<b>5.5</b>	<b>7.8</b>	<b>10.0</b>			
<b>Property</b>	<b>1.7</b>	<b>5.8</b>	<b>6.8</b>	<b>7.8</b>	<b>7.0</b>	<b>7.3</b>
<b>Diversified Growth</b>	<b>-5.2</b>	<b>-1.1</b>	<b>0.2</b>			
<b>Cash</b>		<b>-0.1</b>	<b>0.4</b>	<b>1.1</b>	<b>2.5</b>	<b>4.0</b>
<b>Total Fund Average</b>	<b>-4.8</b>	<b>1.9</b>	<b>5.2</b>	<b>6.9</b>	<b>5.5</b>	<b>7.9</b>
<b>RANGE OF RESULTS</b>						
<b>Top quartile</b>	<b>-2.7</b>	<b>2.5</b>	<b>5.7</b>	<b>7.3</b>	<b>5.6</b>	<b>8.0</b>
<b>Median</b>	<b>-4.1</b>	<b>1.7</b>	<b>4.8</b>	<b>6.8</b>	<b>5.1</b>	<b>7.7</b>
<b>Bottom quartile</b>	<b>-6.4</b>	<b>1.1</b>	<b>4.1</b>	<b>6.4</b>	<b>4.8</b>	<b>7.5</b>

### **Fund Manager Structure**

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

<b>Fund manager</b>	<b>Investment objectives</b>
<b>Adam Street Partners</b> (Fund of Funds Private Equity Portfolio)	<i>To outperform the MSCI World Index.</i>
<b>Antin</b> <i>European Infrastructure Fund</i>	<i>15% gross IRR with a gross yield target of 5% p.a.</i>
<b>BlackRock Advisers UK Ltd</b> (Passively Managed Global Equity, UK Equity and UK Bond Portfolios)	<i>To perform in line with the prescribed Equity and Bond indices.</i>
<b>Brockton</b> Opportunistic property	<i>15% net IRR and 1.5xnet multiple</i>
<b>CBRE</b> Inflation protecting illiquid	<i>UK LPI +2.5% p.a. over rolling 10yr period</i>
<b>CFM-Stratus</b> Multi asset strategy	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
<b>Davidson Kempner</b> (Events driven)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
<b>International Public Partnerships Limited</b> <i>(Private Finance Initiative)</i>	<i>To achieve a return of at least 4.5% per annum.</i>
<b>Lansdowne Partners</b> (Long/Short UK Equities Hedge Fund)	<i>To generate an absolute return. The benchmark is the FTSE All Share index</i>
<b>Legal &amp; General Investment Management Ltd</b> (Active UK Property Fund)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>
<b>London Collective Investment Vehicle (LCIV)</b>	<i>Manages global equity mandates and Multi Asset Credit (MAC) – 3 month LIBOR +4-5% over 4 years</i>
<b>MFS</b> (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.</i>
<b>M&amp;G</b> Inflation Opportunities Fund	<i>To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.</i>
<b>Western Asset Management</b> (Actively Managed Bond Portfolio)	<i>To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.</i>
<b>York Capital Management</b> (Distressed Debt Fund)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>

**FUND VALUE**

The Pension Fund has continued to benefit from its strategy of having a diversified investment strategy which is less dependent on the world equity markets than the average local authority pension fund. The Enfield Fund increased by 22% in 2020/21.

The distribution of the Fund’s assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund’s performance in recent months.

The uncertainty around the impact of Coronavirus on the future of the real estate and infrastructure markets has created difficulties in pricing illiquid assets. In turn, most property fund managers have suspended dealing, to protect investors and avoid having to liquidate assets at potentially highly marked down prices.

**Fund Value over 10 Years as at 31<sup>st</sup> March 2021**

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
£m	£m	£m	£m	£m						
610	647	731	775	888	916	1,078	1,099	1,185	1,149	1,406

Source: Annual Accounts

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

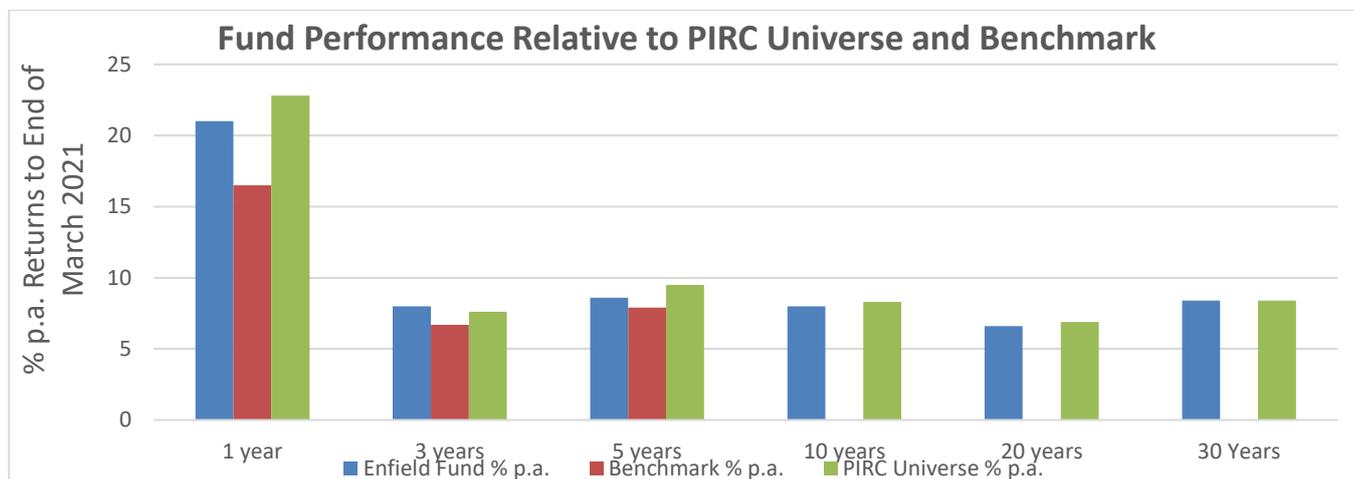
**Fund performance**

The continued out-performance of equities has continued to hurt the Enfield performance in relation to other LGPS funds. Nevertheless, longer term performance continues to be in the top quartile for longer term time periods.

	1 year	3 years	5 years	10 years	20 years	30 Years
Enfield Fund % p.a.	21.0	8.0	8.6	8.0	6.6	8.4
Benchmark % p.a.	16.5	6.7	7.9	-	-	-
PIRC Universe % p.a.	22.8	7.6	9.5	8.3	6.9	8.4
Ranking	74	46	76	63	58	43

Source: PIRC 2020/21

While the Fund has outperformed its benchmark over the medium term it has trailed its peers. This reflects the more cautious asset allocation that the Fund has in place. Returns have consistently outpaced the important measure of inflation – and by a substantial margin.



**The PIRC L.A. average asset allocation as at 31 March 2021 compared to the Enfield Fund**

	Local Authority Average	Enfield	Difference
	%	%	%
<b>Equities (including private equity)</b>	<b>56</b>	<b>50</b>	<b>-6</b>
<b>Bonds</b>	<b>17</b>	<b>20</b>	<b>+3</b>
<b>Property</b>	<b>8</b>	<b>6</b>	<b>-2</b>
<b>Alternatives</b>	<b>13</b>	<b>17</b>	<b>+4</b>
<b>Diversified Growth</b>	<b>4</b>	<b>-</b>	<b>-4</b>
<b>Cash</b>	<b>2</b>	<b>7</b>	<b>+5</b>
	<b>100</b>	<b>100</b>	

Source PIRC/Annual Accounts

<b>Movement of Funds into London Collective Investment (LCIV) Pool</b>					
	Mandate	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021
		£000's	£000's	£000's	£000's
Blackrock - UK	Passive Equity	11,295	12,022	9,782	-
Blackrock - Global	Passive Equity	138,611	155,836	148,736	220,602
Blackrock - Emerging	Passive Equity	12,202	-	-	-
Blackrock - Bonds	Passive ILB	86,301	89,072	90,762	91,750
LCIV - Baillie Gifford	Global Equity	51,528	75,336	74,376	116,232
LCIV - JP Morgan	Emerging Equity	-	28,156	23,420	35,927
LCIV - Longview	Global Equity	-	76,950	67,187	91,344
LCIV- CQS	Multi Asset Credit	-	50,696	43,676	54,707
		<b>299,937</b>	<b>488,068</b>	<b>457,939</b>	<b>610,562</b>
Percentage In LCIV		<b>27.3%</b>	<b>41.3%</b>	<b>40.3%</b>	<b>43.7%</b>

Source: Annual Accounts (based on Market values for the respective year)

Note \* held as life funds so held outside the Pool but LCIV have negotiated fees for London boroughs

<b>Pension Fund net Asset Statement</b>		
<b>Market value</b>		<b>Market value</b>
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000s</b>		<b>£000s</b>
	<b>Bonds</b>	
2,702	UK Public sector quoted	2,758
42,101	UK Corporate quoted	49,038
806	Overseas Public sector quoted	1,324
45,013	Overseas Corporate quoted	46,090
<b>90,622</b>		<b>99,209</b>
	<b>Equities</b>	
45,015	UK –quoted	48,424
-	Overseas –quoted	-
<b>45,015</b>		<b>48,424</b>
	<b>Pooled funds –additional analysis</b>	
90,762	Indexed linked securities	91,734
426,067	Equities	602,281
38,925	Developed markets equity long short fund	0
36,286	Events driven fund hedge fund	34,431
73,161	Inflation opportunities fund	78,638
29,321	Absolute bond fund	31,855
27,839	Multi-strategy equity hedge fund	30,153
43,676	Multi asset credit fund	54,707
<b>766,037</b>		<b>925,799</b>
	<b>Pooled property investments</b>	
68,861	UK property investments	68,986
<b>68,861</b>		<b>68,986</b>
	<b>Private equity</b>	
6,791	Opportunistic property	7,936
21,764	European infrastructure	22,776
73,403	Fund of Funds global private equity	102,436
22,042	UK secured long income fund	27,696
<b>124,000</b>		<b>160,844</b>
	<b>Derivatives- Assets</b>	
168	Futures	5
-	Forward foreign exchange	44
<b>168</b>		<b>49</b>
<b>1,094,703</b>	<b>Total Investment Assets</b>	<b>1,303,312</b>
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
-	Amounts receivable from sales	240
<b>1,149,909</b>		<b>1,406,366</b>
	<b>Investment liabilities</b>	
-	Derivatives- futures	-
(252)	Derivatives- forward foreign exchanges	(141)
(149)	Investment expenses	(735)
<b>(401)</b>		<b>(876)</b>
<b>1,149,508</b>	<b>Net investment assets</b>	<b>1,406,489</b>

**CORPORATE GOVERNANCE**

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**Introduction**

Whilst the London Borough of Enfield Pension Fund is governed by Statute, there is an amount of discretion in the regulations for pension funds within the Local Government Pension Scheme to manage their own affairs. The London Borough of Enfield Pension Fund has established its own corporate governance model that reflects the best practice from both private sector and local government schemes.

The Pension Fund Regulations require a new additional governance arrangement (Pensions Board) to be in place from 1 April 2015.

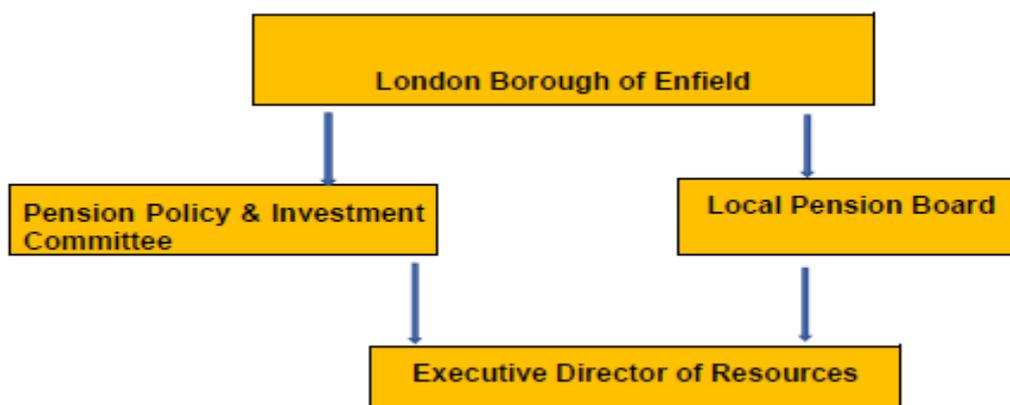
The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee and the new regulatory requirement is for a Pensions Board to assist the Authority in monitoring compliance with regulations by overseeing the Pensions Committee work in how the Fund is administered.

Full Council approved the establishment of the Pensions Board at its meeting in September 2015 with delegation authority for the composition of it and terms of reference to the Pension Policy and Investments Committee. The composition of the board comprises four Employer Representatives and four Employee Representatives.

The Government’s principles for the management of final salary schemes requires funds to draw up a forward-looking business plan, including a training plan for both the trustees and officers involved in their management and administration.

The Council has a Pension Policy & Investment Committee which sets the investment strategy objective and oversees the management of the Pension Fund. It also considers all investment decisions regarding the Fund. The Committee recognised that to meet the increasing demands and complexities of the Fund, it would be appropriate to appoint an independent pension advisor to help members ‘test’ the advice of its investment consultant and to provide support for new areas of investment.

All operational decisions to implement these policies are delegated to the Council’s Executive Director of Resources. Please see below chart illustrating the new governance arrangement.



## LEGAL FRAMEWORK

The London Borough of Enfield is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status their employees may also be able to participate in the LGPS

The London Borough of Enfield Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Enfield ('The Council'). The Fund was established to provide benefits for employees that include retirement pensions, widows pensions, death grants and other lump sum payments.

The Fund is governed by the Public Services Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016

### **The Role of the Pension Policy & Investment Committee**

The Local Authority (Functions & Responsibilities) (England) Regulations 2000, state that the functions relating to the Local Government Pension Scheme are the responsibility of the full council. The Council has delegated these functions to the Pension Policy & Investment Committee whose terms of reference are agreed annually by Council.

The Pension Policy & Investment Committee consists of six members appointed by the Full Council who are responsible for the administration of the London Borough of Enfield Pension Fund in accordance with Statutory Regulations. The Committee meets a minimum of four times a year.

### **Governance of the Pension Fund Investments**

The Committee considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Committee appointed an independent pension fund advisor, Carolan Dobson, to also sit on the Committee to give expert advice, support members, and to clarify the many complex technical issues that arise from such a diversified fund.

The Committee meets quarterly to review investment strategy and to receive reports on investment activity undertaken in the previous period. One of its important tasks is to monitor the performance of the Fund's managers in conjunction with our professional advisors Aon Hewitt, independent advisor and officers.

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

### **The Pension Policy & Investment Committee for 2020/21:**

Cllr T. Leaver (Chair)

Cllr C. Stewart (Vice Chair)

Cllr Ergun Eren

Cllr D. Levy

Cllr T. Neville OBE JP

Cllr D. Taylor

Carolan Dobson (Professional Independent Advisor)

Daniel Carpenter (Investment Consultant – Aon)

**The following are the terms of reference for the Pension Policy & Investment Committee:**

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation.
- To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
- To formulate and publish an Investment Strategy Statement.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
- To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
- To determine all matters relating to admission body issues.
- To focus on strategic and investment related matters at two meetings.
- To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan
- To maintain an overview of pensions training for Members.

**Committee Members Attendance Pension Policy & Investment Committee 2020/21**

<b>Pension Policy &amp; Investment Committee</b>	<b>23<sup>rd</sup> July 2020</b>	<b>17<sup>th</sup> Sept 2020</b>	<b>26<sup>th</sup> Nov 2020</b>	<b>28<sup>th</sup> Jan 2021</b>	<b>25<sup>th</sup> Mar 2021</b>
Cllr T. Leaver	P	P	P	P	P
Cllr C. Stewart	P	P	P	P	P
Cllr E. Eren	P	P	P	A	A
Cllr D. Levy (Sept. 2020)	P	P	N/A	N/A	N/A
Cllr T. Neville OBE JP	P	P	P	P	P
Cllr E. Smith (Nov.2020)	N/A	N/A	P	A	P
Cllr D. Taylor	P	P	P	P	P
Carolyn Dobson	A	A	A	P	P
Daniel Carpenter	P	P	P	P	P

Note: P: Present, A: Absence; N/A: Not Applicable (Attendance not required as the individual is not a member)

## **Pension Board**

A key aim of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The eight board members for 2020/21 are:

### **Employer Side:**

- Cllr A. Oykener (Vice Chair)
- Cllr S. Boztas
- Cllr A. Milne
- Alison Cannur

### **Employee Side**

- Pauline Kettless (Chair)
- Paul Bishop
- Victor Ktorakis
- Tracey Adnan

## **Knowledge and Skills Policy Statement**

### **CIPFA Code of Practice on Public Sector Pensions – Finance Knowledge and Skills**

The adoption of the CIPFA “Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector” (2010) provides the basis for a training and development programme for the Pension Policy & Investments Committee based on the latest national guidance.

London Borough of Enfield Pension Fund adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

London Borough of Enfield recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

London Borough of Enfield will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

London Borough of Enfield will report on an annual basis how these policies have been put into practice throughout the financial year.

London Borough of Enfield has delegated responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Corporate Director of Resources, who will act in accordance with the organisation’s policy statement, and where they are a CIPFA member with CIPFA Standards of Professional Practice.

London Borough of Enfield recognises the importance of ensuring that it has the necessary resources to discharge its pension administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

London Borough of Enfield therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision making and governance bodies, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

## **PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR PENSIONS COMMITTEE MEMBERS**

### **Core technical areas and areas of knowledge**

#### **Legislative and governance framework**

- General pensions framework
- Scheme-specific legislation for LGPS
- Pensions regulators and advisors
- Constitutional framework for pension fund committees within administering authorities
- Pension scheme governance

#### **Accounting and auditing standards**

- Accounts and Audit regulations
- Role of internal and external audit

#### **Procurement of financial services and relationship management**

- Procurement requirements of UK and EU legislation
- Supplier risk management

#### **Investment performance and risk management**

- Monitoring of investment performance
- Performance of advisors
- Performance of the Pensions Committee
- Performance of support services

#### **Financial markets and investment products**

- Investment strategy
- Financial markets
- Regulatory requirements regarding investment products

#### **Actuarial methods, standards and practices**

- Valuations, funding strategy and inter-valuation monitoring
- Ill-health and early retirement
- Admitted bodies
- Outsourcing and bulk transfers

### **Pension Training on Skills & Knowledge**

The Committee has an agreed Training policy by which committee members are bound. During 2020/21 all new members attended a training workshop on an introduction to the Local Government Scheme.

Committee members also attended a number of pension fund relate conferences during the year.

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

## **Membership Report**

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### **Overview of the Scheme**

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

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

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

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

The London Borough of Enfield is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place as at 31 March 2022.

The conditions of the Local Government Pension Scheme (LGPS) Regulations set out in clear terms the benefits that are payable to Scheme members and as such the benefits are guaranteed for those members and therefore members are not reliant on investment performance for their pension benefits. The contributions payable by Scheme members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Scheme in order to meet the cost of funding employee benefits and as such, are required to meet any shortfall in funding the pension liabilities of Scheme members.

The Pension Scheme as applying during the financial year 2020/21 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.
- Pre-2014 benefits guaranteed with a final salary link for any benefits earned prior to 1 April 2014.

## Membership Report (Continue)

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- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance cover 3x member final pay applicable from the day of joining scheme. Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living. It should be noted that the foregoing is not an exhaustive list and that certain conditions have to be met for an individual to be entitled to the benefits outlined.

The foregoing benefit structure came into effect on 1 April 2014 and saw the start of significant changes to the public sector pension schemes, with most other schemes introducing their changes a year later on 1 April 2015. The previous LGPS introduced in 2008 was a defined benefit final salary scheme and was in operation until 31 March 2014, although it should be recognised that a large number of scheme members will have benefits accrued under both schemes and indeed some under the pre-2008 scheme. The key benefits under the 2008 scheme are outlined below:

- A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of 1/60th per annum.
- Tax free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax free lump sum on post 1 April 2008 service.
- Life assurance cover 3x member final pay applicable from the day of joining scheme.
- Pensions for spouses/civil and co-habiting partners and children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the CPI.

**WHO BELONGS TO THE ENFIELD PENSION FUND?**

The London Borough of Enfield Fund Pension Fund consists of the employees of Enfield Council and the following bodies.

	Number of contributors	Pensioners	Deferred Members	Frozen /Undecided
<b>London Borough of Enfield</b>	<b>5,683</b>	<b>5,440</b>	<b>6,388</b>	<b>1,856</b>
<b>Scheduled Bodies</b>				
Capel Manor College	193	60	221	127
Oasis Enfield Academy	148	16	89	83
Oasis Hadley Academy	92	9	157	80
Aylward Academy	32	9	28	20
AIM Academy North (formally Nightingale Academy)	21	15	42	22
Kingsmead Academy	48	16	23	10
Enfield Grammar Academy	55	9	26	9
Edmonton County Academy	94	10	23	17
Southgate School Academy	51	8	5	7
Lea Valley Academy (formally Cedars Learning Trust)	32	6	72	35
Enfield Learning Trust	311	13	0	1
Adnan Jaffrey Trust (formally One Degree Academy)	6	0	39	39
Attigo Academy Trust	134	5	9	32
ARK John Keats Academy	65	0	6	7
Meridian Angel Primary School	7	1	42	13
Ivy Learning Trust	212	9	44	59
Jewish Community Academy	25	0	27	12
Children First Academy	291	9	32	16
Wren Academy	8	0	1	4
Cuckoo Hall Academy Trust	164	13	2	1
Enfield Height Academy	0	0	0	0
Southgate College	0	99	119	16
Enfield College	0	36	41	8
<b>Subtotal – Scheduled Bodies</b>	<b>1,989</b>	<b>343</b>	<b>1048</b>	<b>618</b>
<b>Admitted Bodies</b>				
Enfield Voluntary Groups	4	5	3	0
Enfield Carers Centre	1	0	12	2
Fitzpatrick	0	10	57	10
NORSE commercial services	0	20	1	0
Churchill	0	0	0	1
Metropolitan Support Trust	0	1	21	1
Leisure Trust	0	7	9	0

Fusion Lifestyle	5	17	0	0
Kier Group Services	0	0	0	3
Edwards & Blake	0	0	0	0
Sodexo	5	2	1	0
Hughes Gardner	0	0	0	0
Equion Facilities Management	0	2	11	0
Outward Housing	1	5	1	0
Olive Dining	9	2	1	0
Elior UK	0	2	0	3
REED Wellbeing	4	0	0	2
Birkin -Bishop Stopford	0	0	1	0
Birkin – Winchmore	0	0	0	0
Birkin – Nightingale	1	0	1	0
Birkin – Aylward	0	0	0	1
BDI Securities UK Ltd	0	0	0	0
European Cleaning Services	3	0	0	0
North London Homecare & Support Ltd	1	0	0	0
Purgo Supply Services	0	1	1	0
Sanctuary Housing	0	5	4	1
Lewis & Graves Partnership	0	0	0	0
The Pantry (UK) Ltd	13	0	0	0
Hertfordshire Catering Ltd	51	0	0	0
Lunchtime Co	0	0	0	0
<b>Subtotal – Admitted Bodies</b>	<b>98</b>	<b>79</b>	<b>124</b>	<b>24</b>
<b>Total Membership</b>	<b>7,770</b>	<b>5,862</b>	<b>7,560</b>	<b>2,498</b>

### Membership Trends

	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
<b>Current Employees</b>	7,312	7,447	7,385	7,246	7,413	7,770
<b>Pensioners</b>	4,964	5,265	5,188	5,453	5,663	5,862
<b>Deferred Benefits*</b>	6,598	7,978	8,774	7,187	10,047	10,058
	<b>18,874</b>	<b>20,690</b>	<b>21,347</b>	<b>19,886</b>	<b>23,123</b>	<b>23,690</b>

<b>Actives Age</b>			
<b>Age</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
Under 20	17	13	30
20-24	188	79	267
25-29	364	156	520
30-34	392	150	542
35-39	576	151	727
40-44	704	235	939
45-49	805	207	1012
50-54	1,030	285	1315
55-59	1,026	257	1283
60-64	628	202	830
65-69	185	81	266
70-74	20	18	38
75- 85	1	0	1
<b>Grand Total</b>	<b>5936</b>	<b>1834</b>	<b>7770</b>

<b>Pensioner Age</b>			
<b>Age</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
Up to 39	22	22	44
40-44	1	4	5
45-49	6	5	11
50-54	12	14	26
55-59	160	61	221
60-64	599	223	822
65-69	951	408	1,359
70-74	825	438	1,263
75-79	601	289	890
80-84	399	184	583
85-89	263	131	394
90-94	129	68	197
95-99	27	14	41
100-110	6	0	6
<b>Grand Total</b>	<b>4,001</b>	<b>1,861</b>	<b>5,862</b>

Pension Fund Budget 2021-2024				
2020/21		2021/22	2022/23	2023/24
Actual		Estimate	Estimate	Estimate
£000		£000	£000	£000
11,078	Employee contributions	9,200	8,800	7,950
38,730	Employer contributions	40,165	38,050	36,750
1,236	Early retirements	1,000	1,000	1,000
3,971	Transfers in	4,000	4,000	4,000
<b>55,015</b>	<b>Total Income</b>	<b>54,365</b>	<b>51,850</b>	<b>49,700</b>
35,828	Pensions	36,905	34,415	34,020
6,949	Retirement/death grants	7,995	8,200	7,750
5,173	Transfers out	4,000	4,000	4,000
1,145	Admin costs	950	860	880
279	Oversight & Governance	400	400	400
1,390	Asset Managers Invoiced Fees	1,250	1,375	1,450
<b>50,764</b>	<b>Total Expenditure</b>	<b>51,500</b>	<b>49,250</b>	<b>48,500</b>
<b>4,251</b>	<b>Net Surplus/(Deficit)</b>	<b>2,865</b>	<b>2,600</b>	<b>1,200</b>
<b>24.8%</b>	<b>Employers contribution %</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>

### Corporate Governance

The Fund’s Corporate Governance is set out in the Fund’s Investment Strategy Statement. This publication is available through Bola Tobun email [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)

### Employers Summary

Statute specifies that contributions must be paid into the fund by the 19<sup>th</sup> day of the following month to that which they relate. The Pension Regulations allows for interest to be levied on contributions that are not paid on time, there were 6 late payments during 2020/21, but were considered as minor breaches & payments were received within the month, so this power was not exercised.

# London Borough of Enfield Pension Fund Annual Report For 2020/21



Payments made by employers into the Pension Fund during 2020/21 (including analysis of late payments)												
£000's	April	May	June	July	August	September	October	November	December	January	February	March
Enfield	2,088	2,107	2,229	2,226	2,227	2,587	2,317	2,346	2,367	2,395	2,463	2,425
Latymer school	20	19	19	19	21	22	22	22	21	21	21	20
Capel Manor	58	57	56	55	57	56	58	56	58	59	62	59
Oasis Enfield	77	72	75	70	83	80	83	86	85	87	71	83
Oasis Hadley	24	24	24	24	24	25	27	26	28	26	27	31
Aylward Academy	13	13	13	13	14	18	14	8	13	12	13	13
AIM Academy North	7	7	7	6	6	7	7	7	7	7	7	7
Kingsmead academy	18	17	19	16	19	19	16	20	19	20	19	19
Enfield Grammar Academy	17	17	17	17	18	20	18	19	18	18	19	18
Edmonton County Academy	31	31	32	31	32	30	37	32	33	33	33	33
Southgate School Academy	16	16	15	15	15	17	16	16	16	16	15	15
Lea valley Academy	11	11	11	11	10	12	15	12	14	13	14	14
Enfield Learning Trust	75	76	77	75	75	88	80	77	76	88	85	69
Adnan Jaffery Trust	1	1	1	2	1	1	2	2	2	2	1	2
Attigo Academy Trust	38	38	38	39	38	41	35	35	35	35	36	38
Ark John Keats Academy	16	16	16	18	17	15	16	18	15	16	17	18
Meridian Angel Primary School	2	2	2	2	2	2	3	1	2	1	2	2
Ivy Learning Trust	58	58	56	56	56	64	58	57	55	55	61	60
Jewish Community Academy	7	8	7	8	8	10	9	9	9	8	9	9
Children First Academy	72	72	72	72	71	82	73	74	75	74	76	76
Wren Academy	0	0	0	0	0	0	0	0	0	0	21	0
Cuckoo Hall Academy Trust	45	42	44	43	44	57	46	48	49	48	49	52
European Cleaning Services	1	1	1	1	1	0	1	1	1	1	1	-1

# London Borough of Enfield Pension Fund Annual Report For 2020/21



Lunchtime Co.	0	0	0	0	0	0	0	0	0	0	84	0
The Pantry (UK) Ltd	0	0	0	0	0	0	0	0	0	0	0	18
Hertfordshire Catering Ltd	0	0	0	0	0	0	0	0	0	0	0	133
Olive Dinning Edmonton Bury & Edmonton Cambridge	1	1	0	1	1	1	0	2	1	0	1	1
Reed Wellbeing (momenta)	1	1	2	1	1	1	2	1	2	1	3	1
Sodexo	2	1	2	1	1	2	1	1	2	1	1	2
Fusion Lifestyle	0	0	0	0	0	0	0	0	0	0	0	0
Edwards and Blake	1	0	0	0	0	0	0	1	0	0	0	0
OutWard Housing	0	0	0	0	0	0	0	0	0	0	0	0
Independence & Wellbeing Enfield (re- joined LBE Jun '21)	103	106	0	0	0	0	0	0	0	0	0	0
Voluntary Bodies	2	3	3	3	3	3	2	2	2	2	2	2
Enfield Carers Centre (crossroad)	0	0	0	0	0	0	0	1	1	0	1	1
Olive Dining (Aylward)	1	1	0	1	1	0	1	0	0	0	0	0
Birkin Cleaning (Nightingale)	0	0	0	0	0	0	0	1	0	0	0	0
Olive Dining (Nightingale)	0	1	0	1	0	1	0	1	0	1	0	1
Norfolk Cleaning Service	5	0	0	0	0	0	0	0	0	0	0	0
North London Homecare & Support Ltd	0	1	0	0	1	0	0	0	1	0	0	0

Note: Red blocks refer to late payments. Employers experienced disruptions due to Covid19 lockdown at the beginning of the year

## PENSION ADMINISTRATION KEY PERFORMANCE AND STATISTICS

The Fund provides value for money for its members and employers. It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

The administration of the Fund comprises of 10 full-time equivalent (fte) staff, cost a bit under £72 per member as shown below.

<b>Costs of Fund Administration</b>		
	<b>£000's</b>	<b>£ per member</b>
Pension administration	1,455	61.42
Payroll costs	202	8.53
Actuary	47	1.98
<b>Total Costs</b>	<b>1,704</b>	<b>71.93</b>

### Complaints Received

The pension administration team occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

There were no IDRP case during 2020/21. No Ombudsman rulings against Enfield Council effective 2020/21.

**Key Performance Indicators**

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

Process	No. of cases commenced in year	No. of cases completed within timescale	Good Practise timescales	% completed in year
Deaths – initial letter acknowledging death of members	140	93	2 months	66.43%
Retirements – letter notifying estimate retirement benefits	587	563	2 months	95.91%
Retirements – letter notifying actual retirement benefits	343	270	2 months	78.82%
Deferment – calculate and notify deferred benefits	1,045	881	2 months	84.31%
Transfers in/out – letter detailing transfer quote	382	295	2 months	77.23%
Refund – Process & pay a refund	86	83	2 months	96.51%
Divorce quote – letter detailing cash equivalent value and other benefits	27	18	2 months	66.67%
Divorce settlement – letter detailing implementation of pension sharing orders	1	1	3 months	100.0%
Joiners – notification of date of enrolment	1,045	881	2 months	84.31%

**RISK MANAGEMENT REVIEW**

The Fund’s primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members’ pensions and other benefits will be fulfilled.

Responsibility for the Fund’s risk management strategy rests with the Pension Policy and Investments Committee.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The Risk Register is managed by the Pension & Treasury Manager.

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 17). This provides readers of the accounts with an overview of the impact of market movements, including increases and decreases under the scenarios where standard deviations apply.

The Funding Strategy Statement (at Appendix 1) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

The key risks identified within the Pension Fund risk register are:

<b>Objective area at risk</b>	<b>Risk</b>	<b>Risk Rating</b>	<b>Mitigating actions</b>
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	High	Review at each triennial valuation and challenge actuary as required.
Administration	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	Medium	<b>TREAT</b> 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of

			employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.
Governance	That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	High	<b>TOLERATE</b> 1) Partners for the pool have similar expertise and like mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Member presence on Shareholder Committee and officer groups.
Funding	Employee pay increases are significantly more than anticipated for employers within the Fund.	Medium	<b>TOLERATE</b> 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long-term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).
Investment	Significant volatility and negative	Medium	<b>TREAT</b> 1) Continued dialogue

	sentiment in global investment markets following disruptive politically inspired events in US.		with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.
Funding	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%	Medium	<b>TREAT</b> 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.

**THIRD PARTY RISKS**

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets; and
- Pensions administration system.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Policy and Investment Committee.

The Council’s internal audit service undertakes planned programmes of audits of all the Councils’ financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

## **PENSION FUND ADVISERS AND OTHER SERVICE PROVIDERS**

During 2020/21 the following provided services to the Pension Fund:

### **Custodial Services**

Northern Trust - 50 Bank Street, Canary Wharf, London E14 5NT

### **Actuarial Services**

Aon Hewitt Limited - 25, Marsh Street, Bristol, BS1 4AQ

### **Investment Consultancy and Advice Services**

Aon Hewitt Limited - 122 Leadenhall Street London, EN3 4AW

### **Independent Fund Advisor**

Carolan Dobson

### **Fund Administrator**

London Borough of Enfield - Julie.barker@enfield.gov.uk

### **Pension Fund Performance Measurement**

PIRC - Suite 8.02, Exchange Tower 2, Harbour Exchange Square, Isle of Dogs, London E14 9GE

Northern Trust - 50 Bank Street, Canary Wharf, London E14 5NT

### **External Auditors**

BDO LLP, 16 The Havens, Ipswich IP3 9SJ.

### **Legal Services**

Legal services were provided in-house by the Enfield Council

### **AVC Provider**

Prudential

Email: natalie.read@prudential.co.uk or call on 0845 2680440.

### **Corporate Governance**

Local Authority Pension Forum (LAPF) - Proxy Voting

Pensions Lifetime Savings Association (PLSA)

### **The Fund's Bankers**

HSBC PLC

1st Floor, 60 Queen Victoria Street, London, EC4N 4TR

### **Fund Accountant**

Bola Tobun, London Borough of Enfield

[Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)

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

Fay Hammond, London Borough of Enfield

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

If you have any comments on the Annual Report, please call 020 8132 1588,

Email: [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk) or write to the following address:

London Borough of Enfield Pension Fund, Civic centre,  
Finance Department, Silver Street, Enfield EN1 3XF

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT			
2019/20 £000s		Notes	2020/21 £000s
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
51,044	Contributions	7	49,031
3,971	Transfers in from other pension funds	8	5,454
<b>55,015</b>			<b>54,485</b>
(42,778)	Benefits payable	9	(44,374)
(5,302)	Payments to and on account of leavers	10	(4,639)
<b>(48,080)</b>			<b>(49,013)</b>
<b>6,935</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>5,472</b>
(10,089)	Management expenses	11	(12,063)
<b>(3,154)</b>	<b>Net additional/(withdrawals) including fund management</b>		<b>(6,591)</b>
	<b>Returns on investments</b>		
11,960	Investment income	12	13,214
0	Taxes on income	13a	
(44,875)	Profit & losses on disposal of investments and changes in the market value of investments	14a	249,979
<b>(32,915)</b>	<b>Net returns on investments</b>		<b>263,193</b>
(36,069)	<b>Net change in assets available for benefits during the year</b>		256,602
1,185,500	<b>Opening net assets of the scheme</b>		1,149,431
<b>1,149,431</b>	<b>Closing net assets of the scheme</b>		<b>1,406,033</b>

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2021			
2019/20 £000s		Notes	2020/21 £000s
1,094,703	Investment assets	14	1,303,311
(251)	Investment liabilities		(141)
<b>1,094,451</b>			<b>1,303,170</b>
52,855	Cash deposits	14	100,369
2,351	Other investment balances -assets	14	2,685
(149)	Other investment balances - liabilities	14	(735)
<b>1,149,508</b>	<b>Total net investments</b>	14	<b>1,405,489</b>
53	Long term debtor	20a	96
897	Current assets	20	937
(1,027)	Current liabilities	21	(489)
<b>1,149,431</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,406,033</b>

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

Signed:

Fay Hammond

Executive Director Resources

31<sup>st</sup> July 2021

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**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 2020/2 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 23,690 individual members, as detailed below. A full analysis is included

<b>Enfield Pension Fund</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
Number of employers with active members	7,413	7,770
Number of pensioners	5,663	5,862
Deferred pensioners	6,899	7,560
Frozen/undecided	3,148	2,498
<b>Total number of members in pension scheme</b>	<b>23,123</b>	<b>23,690</b>

**c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. 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.

	<b>Service pre April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	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 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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**

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

##### **Pension fund liability**

The Pension Fund carries out a funding valuation on a triennial basis, the assumptions underpinning the valuation are agreed with the actuary and are summarised in Note 18.

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation; the assumptions used are summarised in Note 19.

##### **Valuation of Financial instruments carried at fair value – Level 2 and Level 3**

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

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

The Coronavirus pandemic has resulted in uncertainty over the valuation of the Fund's property assets; an estimate has been provided by the manager as the standard valuation approach, which uses observable inputs from the UK commercial property market, cannot be applied at this time. These assets have previously been classified as Level 2 but have been reclassified to Level 3 given the current uncertainty.

#### **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 2021 (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
<p><b>Actuarial present value of promised retirement benefits (Note 19)</b></p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>a. 1% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £223m.</li> <li>b. 1% increase in assumed earnings inflation would decrease the value of liabilities by approximately £223m.</li> <li>c. if life expectancy increases by two years, it would decrease the liability by approximately £92m.</li> </ul> <p><b><i>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.</i></b></p>
<p><b>Hedge fund of funds (Note 15)</b></p>	<p>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.</p>	<p>The total hedge fund of funds value in the financial statements is £230m. 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 +/- £17.3m.</p>
<p><b>Private equity – venture capital investments (Note 15)</b></p>	<p>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.</p>	<p>The venture capital private equity investments in the financial statements are £102.4m. There is a risk that this may be over or understated. Further detail is shown in Note 15 regarding the sensitivity of this valuation.</p>
<p><b>Pooled property investments (Note 15)</b></p>	<p>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.</p>	<p>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 £6.9m, on carrying values of £69m.</p>

**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**

2019/20 £000s		2020/21 £000s
11,078	<b>Employees' contributions</b>	12,055
	<b>Employers' contributions: -</b>	
29,648	Normal	33,353
9,503	Deficit recovery contributions	2,482
815	Augmentation contributions	1,141
<b>39,966</b>	<b>Total employers' contributions</b>	<b>36,976</b>
<b>51,044</b>		<b>49,031</b>

**By authority**

2019/20 £000s		2020/21 £000s
39,237	Administering authority	38,497
9,724	Scheduled bodies	9,820
2,083	Admitted bodies	714
<b>51,044</b>		<b>49,031</b>

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

2019/20 £000s		2020/21 £000s
3,971	Individual transfers	5,454
<b>3,971</b>		<b>5,454</b>

**NOTE 9: BENEFITS PAID/PAYABLE****By category**

2019/20 £000s		2020/21 £000s
(35,828)	Pensions	(37,222)
(6,684)	Commutation and lump sum retirement benefits	(6,488)
(266)	Lump sum death benefits	(664)
<b>(42,778)</b>		<b>(44,374)</b>

**By authority**

2019/20 £000s		2020/21 £000s
(40,988)	Administration authority	(41,668)
(1,405)	Scheduled bodies	(2,199)
(385)	Admitted bodies	(507)
<b>(42,778)</b>		<b>(44,374)</b>

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

2019/20		2020/21
£000s		£000s
(129)	Refunds to members leaving service	(85)
(5,173)	Individual transfers	(4,554)
<b>(5,302)</b>		<b>(4,639)</b>

**NOTE 11: MANAGEMENT EXPENSES**

2019/20		2020/21
£000s		£000s
(1124)	Administrative costs	(1,659)
(108)	Oversight and governance costs	(90)
(8,857)	Investment management expenses	(10,315)
<b>(10,089)</b>		<b>(12,063)</b>

**NOTE 11A: INVESTMENT MANAGEMENT EXPENSES**

2019/20		2020/21
£000s		£000s
(6,512)	Management fees	(6,857)
(304)	Performance related fees	(1,032)
(1,848)	Transaction costs	(2,226)
(63)	Custody fees	(83)
(130)	Other	(116)
<b>(8,857)</b>		<b>(10,315)</b>

**NOTE 12: INVESTMENT INCOME**

2019/20		2020/21
£000s		£000s
2,053	Income from equities	2,225
3,439	Income from bonds	3,439
1,786	Pooled property investments	2,389
4,121	Pooled investments – unit trusts and other managed funds	5,133
561	Interest on cash deposits	28
<b>11,960</b>		<b>13,214</b>

**NOTE 13: TAXES ON INCOME**

2019/20		2020/21
£000s		£000s
	<i>Withholding tax</i>	
(0)	Income from equities	(0)
(0)	Pooled investments – unit trusts and other managed funds	(0)
<b>(0)</b>		<b>(0)</b>

**NOTE 13A: EXTERNAL AUDIT FEES**

2019/20		2020/21
£000s		£000s
19	Paid in respect of external audit (excluding VAT)	19
<b>19</b>		<b>19</b>

Market value 31 March 2020 £000s		Market value 31 March 2021 £000s
<b>Investments</b>		
90,622	Fixed interest securities	99,209
45,015	Equities	48,424
766,037	Pooled investments	925,799
68,861	Pooled property investments	68,986
124,000	Private equity	160,844
<b>Derivative contracts:</b>		
168	- Futures	5
0	- Forward currency contracts	44
<b>1,094,703</b>	<b>Total investment assets</b>	<b>1,303,311</b>
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
0	Amounts receivable for sales	240
<b>1,149,909</b>	<b>Total investment assets</b>	<b>1,406,365</b>
<b>Investment liabilities</b>		
<b>Derivative contracts:</b>		
(69)	- Futures	(141)
(183)	- Forward currency contracts	(0)
(149)	Investment expenditure due	(735)
<b>(401)</b>	<b>Total investment liabilities</b>	<b>(876)</b>
<b>1,149,508</b>	<b>Net investment assets</b>	<b>1,405,489</b>

**NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES**

	Market value 1 April 2020	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2021
<b>Period 2020/21</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Bonds	90,622	14,680	(12,684)	(400)	6,992	99,209
Equities	45,015	69,180	(68,989)	(2,112)	5,330	48,424
Pooled investments	766,037	12,411	(49,076)	(1,695)	198,122	925,799
Pooled property	68,861	0	(1,047)	(367)	1,486	68,933
Private equity	124,000	11,052	(14,078)	(2,283)	42,206	160,896
	1,094,535	107,323	(145,874)	(6,857)	254,136	1,303,261
<b>Derivatives contracts:</b>						
Futures	99	513	(384)	-	(364)	(136)
Options						
Forward foreign exchange	(183)	350	(446)	-	323	44
	(84)	863	(830)	0	(41)	(92)
	1,094,451	108,186	(146,704)	(6,857)	254,095	1,303,169
<b>Other investment balances</b>						
Cash deposits	52,855				(4,115)	100,369
Investment income due	2,351					2,445
Pending investment sales	(149)					(735)
Pending investment purchases	-					240
<b>Net investment assets</b>	<b>1,149,508</b>				<b>249,979</b>	<b>1,405,489</b>

\*Change in MV of short term bills and notes

	Market value 1 April 2019	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2020
Period 2019/20	£000s	£000s	£000s	£000s	£000s	£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)	(1,681)	8,835	124,000
	<b>1,123,777</b>	<b>71,200</b>	<b>(46,778)</b>	<b>(6,573)</b>	<b>(47,091)</b>	<b>1,094,535</b>
<b>Derivatives contracts:</b>						
Futures	66	901	(1,290)	-	422	99
Options						
Forward foreign exchange	33	486	(455)	-	(247)	(183)
	99	1,387	(1,745)	-	175	(84)
	<b>1,123,876</b>	<b>72,587</b>	<b>(48,523)</b>	<b>(6,573)</b>	<b>(46,916)</b>	<b>1,094,451</b>
<b>Other investment balances</b>						
Cash deposits	58,091				1,859*	52,855
Investment income due	2,386					2,351
Pending investment sales	1,147					(149)
Other investment expenses	(183)					-
<b>Net investment assets</b>	<b>1,185,317</b>				<b>(45,057)</b>	<b>1,149,508</b>

\*Change in MV of short term bills and notes

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 2020 £000s		Market value 31 March 2021 £000s
	<b>Bonds</b>	
	<b>UK</b>	
2,702	Public sector quoted	2,758
42,101	Corporate quoted	49,038
	<b>Overseas</b>	
806	Public sector quoted	1,324
45,013	Corporate quoted	46,090
<b>90,622</b>		<b>99,209</b>
	<b>Equities</b>	
45,015	UK –quoted	48,424
-	Overseas –quoted	-
<b>45,015</b>		<b>48,424</b>
	<b>Pooled funds –additional analysis</b>	
90,762	Indexed linked securities	91,734
426,067	Equities	604,281
38,925	Developed markets equity long short fund	0
36,286	Events driven fund hedge fund	34,431
73,161	Inflation opportunities fund	78,638
29,321	Absolute bond fund	31,855
27,839	Multi-strategy equity hedge fund	30,153
43,676	Multi asset credit fund	54,707
<b>766,037</b>		<b>925,799</b>
	<b>Pooled property investments</b>	
68,861	UK property investments	68,986
<b>68,861</b>		<b>68,986</b>
	<b>Private equity</b>	
6,791	Opportunistic property	7,936
21,764	European infrastructure	22,776
73,403	Fund of Funds global private equity	102,436
22,042	UK secured long income fund	27,696
<b>124,000</b>		<b>160,844</b>
	<b>Derivatives- Assets</b>	
168	Futures	5
-	Forward foreign exchange	44
<b>168</b>		<b>49</b>
<b>1,094,703</b>	<b>Total Investment Assets</b>	<b>1,303,312</b>
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
-	Amounts receivable from sales	240
<b>1,149,909</b>		<b>1,406,366</b>
	<b>Investment liabilities</b>	
(69)	Derivatives- futures	(141)
(183)	Derivatives- forward foreign exchanges	(0)
(149)	Investment expenses	(735)
<b>(401)</b>		<b>(876)</b>
<b>1,149,508</b>	<b>Net investment assets</b>	<b>1,405,489</b>

**NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER**

Market value 31 March 2020			Market value 31 March 2021	
£000s	%		£000s	%
<b>Fixed income securities</b>				
90,621	7.9%	Western Asset Management	98,381	7.0%
<b>Equities</b>				
45,015	3.9%	International Public Partnerships	48,424	3.4%
<b>Pooled investments</b>				
90,762	7.9%	Blackrock indexed linked bonds	91,734	6.5%
9,782	0.9%	Blackrock UK passive fund	-	-
148,736	12.9%	Blackrock Global passive	-	-
-	-	Blackrock Low carbon Global passive	220,389	15.7%
102,567	8.9%	MFS global equities	140,390	10.0%
74,376	6.5%	LCIV Baillie Gifford global equities	116,232	8.3%
23,420	2.0%	LCIV JP Morgan emerging equities	35,926	2.6%
67,187	5.8%	LCIV Longview	91,344	6.5%
43,676	3.8%	LCIV CQS Multi asset	54,707	3.9%
38,925	3.4%	Lansdowne hedge fund	0	0.0%
11,051	1.0%	York Capital hedge fund	5,980	0.4%
73,161	6.4%	M&G inflation opportunities	78,638	5.6%
29,321	2.6%	Insight hedge fund	31,855	2.3%
27,839	2.4%	Davidson Kempner hedge fund	30,153	2.1%
25,235	2.2%	CFM hedge fund	28,451	2.0%
<b>Pooled property</b>				
342	-	RREEF commercial property	53	-
35,263	3.1%	Blackrock commercial property	34,825	2.5%
33,256	2.9%	Legal & General commercial prop.	34,108	2.4%
<b>Private equity</b>				
73,403	6.4%	Adam St Partners fund of funds	102,436	7.3%
21,764	1.9%	Antin European infrastructure	22,776	1.6%
6,791	0.6%	Brockton opportunistic property	7,936	0.6%
22,042	1.8%	CBRE UK secured long income fund	27,696	2.0%
<b>Cash &amp; accruals</b>				
35,868	3.1%	Goldman Sachs cash	31,296	2.2%
16,952	1.5%	Northern Trust cash	69,039	4.9%
35	-	Blackrock MMF	35	0.0%
2,118	0.2%	Investment accruals	2,685	0.2%
<b>1,1149,508</b>	<b>100.0%</b>		<b>1,405,489</b>	<b>100.0%</b>

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 2020 £000s	% of total Fund	Market value 31 March 2021 £000s	% of total Fund
Blackrock – Global Equities	148,736	12.9%		
Blackrock – Low Carbon Equities			220,389	15.7%
MFS global equities	102,567	8.9%	140,390	10.0%
Western Asset – corporate bonds	90,621	7.9%	98,381	7.0%
Blackrock – indexed linked bonds	90,762	7.9%	91,734	6.5%
LCIV – Longview global equities	67,187	5.8%	91,344	6.5%
LCIV – Baillie Gifford global equities	74,376	6.5%	116,232	8.3%
M&G Inflation opportunities	73,161	6.4%	78,638	5.6%
Adam Street Partners – private equity	73,403	6.4%	102,436	7.3%

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

<b>Private equity</b>	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 <i>International Private Equity and Venture Capital Valuation Guidelines</i> (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.
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**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 2021.

Description of asset	Assessed valuation range (+/-) %	Value at 31 March 2020	Value on increase	Value on decrease
		£000s	£000s	£000s
Pooled Property	10.0%	68,986	75,885	62,087
UK secured long income fund	7.5%	27,696	29,773	25,619
UK opportunistic property	10.0%	7,936	8,730	7,142
European Infrastructure	5.0%	22,776	23,915	21,637
Private equity fund of funds	15.0%	102,436	117,801	87,071
<b>Total</b>		<b>229,830</b>	<b>244,068</b>	<b>203,556</b>

**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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2021	Level 1 £000s	Level 2 £000s	Level 3 £000s	£000s
Financial assets at fair value	147,634	925,848	229,830	1,303,312
Financial liabilities at fair value	(141)	(735)	-	(876)
<b>Net investment assets</b>	<b>147,493</b>	<b>925,113</b>	<b>229,830</b>	<b>1,302,436</b>

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

**NOTE 15B: TRANSFERS BETWEEN LEVELS 1 AND 2**

There has been no movement during 2020/21.

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

	Market value 1 April 2020	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31 March 2021
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Pooled Property</b>	*68,861	0	0	0	125		68,986
	<b>68,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>0</b>	<b>68,986</b>
<b>Venture capital</b>	73,403	0	5,506	(8,619)	(946)	5,179	102,436
<b>Infrastructure</b>	21,764	0	2,459	0	2,260	0	22,776
<b>Property Funds</b>	22,042	0	18,505	0	(1,074)	0	27,696
<b>UK Secured Income Funds</b>	6,791	0	2,800	(2,354)	(344)	2,079	7,936
	<b>124,000</b>	<b>0</b>	<b>29,270</b>	<b>(10,973)</b>	<b>(104)</b>	<b>7,258</b>	<b>160,844</b>
	<b>192,861</b>	<b>0</b>	<b>29,270</b>	<b>(10,973)</b>	<b>(841)</b>	<b>7,258</b>	<b>229,830</b>

\*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



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 2020/21 reporting period (based on assumption made in March 2021 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 (+/-)	Potential market movements (+/-)
	2019/20	2020/21
Fixed income government bond	0.2%	0.9%
Inflation-linked government bonds	0.2%	0.1%
Investment grade corporate bonds	1.5%	1.5%
Equities	7.2%	6.3%
Private equity	9.2%	8.3%
Real estate	5.4%	5.4%
Hedge funds	3.2%	3.4%

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 2021	Potential value on increase	Potential value on decrease
	£000	£000	£000
Fixed income government bond	4,082	4,119	4,045
Inflation-linked government bonds	91,734	91,826	91,642
Investment grade corporate bonds	94,300	95,715	92,886
Equities	652,705	693,825	611,585
Private equity	160,844	174,194	147,494
Real estate	68,986	72,711	65,261
Hedge funds	229,784	237,597	221,971
Cash & accruals	103,054	103,054	103,054
	<b>1,405,489</b>	<b>1,473,040</b>	<b>1,337,938</b>

Asset type	Value at 31 March 2020	Potential value on increase	Potential value on decrease
	£000	£000	£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
	<b>1,149,508</b>	<b>1,208,013</b>	<b>1,091,003</b>

### 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 2021 and 31 March 2020 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 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	-	-	-	-
Cash & cash equivalents	100,369	1,004	-	-
Cash balances	53	-	-	-
Bonds	190,944	1,909	192,853	189,035
<b>Total</b>	<b>291,366</b>	<b>2,913</b>	<b>192,853</b>	<b>189,035</b>

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	-	-	-	-
Cash & cash equivalents	52,855	529	-	-
Cash balances	53	-	-	-
Bonds	181,383	1,814	183,197	179,569
<b>Total</b>	<b>234,291</b>	<b>2,343</b>	<b>183,197</b>	<b>179,569</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Interest on cash deposits	28	0	28	29
Bonds	3,439	34	3,473	3,508
<b>Total</b>	<b>3,467</b>	<b>35</b>	<b>3,502</b>	<b>3,536</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Interest on cash deposits	614	6	620	626
Bonds	3,440	34	3,474	3,406
<b>Total</b>	<b>4,053</b>	<b>41</b>	<b>4,094</b>	<b>4,134</b>

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 2021 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Canadian Dollar	3	-	3	3
Euro	26,961	2,696	29,657	24,265
Hong Kong Dollar	50	5	55	45
Japanese Yen	21,325	2,132	23,457	19,193
Swiss Franc	38	4	42	34
US Dollar	231,315	23,132	254,447	208,183
	<b>279,692</b>	<b>27,969</b>	<b>307,661</b>	<b>251,723</b>

Assets exposed to currency risk	Assets value as at 31 March 2020 £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 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
	<b>291,255</b>	<b>29,126</b>	<b>320,381</b>	<b>262,129</b>

### b) Credit risk

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

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

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

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

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

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 2021 was £100.4m (31 March 2020 - £52.9m). This was held with the following institutions:

	Rating	Balances as at 31 March 2020 £000	Balances as at 31 March 2021 £000
<b>Termed deposits</b>			
Close Brothers	A-	-	-
<b>Money market funds</b>			
Goldman Sachs money market fund	AAAm	35,868	31,296
Blackrock money market fund	AAAm	35	35
<b>Bank current accounts</b>			
HSBC	AA-	53	53
Northern Trust Custodian	AA-	15,108	65,373
Cash held by fund managers		1,844	3,666
		<b>52,908</b>	<b>100,423</b>

**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 9 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.

Discount rate for periods in service

Scheduled and subsumption body funding target *	4.20% p.a.
Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	3.30% p.a.

Discount rate for periods after leaving service

Scheduled and subsumption body funding target *	4.20% p.a.
Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	1.60% p.a.

Rate of pay increases	3.60% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

\* 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
Current active members aged 45 at the valuation date	22.9	24.9

- g) The valuation results summarised in paragraphs 1 and 2 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. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- 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.
- i) There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to Guaranteed Minimum Pensions (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. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. 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 2016 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 was issued in July 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 details of the LGPS changes arising from the McCloud judgement and (if applicable) arising from the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

- j) 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.

- k) 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 2020 £000s		31 March 2021 £000s
	<b>Debtors</b>	
208	Contributions due - employees	195
636	Contributions due - employers	577
0	Sundry debtors	144
<b>844</b>		<b>916</b>
	<b>Cash balances</b>	
53	Current account	21
<b>897</b>		<b>937</b>

**NOTE 20A: LONG TERM DEBTORS**

31 March 2020 £000s		31 March 2021 £000s
	<b>Debtors</b>	
53	Pensioner Tax liability	96
<b>53</b>		<b>96</b>

**NOTE 21: CURRENT LIABILITIES**

31 March 2020 £000s		31 March 2021 £000s
(460)	Sundry creditors	-1
(567)	Benefits payable	(488)
<b>(1,027)</b>		<b>(489)</b>

**NOTE 22: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

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

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

	Opening Balance at 1 <sup>st</sup> April 20	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2021
	£000s	£000s	£000s	£000s	£000s
Plan Value	3,282	721	(326)	198	3,875
	<b>3,282</b>	<b>721</b>	<b>(326)</b>	<b>198</b>	<b>3,875</b>

**NOTE 23: AGENCY SERVICES**

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

**NOTE 24: RELATED PARTY TRANSACTIONS**

**London Borough of Enfield**

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

During the reporting period, the Council incurred costs of £1.695m (2019/20: £1.124m) 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 £38.5m to the fund in (2019/20 £39.2m). At year end the Pension Fund owed the Council £126k (£460k in 2019/20).

Scheduled and admitted bodies owed the Fund £898k (£844k in 2019/20) from employer & employee contributions. All payments were received by 19<sup>th</sup> April 2021.

**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 2020/21 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 2020 £000s		31 March 2021 £000s
237	Short-term benefits	267
72	Post-employment benefits	74
<b>309</b>		<b>341</b>

**NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

The total outstanding capital commitments (investments) at 31 March 2021 are £40m (31 March 2020 were £70m).

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

## Section 3: Statutory Statements – Funding Strategy Statement (FSS)

### 1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Enfield Pension Fund (“the Fund”), which is administered by the London Borough of Enfield, (“the Administering Authority”).

It has been reviewed by the Administering Authority in collaboration with the Fund’s Actuary, Aon Hewitt. This revised version replaces the previous FSS and is effective from 1 April 2020.

#### 1.1 Regulatory Framework

Scheme members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

This Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the ‘LGPS Regulations’). The Statement describes London Borough of Enfield’s strategy, in its capacity as Administering Authority, for the funding of the London Borough of Enfield Pension Fund.

As required by Regulation 58(4)(a), the Statement has been prepared having regard to guidance published by CIPFA in March 2004 and updated guidance published by CIPFA in September 2016.

In accordance with Regulation 58(3), all employers participating within the London Borough of Enfield Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

In addition, the Administering Authority has had regard to the Fund’s Investment Strategy Statement published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations).

#### 1.2 Review of FSS

The FSS is reviewed in detail at least every three years ahead of the triennial valuation being completed. Annex 1 is updated more frequently to reflect any

changes to employers.

The Administering Authority will monitor the funding position of the Fund on a regular basis between valuations and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries, please contact Bola Tobun in the first instance at [bola.tobun@enfield.gov.uk](mailto:bola.tobun@enfield.gov.uk) or on 0208 132 1588

## 2. Purpose

### 2.1 Purpose of FSS

The Ministry for Housing, Communities & Local Government (MHCLG) stated that the purpose of the FSS is to set out the processes by which the Administering Authority:

- *“establishes a **clear and transparent fund-specific funding strategy**, that will identify how employers’ pension liabilities are best met going forward;*
- *supports desirability of maintaining as nearly constant a **primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013;***
- *ensures that the regulatory requirements to set contributions so as to ensure the **solvency and long-term cost efficiency** of the Fund are met;*
- *takes a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers’ contributions, and prudence of the funding basis.

### 2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfers in and investment income; and
- pays scheme benefits, transfers out, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations.

Three objectives of a funded scheme are:

- to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative;

- not to unnecessarily restrain the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk; and
- to help employers recognise and manage pension liabilities as they accrue, with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.

Therefore it is the aim of the Fund to enable employer contribution levels to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long term cost efficiency, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex 2.

### **2.3 Aims of the Funding Policy**

The objectives of the Fund's funding policy include the following:

- to comply with regulation 62 of the LGPS Regulations, and specifically:
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure the long-term solvency and long term cost efficiency of the Fund as a whole and the solvency of each of the sub-funds notionally allocated to individual employers, which should be assessed in light of the risk profile of the Fund and Employers;
- to minimise the degree of short-term change in the level of employers' contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employees, to the extent that this is practical and cost effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

### **3.1 Derivation of Employer Contributions**

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being accrued, referred to as the “*future service rate*” or the primary contribution rate; plus
- b) an adjustment for the funding position of accrued benefits relative to the Fund’s funding target, the “*past service adjustment*”. If there is a surplus there may be a contribution reduction. If there is a deficit, there may be a contribution addition, with the surplus or deficit spread over an appropriate period. This is known as the secondary contribution.

The Fund’s Actuary is required by the regulations to report the *Primary Contribution Rate*<sup>1</sup>, for all employers collectively at each triennial valuation. There is no universally agreed interpretation of the composition of the Primary Rate across Local Government Pension Scheme Funds. For the purpose of publishing a Primary Contribution Rate, the aggregate future service rate is used.

The Fund’s Actuary is also required to adjust the Primary Contribution Rate for circumstances which are deemed “peculiar” to an individual employer<sup>2</sup>. It is the adjusted contribution rate which employers are actually required to pay, and this is referred to as the Secondary employer contribution requirement.

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

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

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

### 3.2 Funding Principle

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

### 3.3 Funding Targets

#### Risk Based Approach

The Fund utilises a risk based approach to funding strategy.

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

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

<sup>2</sup> See Regulation 62(7)

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

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

These three terms are considered in more detail below.

### **Solvency Target and Funding Target**

#### **Solvency and Funding Success**

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

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

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

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

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

### **Probability of Funding Success**

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

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

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

### **Funding Target**

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

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

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

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

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

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

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

### **Application to different types of body**

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

### **Scheduled Bodies and certain other bodies of sound covenant**

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

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

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

### **Admission Bodies and certain other bodies whose participation is limited**

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

### **3.4 Full funding**

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

### **3.5 Ongoing Funding Basis**

#### **Demographic assumptions**

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

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

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

#### **Financial assumptions**

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

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

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

### **3.6 Primary or Future Service Contribution Rates**

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

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

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

### **3.7 Adjustments for Individual Employers**

#### **Notional sub-funds**

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

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

#### **Roll-forward of notional sub-funds**

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

Further adjustments are made for:

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

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

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

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

### **Fund maturity**

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

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

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

## **Attribution of investment income**

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

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

### **3.8 Stability of Employer Contributions**

#### **3.8.1 Recovery and Trajectory Periods**

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

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

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

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

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

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

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

### **3.8.2 Grouped contributions**

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

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

Best Value Admission Bodies continue to be ineligible for grouping.

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

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

### **3.8.3 Stepping**

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

### **3.8.4 Long-term cost efficiency**

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

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

### **3.8.5 Inter-valuation funding calculations**

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

## **3.9 Special Circumstances related to certain employers**

### **3.9.1 Interim reviews**

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

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

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

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

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

### **3.9.2 Guarantors**

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

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

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

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

### **3.9.3 Bonds and other securitization**

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

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

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

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

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

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

#### **3.9.4 Subsumed liabilities**

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

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

#### **3.9.5 Orphan liabilities**

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

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

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

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

### **3.9.6 Cessation of participation**

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

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

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

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

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

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

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

### **3.9.7 Academies**

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

#### **New Academy conversions**

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

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

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

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

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

### **Existing academies and Multi Academy Trusts**

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

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

#### **3.9.8 Admission Bodies with 10 members or fewer**

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

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

#### **3.10 Early Retirement Costs**

##### **3.10.1 Non Ill-Health retirements**

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

In broad terms it is assumed that members' benefits on retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age, other than on ill-health grounds, are deemed to have retired early. The additional costs of premature retirement are calculated by reference to this age.

## **4. Links to investment strategy**

Funding and investment strategy are inextricably linked. The investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

### **4.1 Investment strategy**

The investment strategy currently being pursued is described in the Fund's Investment Strategy Statement.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property.

The investment strategy of lowest risk would be one which provides cashflows which replicate the expected benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.

The lowest risk strategy is not necessarily likely to be the most cost-effective strategy in the long-term.

The Fund's benchmark includes a significant holding in equities and other growth assets, in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently operate different investment strategies for different employers.

### **4.2 Consistency with funding bases**

The Administering Authority recognises that future experience and investment returns cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range.

The more optimistic the assumptions made in determining the Funding Target, the more likely that outcome will sit towards the favourable end of the range of possible outcomes, the lower will be the probability of experience actually matching or being more favourable than the assumed experience, and the lower will be the Funding Target calculated by reference to those assumptions.

The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will

deliver funding success (as defined earlier in this document). Where the Probability of Funding Success is less than 65% the Administering Authority will not adopt assumptions which lead to a reduction in the aggregate employer contribution rate to the Fund.

The Administering Authority's policy will be to monitor an underlying low risk position (making no allowance for returns in excess of those available on Government stocks) to ensure that the Funding Target remains realistic.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

#### **4.3 Balance between risk and reward**

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

Enabling employers to follow alternative investment strategies would require investment in new systems and higher ongoing costs which would have to be borne by the employers. The potential benefits of multiple investment strategies would need to be assessed against the costs.

#### **4.4 Intervaluation Monitoring of Funding Position**

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of regular monitoring.

### **5. Key Risks & Controls**

#### **5.1 Types of Risk**

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks most likely to impact upon the funding strategy are summarised below under the following headings:

- Investment
- Employer
- Liquidity and maturity
- Liability
- Regulatory and compliance;
- Recovery period; and
- Stepping.

## 5.2 Investment Risk

The risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<p><i>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</i></p> <p><i>Commission regular funding updates for the Fund as a whole, on an approximate basis.</i></p> <p><i>Analyse progress at three yearly valuations for all employers.</i></p> <p><i>Inter-valuation roll-forward of liabilities between formal valuations.</i></p>
Systematic risk with the possibility of interlinked and simultaneous financial market volatility	<p><i>The Fund's assets are diversified by asset class, geography and investment managers. The diversification serves to reduce, but not eliminate, the investment risk associated with financial market volatility. The Fund regularly monitors its investment strategy.</i></p>
Insufficient funds to meet liabilities as they fall due	<p><i>Commission regular funding updates for the Fund as a whole, on an approximate basis. Analyse progress at three yearly actuarial valuations.</i></p>
Inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon	<p><i>Regular review of advisers in line with national procurement frameworks</i></p>
Counterparty failure	<p><i>The Fund regularly reviews its investment managers to review the risk of operational and counterparty failure for its pooled fund investments. For segregated mandates the Fund employs a global custodian to provide safekeeping. The custodian is reviewed on a periodic basis.</i></p>
Inappropriate long-term investment strategy	<p><i>Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.</i></p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	<p><i>Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.</i></p>

Active investment manager under-performance relative to benchmark	<i>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</i>
Pay and price inflation significantly more than anticipated	<i>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</i>
Effect of possible increase in employers' contribution rate on service delivery and admission/scheduled bodies	<i>Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.</i>

**5.3 Employer Risk**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
These risks arise from the ever-changing mix of employers; from short-term and ceasing employers; and the potential for a shortfall in payments and/or orphaned liabilities.	<p><i>The Administering Authority will put in place a funding strategy statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admitted) and other pension fund stakeholders.</i></p> <p><i>The Administering Authority will also consider building up a knowledge base on their admitted bodies and their legal status (charities, companies limited by guarantee, group/subsidiary arrangements) and use this information to inform the Funding Strategy Statement.</i></p>

**5.4 Liquidity and maturity Risk**

Risk	Summary of Control Mechanisms
<p>The LGPS is going through a series of changes, each of which will impact upon the maturity profile of the LGPS and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery, which result in active members leaving the LGPS; transfer of responsibility between different public sector bodies; scheme changes which might lead to increased opt-outs; the implications of spending cuts – all of these will result in workforce reductions that will reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken account of fully in previous forecasts.</p>	<p><i>To mitigate this risk the Administering Authority monitors membership movements on a quarterly basis, via a report from the administrator at quarterly meetings. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer’s contributions (under Regulation 78) between triennial valuations and deficit contributions may be expressed in monetary amounts (see Annex 1).</i></p> <p><i>In addition to the Administering Authority monitoring membership movements on a quarterly basis, it requires employers with Best Value contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements to avoid failing to commission the Fund Actuary to carry out an exit valuation for a departing Admission Body and losing the opportunity to call in a debt.</i></p>
<p>There is also a risk of employers ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p><i>The risk is mitigated by seeking a funding guarantee from another scheme employer, or external body, wherever possible and alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. The Administering Authority also vets prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from the extra cost of early retirements on redundancy if the employer failed.</i></p>

**5.5 Liability Risk**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
<p>The main risks include inflation, life expectancy and other demographic changes, interest rate and wage and salary inflation which will all impact on future liabilities.</p>	<p><i>The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.</i></p> <p><i>If significant liability changes become apparent between valuations, the Administering Authority will notify all employers of the anticipated impact on costs that will emerge at the next valuation and will review the bonds that are in place for Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations.</i></p>

**5.6 Regulatory and compliance risk**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
<p>The risks relate to changes to both general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules.</p>	<p><i>The Administering Authority will keep abreast of all proposed changes. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.</i></p> <p><i>In particular, for the 2019 valuation, there is currently significant uncertainty as to whether improvements to benefits and/or reductions to employee contributions will ultimately be required under the cost management mechanisms introduced as part of the 2014 Scheme, and also as to what improvements to benefits will be required consequent on the “McCloud” equal treatment judgement. The Administering Authority will consider any guidance emerging on these issues during the course of the valuation process and will consider the appropriate allowance to make in the valuation, taking account of the Fund Actuary’s advice. At present the Administering Authority considers an appropriate course of action for the 2019 valuation is to include a loading within the employer contribution rates certified by the Fund Actuary that reflects the possible extra costs to the Fund as advised by the Fund Actuary. It is possible that the allowance within contribution rates might be revisited by the Administering Authority and Fund Actuary at future valuations (or, if legislation permits, before future valuations) once the implications for Scheme benefits and employee contributions are clearer.</i></p>

### 5.7 Recovery Period

Risk	Summary of Control Mechanisms
<p>Permitting surpluses or deficits to be eliminated over a Recovery Period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements, and/ or that the objective of long-term cost efficiency is not met.</p>	<p><i>The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the Recovery Period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.</i></p>

### 5.8 Stepping

Risk	Summary of Control Mechanisms
<p>Permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process, and/or that the objective of long-term cost efficiency is not met.</p>	<p><i>The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.</i></p>

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

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The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are set out below.

### ***The Administering Authority should:***

- operate the pension fund
- collect investment income and other amounts due to the Fund as set out in the LGPS Regulations including employer and employee contributions;
- pay from the Fund the relevant entitlements as set out in the relevant Regulations;
- invest surplus monies in accordance with the Investment Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against consequences of employer default;
- manage the valuation process in consultation with the Fund's Actuary;
- prepare and maintain a FSS and a Investment Strategy Statement (ISS), both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS as appropriate; and
- effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.
- Enable the Local Pension Board to review the valuation process as set out in their terms of reference.

### ***The Individual Employers should:***

- deduct contributions from employees' pay correctly;
- pay all ongoing contributions, including their own as determined by the Fund Actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;

- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding;
- pay any exit payments as required in the event of their ceasing participation in the Fund; and
- note and if desired respond to any consultation regarding the Funding Strategy Statement, the Investment Strategy Statement or other policies.

***The Fund Actuary should prepare advice and calculations and provide advice on:***

- funding strategy and the preparation of the Funding Strategy Statement
- will prepare actuarial valuations including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and the LGPS Regulations
- bulk transfers, individual benefit-related matters such as pension strain costs, compensatory added years costs, etc
- valuations of exiting employers, i.e. on the cessation of admission agreements or when an employer ceases to employ active members
- bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.

Such advice will take account of the funding position and Funding Strategy Statement of the Fund, along with other relevant matters.

The Fund Actuary will assist the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as required by the Administration Regulations.

The Fund Actuary will ensure that the Administering Authority is aware of any professional guidance requirements which may be of relevance to his or her role in advising the Administering Authority.

## **INVESTMENT STRATEGY STATEMENT**

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### **1. Introduction**

- 1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Enfield Pension Fund adopted by Enfield Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.
- 1.2 The Council has delegated to its Pension Policy & Investment Committee (“the Committee”) “all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer.”
- 1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).
- 1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Strategy with each of its employers and the Pension Board. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

### **2. Statutory background**

- 2.1 Regulation 7(1) of the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

### **3. Directions by the Secretary of State**

- 3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.
- 3.2 The Secretary of State’s power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

### **4. Advisers**

- 4.1 Regulation 7 of the Regulations requires the Council to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Pension Policy & Investment Committee and Council officers such advice is taken from:

- Aon Hewitt Ltd – investment consultancy
- Independent consultant member with Fund management experience
- Actuarial advice, which can have implications for the investment strategy, is provided by Aon Hewitt Ltd.

## 5. Objective of the Fund

- 5.1 The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.
- 5.2 The target investment strategy is designed to have an expected return in excess of the discount rate while achieving a level of risk the Committee considers to be appropriate. The aim is to ensure contribution rates are set at a level to attain 100% funding within the timescale agreed with the Fund Actuary and set out in the Funding Strategy Statement.

## 6 Investment beliefs

- 6.1 The Fund's fundamental investment beliefs which inform its strategy and guide its decision making are:
- The Fund has a paramount duty to seek to obtain the best possible return on its investments taking into account a properly considered level of risk
  - A well-governed and well-managed pension fund will be rewarded by good investment performance in the long term
  - Strategic asset allocation is the most significant factor in investment returns and risk; risk is only taken when the Fund believes a commensurate long term reward will be realised
  - Asset allocation structure should be strongly influenced by the quantum and nature of the Fund's liabilities and the Funding Strategy Statement
  - Since the lifetime of the liabilities is very long the time horizon of the investment strategy should be similarly long term
  - Risk of underperformance by active equity managers is mitigated by allocating a significant portion of the Fund's assets to other asset classes
  - Long-term financial performance of companies in which the Fund invests is likely to be enhanced if they follow good practice in their environmental, social and governance policies
  - Costs need to be properly managed and transparent
- 6.2 At its meeting of 27<sup>th</sup> February 2020, the Committee approved additional investment beliefs as set out in Appendix 3 of this statement. This set out the ESG themes of important areas of focus for the Fund Responsible Investment

activities, and our core positions in each area. This provides greater clarity about the Fund expectations to both investee businesses and other stakeholders

**7 The suitability of particular investments and types of investments**

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

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

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

to provide in excess of the discount rate used to value liabilities in the triennial valuation.

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

## **8 Asset classes**

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

expected and unexpected demands for cash. However, as a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

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

## 9 Fund Managers

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

advisory member. In addition, the Committee requires all managers to attend a separate manager day meeting twice a year, and officers meet each of the managers in the “alternate quarters” (i.e. when there is no “manager day” meeting) to review and scrutinise performance.

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

## 10 Stock lending

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

## 11 Approach to risk

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

### 11.2 Funding risks

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

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

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

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

### 11.3 Manager risks

The Committee monitors the managers’ performance on a quarterly basis, and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Committee also examines the risk being run by each of the investment managers. In particular, the

performance reporting reviewed by the Committee considers the achieved variation in returns between each manager's portfolio and its benchmark and compares the level of active manager risk and excess return of each manager against a universe of similar mandates and the benchmark.

**11.4 Liquidity risk**

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

**11.5 Concentration risk**

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

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

**11.6 Market risk**

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

**11.7 Operational risk**

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

**12 Approach to pooling**

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

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

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

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

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

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

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

### 13 Social, environmental and governance considerations

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

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

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

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

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

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

- 13.6 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.
- 13.7 Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In Autumn 2019, Trucost were commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.
- 13.8 Having taken into account the risks associated with exposure to fossil fuel reserves, the Committee has approved a target to:
- a. Reduce the Fund's total equity portfolio relative exposure to future emissions from fossil fuel reserves (measured in MtCO<sub>2</sub>e – million tonnes of CO<sub>2</sub> emissions) by 50% over 5 years up to 30 September 2025.
  - b. Measure the reduction relative to the Fund's total equity portfolio position as at 30 September 2019 and adjusted for Assets Under Management (£AUM)
- 13.9 The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.
- 13.10 The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.
- 13.11 Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.

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

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

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

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

## **15 Stewardship**

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

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

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

**Appendix 1**

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

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

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

<b>CBRE – Inflation protection illiquid</b>	<i>UK LPI +2.5%pa over a rolling ten year period</i>
<b>Property</b>	
<b>Brockton</b> Opportunistic property	<i>15% net IRR and 1.5xnet multiple</i>
<b>BlackRock Advisers UK Ltd</b> (Actively UK Property Fund) Equity and emerging Portfolios)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>
<b>Legal &amp; General Investment Management Ltd</b> (Active UK Property Fund)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>
<b>RREEF Management</b> (Active UK Property Fund)	<i>To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK Retail Prices Index over 5 to 10 years.</i>
<b>Infrastructure</b>	
<b>Antin</b>	<i>15% Gross IRR with a gross target of 5% p.a.</i>
<b>International Public Partnerships Limited</b> (Private Finance Initiative)	<i>To achieve a return of at least 4.5% per annum.</i>
<b>Hedge Funds</b>	
<b>CFM-Stratus</b> Multi asset strategy	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
<b>Davidson Kempner</b> (Events driven)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
<b>Lansdowne Partners</b> (Long/Short UK Equities Hedge Fund)	<i>To generate an absolute return. The benchmark is the FTSE All Share index</i>
<b>York Capital Management</b> (Distressed Debt Fund)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>

**Appendix 2****Compliance with “Myners” Principles”****Principle 1: Effective Decision Making**

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

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

**Principle 2: Clear Objectives**

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

**Principle 3: Risk and Liabilities**

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

**Principle 4: Performance Assessment**

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

**Principle 5: Responsible Ownership**

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

**Principle 6: Transparency and Reporting**

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

## Appendix 3

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

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

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

## Supporting evidence

### Investment Theses behind the chosen SDGs (G applies to all)

- SDG7 - Affordable and Clean Energy. Governmental pressure to meet carbon emission goals presents a serious risk to the profitability and assets of traditional energy companies. At the same time, climate-related investment opportunities are available in areas such as energy efficiency and renewable energy sources. **(E)**
- SDG9 - Industry, Innovation and Infrastructure. Industrial and Infrastructure development represent a long term source of investment and social opportunity as well as a risk of increased emissions / social stress. It also supports goals of social inclusion and gender equality. **(E, S)**
- SDG11 - Sustainable Cities and Communities. Increasing urbanisation represents a long term source of investment and social opportunity as well as a risk of increased emissions / social stress **(E, S)**
- SDG12 - Responsible Consumption and Production. Companies running energy efficient and socially responsible operations and supply chains are less exposed to risk and are likely to be favoured by customers and regulators. **(E, S)**
- SDG13 - Climate change. Climate change and the response of policy makers has the potential to have a serious impact on financial markets. **(E)**

A fiduciary duty is an obligation to act with loyalty and honesty and in a manner consistent with the best interests of another party.

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

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

## **GOVERNANCE AND COMPLIANCE STATEMENT**

### **Introduction**

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

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

### **Aims and Objectives**

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

- Over 23,100 current and former members of the Fund, and their dependants
- around 40 employers within the Enfield Council area or with close links to Enfield Council
- the local taxpayers within the London Borough of Enfield.

In relation to the governance of the Fund, our objectives are to ensure that:

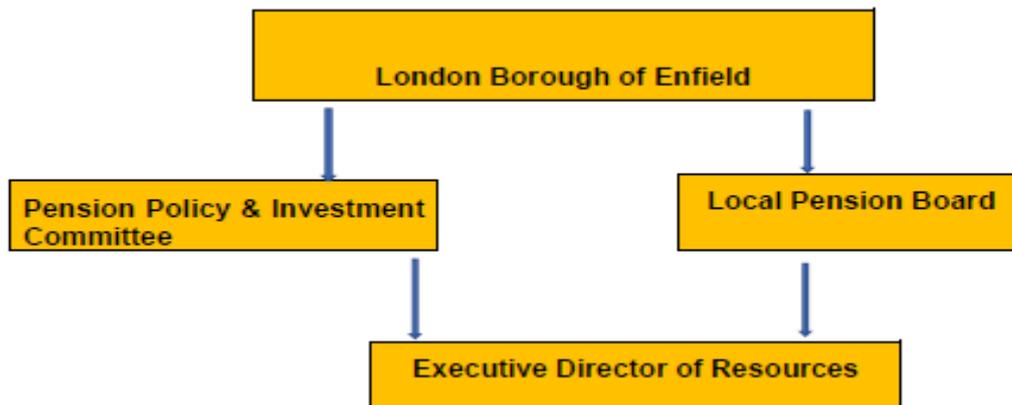
- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

### **Structure**

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pension Policy & Investment Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.

The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.



**Terms of Reference for the Pension Policy & Investment Committee**

The Constitution allows for the appointment of a Pension Policy & Investment Committee which has responsibility for the discharge of all non-executive functions assigned to it.

The following are the terms of reference for the Pension Policy & Investment Committee:

- a) To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation.
- b) To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
- c) To formulate and publish an Investment Strategy Statement.
- d) To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
- e) To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
- f) To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
- g) To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- h) To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
- i) To receive and approve an Annual Report on the activities of the Fund prior to publication.
- j) To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
- k) To keep the terms of reference under review.
- l) To determine all matters relating to admission body issues.
- m) To focus on strategic and investment related matters at two Pension Policy & Investment Committee meetings.

- n) To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan
- o) To maintain an overview of pensions training for Members.

## **Membership of the Pension Policy & Investment Committee**

The Council decides the composition and makes appointments to the Pension Policy & Investment Committee. Currently the membership of the Committee is a minimum of 6 elected Members from Enfield Council on a politically proportionate basis and the Pension Policy & Investment Committee will elect a Chair and Vice Chair. All Enfield Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

Members of the Pension Policy & Investment Committee are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

### **Meetings**

The Pension Policy & Investment Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Enfield Civic Centre and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website:

<http://governance.enfield.gov.uk/ieListMeetings.aspx?Committeeld=664>

### **Other Delegations of Powers**

The Pension Policy & Investment Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they must ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pension Policy & Investment Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Executive Director of Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Executive Director of Resources will delegate aspects of the role to other officers of the Council including the Pensions & Treasury Manager and to professional advisors within the scope of the LGPS Regulations.

### **Pension Board**

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Enfield Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Enfield Pension Board established by Enfield Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

### **Role of the Pension Board**

The Public Service Pensions Act 2013 established the requirement for local Pension Boards in the LGPS with responsibility for assisting the Administering Authority in relation to the following:

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and

- Such other matters as the LGPS regulations may specify.

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Policy & Investment Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

### **Membership of the Pension Board**

The Pension Board consists of 8 members as follows:

- Four Employer Representatives
- Four Scheme Member Representatives

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when four of the eight Employer and Scheme Member Representatives are present, and where the Board has an Independent Member, they must also be present.

The members of the Board are appointed by an Appointments Panel which consists of:

- the Cabinet Member for Resources
- the Executive Director of Resources
- the Director of Finance
- the Executive Director of Legal & Governance

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

### **Meetings**

The Pension Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. The Pension Board will be treated in the same way as a Committee of Enfield Council and, as such, members of the public may attend, and papers will be made public in the same way as described above for the Pension Policy & Investment Committee.

### **Policy Documents**

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website:

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

### ***Funding Strategy Statement***

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

### ***Investment Strategy Statement***

The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pension Policy & Investment Committee meeting for approval.

### ***Governance Policy Compliance Statement***

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

### ***Training Policy***

Enfield Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pension Policy & Investment Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Enfield Pension Fund aims to comply with:

- the knowledge and skills elements of the Public Service Pensions Act 2013;
- the CIPFA Knowledge and Skills Frameworks and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pension Policy & Investment Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pension Policy & Investment Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

### ***Annual Report and Accounts***

As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping, and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Policy & Investment Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the websites: <http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664>

### ***Communication Policy***

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website: <http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664>

### ***Discretions Policies***

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Enfield' Employing Authority Discretions can be found on the website: <http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664>

### ***Pension Administration Strategy and Employer Guide***

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: <http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664>

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

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

This Governance Policy and Statement was approved by the London Borough of Enfield Pension Policy & Investment Committee following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. In August 2019, this document was reviewed and approved by Pension Policy & Investment Committee at its meeting of 5th September 2019.

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

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

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

Or contact:

Bola Tobun – Finance Manager (Pensions & Treasury)

London Borough of Enfield

E-mail - [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)

Telephone – 020 8132 1588

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

*Key:*

*PPIC – Pension Policy & Investment Committee  
EDR – Executive Director of Resources & Officers  
Officers & Advisers Panel  
IC – Investment Consultant  
IA – Independent Adviser*

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

*OAP-*

*FA – Fund Actuary*

<b>Function delegated to PPIC</b>	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
Rebalancing and cash management	Implementation of strategic allocation including use of ranges	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Investment strategy – approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite	To formally review the Scheme's asset allocation at least every three year's taking account of any changes in the profile of Scheme liabilities and will assess any guidance regarding tolerance of risk. It will recommend changes in asset allocation to the Pension Policy & Investment Committee	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Monitoring the implementation of these policies and strategies on an ongoing basis.	New mandates / emerging opportunities To consider the Scheme's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism and recommend revisions to the Pension Policy & Investment Committee.	EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PPIC with more detailed monitoring by OAP and or PTM
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers and Pool Operator  Selection, appointment, addition, replacement and dismissal of Fund Managers	EDR, DF and PTM (having regard to ongoing advice of the IA & IC) and subject to ratification by PPIC	High level monitoring at PPIC with more detailed monitoring by PTM & OAP Notified PPIC via ratification process.

	<p>To evaluate the credentials of potential managers and make recommendations to the Pension Policy &amp; Investment Committee</p> <p>To review the Scheme's AVC arrangements annually. If it considers a change is appropriate, it will make recommendations to the Pension Policy &amp; Investment Committee.</p>		
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PPIC.	EDR, DF and PTM, subject to agreement with Chairman and Vice Chairman (or either, if only one available in timescale)	PPIC advised of consultation via email (if not already raised previously at PPIC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PPIC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Policy & Investment Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice	EDR & DF	Regular reports provided to PPIC and included in Annual Report and Accounts.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Policy & Investment Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Policy & Investment Committee.	Other urgent matters as they arise	EDR, DF and PTM subject to agreement with Chairman and Vice Chairman (or either, if only one is available in the timescale)	PPIC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PPIC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PPIC and subject to monitoring agreed at that time.

Appendix B

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
<b>STRUCTURE</b>	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council	Compliant	The Council's Constitution states that the Pension Policy & Investment Committee is responsible for the management of the Pension Fund
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Trade union representatives and representatives of admitted bodies sit on the Pension Board.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	A report of the Pension Board and subcommittees meetings are presented at the following Pension Policy & Investment Committee. All key recommendations of the Pension Board are considered, noted and ratified by the Pension Policy & Investment Committee as deemed appropriate.
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	All members of the sub committees are also members of the Pension Policy & Investment Committee.
<b>REPRESENTATION</b>	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - <ul style="list-style-type: none"> <li>■ employing authorities (including nonscheme employers, e.g. admitted bodies),</li> <li>■ scheme members (including deferred and pensioner scheme members),</li> <li>■ independent professional observers,</li> <li>■ expert advisors (on an ad-hoc basis).</li> </ul>	Compliant	Trade unions and admitted bodies are represented on the Local Pension Board
	That where lay members sit on a main or	Compliant	Papers for Local Pension Board and the Pension Policy & Investment

	secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.		Committee are made available to all members of each body at the same time and are published well in advance of the meetings in line with the council's committee agenda publication framework.
<b>SELECTION &amp; ROLE OF LAY MEMBERS</b>	That committee or board members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Local Pension Board and Pension Policy & Investment Committee have access to the terms of reference of each body and are aware of their roles and responsibilities as members of these bodies.
<b>VOTING</b>	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Members of the Pension Policy & Investment Committee does not currently confer voting rights on non-Councillors in line with common practice across the local government sector.
<b>TRAINING/FACILITY TIME/EXPENSES</b>	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Regular training is arranged for members of the Local Pension Board and the Pension Policy & Investment Committee. In addition members are encouraged to attend external training courses. The cost of any such courses attended will be met by the Fund.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rule on training provision is applied equally across all members of the Local Pension Board and the Pension Policy & Investment Committee.
<b>MEETINGS (FREQUENCY/ QUORUM)</b>	That an administering authority's main committee or committees meet at least quarterly.	Compliant	Meetings of the Local Pension Board and the Pension Policy & Investment Committee are arranged to take place quarterly.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Meetings of the Local Pension Board and the Pension Policy & Investment Committee are arranged to take place quarterly.
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of	Compliant	Union representatives are on the Local Pension Board. Other stakeholders of the Fund are able to make representations at the Annual

	those arrangements by which the interests of key stakeholders can be represented.		General Meeting of the Pension Fund.
<b>ACCESS</b>	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Board/Committee meeting papers are circulated at the same time to all members of the Local Pension Board / Pension Policy & Investment Committee.
<b>SCOPE</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	Local Pension Board and Pension Policy & Investment Committee considers a range of issues at their meetings and therefore has taken steps to bring wider scheme issues within the scope of the governance arrangements.
<b>PUBLICITY</b>	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	This Governance Compliance Statement is a public document that is attached as an appendix to the annual pension fund report.

## **Communication Policy Statement**

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This statement is prepared in accordance with the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005, which require an administering authority to prepare, maintain and publish a statement on its communication strategy.

The London Borough of Enfield Local Government Pension Scheme currently has 39 admitted/scheduled employers and approximately 23,123 scheme members. This statement sets out the communication methods with each group.

### **Employers**

Communication with the employers in the Fund takes several forms:

- i) **Regular Update Letters**  
All employers receive regular updates as and when issues arise e.g. changes to scheme regulations.
- ii) **Annual Report and Accounts**  
A copy of the document is sent to all employers.
- iii) **Investment reports and minutes**  
These are available on request to any employers who wish to see them.
- iv) **Advice and help**  
Enfield staff are available to give advice on the telephone or by e-mail.

### **Scheme Members**

The methods of communicating with scheme members are:

- i) **Telephone helpline**  
A telephone helpline for all enquiries from scheme members on any aspect of their pension arrangements.
- ii) **Annual Benefit Statements**  
All active and deferred scheme members receive an annual benefit statement setting out what level of benefits have already been built up, along with a forecast of benefits at retirement.
- iii) **Internet**  
The scheme's website provides information about any updates to the Pension Fund.
- iv) **Information letters**  
Information about changes in regulations is provided to employees via their employers by e-mail or letter.

v) **Payslips**

All pensioners receive at least 1 payslip every year and messages are included whenever there is new information to be communicated.

**Prospective Scheme Members**

The methods of ensuring that prospective members are aware of the Scheme and its benefits are:

i) **Job Advertisements**

Employers advertise the benefits of the Fund in their job advertisements.

ii) **Scheme Booklet**

All new starters in the employing organisations in the Fund are provided with a scheme booklet, which sets out the benefits available from the Fund and employees are given three months to opt out of the Fund.

## **TRAINING AND DEVELOPMENT POLICY**

### **Introduction**

This is the Training & Development Policy of the London Borough of Enfield Pension Fund in relation to the Local Government Pension Scheme (LGPS), which is managed and administered by Enfield Council. The Policy details the training strategy for members of the Pension Policy & Investment Committee and Pension Board, and senior officers responsible for the management of the Fund.

This Training & Development Policy is established to assist Pension Policy & Investment Committee and Pensions Board members and senior officers in developing their knowledge and capabilities in their individual roles, with the ultimate aim of ensuring that the London Borough of Enfield Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Enfield Council has delegated responsibility for the implementation of this Training & Development Policy to the Executive Director of Resources.

### **Aims and Objectives**

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

- over 23,000 current and former members of the Fund, and their dependants
- about 40 employers within the Enfield Council area or with close links to Enfield Council the local taxpayers within the London Borough of Enfield.

In relation to the governance of the Fund, the objectives are to ensure that:

- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the
- Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

This Policy has been put in place to assist the Fund in achieving these objectives and all Pension Policy & Investment Committee Members, Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Enfield Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

As well as any other LGPS specific guidance relating to the knowledge and skills of Pension Policy & Investment Committee members, Pension Board members or pension fund officers which may be issued from time to time.

This Training & Development Policy applies to all Members of the Pension Policy & Investment Committee, Pensions Board, including scheme member and employer representatives. It also applies to all managers in the Enfield Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Other officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and Pension & Treasury Manager and his/her team.

The advisers to the Fund that provides the day to day and strategic advice to the London Borough of Enfield Pension Fund are also expected to be able to meet the objectives of this Policy, as are all other officers of employers participating in the London Borough of Enfield Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Enfield Council will provide appropriate training for them. This is considered separately in the London Borough of Enfield Pension Fund Administration Strategy.

#### [CIPFA and TPR Knowledge and Skills Requirements - \(CIPFA Knowledge and Skills Framework and Code of Practice\)](#)

In January 2010 CIPFA launched technical guidance for Representatives on Pension Policy & Investment Committees and non-executives in the public sector within a knowledge and skills framework. The Framework details the knowledge and skills required by those responsible for pension scheme financial management and decision making.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills frameworks in place. This Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which include all those covered in the existing Committee and nonexecutives' framework):

- i) Pensions legislation
- ii) Public sector pensions governance
- iii) Pension accounting and auditing standards
- iv) Pensions administration
- v) Financial services procurement and relationship management
- vi) Investment performance and risk management
- vii) Financial markets and products knowledge
- viii) Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

### **The Pensions Act 2004 and the Pension Regulator's Code of Practice**

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements are incorporated and expanded on within the TPR Code of Practice which came into force on 1 April 2015. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

### **Application to the London Borough of Enfield Pension Fund**

Enfield Council recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, it fully supports the use of the CIPFA Knowledge and Skills Frameworks, and TPR's Code of Practice. Enfield Council adopts the principles contained in these publications in relation to the London Borough of Enfield Pension Fund, and this Training and Development Policy highlights how the Council will strive to achieve those principles through use of a Training Plan together with regular monitoring and reporting.

### **The London Borough of Enfield Pension Fund Training and Development Plan**

Enfield Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Policy & Investment Committee members, Pension Board members and senior officers, and that training is a key element of this process. Enfield Council will develop a rolling Training Plan based on the following key elements:

1) **Individual Training Needs:** A training needs analysis will be developed for the main roles of Pension Policy & Investment Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

2) **Hot Topic Training:** The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or a

specific area where decisions need to be made. This training may be targeted at specific roles.

3) **General Awareness:** Pension Policy & Investment Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the London Borough of Enfield Pension Fund.

Each of these training requirements will be focussed on the role of the individual i.e. a Pension Policy & Investment Committee member, a Pension Board member or the specific role of the officer.

The Pension Policy & Investment Committee agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee, the Board and officers to both enhance existing knowledge and skills and to develop new areas of understanding. This ensures that training is accessible to all Committee and Board members and key officers involved in the management of the Pension Fund.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pension Policy & Investment Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the London Borough of Enfield Pension Fund's investment managers and advisors
- Links to on-line training
- Access to the London Borough of Enfield Pension Fund website where useful London Borough of Enfield Pension Fund specific material is available.

In addition London Borough of Enfield Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

#### Initial Information and Induction Process

On joining the Pension Policy & Investment Committee, the Pension Board or the London Borough of Enfield Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Enfield Pension Fund:

- i) The members' guide to the Local Government Pension Scheme (LGPS)
- ii) The latest Actuarial Valuation report
- iii) The Annual Report and Accounts, which incorporate:
  - a) The Funding Strategy Statement
  - b) The Governance Policy and Compliance Statement

- c) The Statement of Investment Principles including the London Borough of Enfield Pension Fund's statement of compliance with the LGPS Myners Principles
- d) The Communications Policy
- e) The Administration Strategy
- iv) The administering authority's Discretionary Policies
- v) The Training Policy

In addition, an individual training plan will be developed to assist each Pension Policy & Investment Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

### Monitoring Knowledge and Skills

To identify if Pension Policy & Investment Committee members, Pension Board members and senior officers are meeting the objectives of this policy we will:

- 1) Compare and report on attendance at training based on the following:
  - i) Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
  - ii) Hot Topic Training – attendance by at least 80% of the required Pension Policy & Investment Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Policy & Investment Committee members, Pension Board members or senior officers depending on the subject matter.
  - iii) General Awareness – each Pension Policy & Investment Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
  - iv) Induction training – ensuring areas of identified individual training are completed within six months.
  
- 2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pension Policy & Investment Committee members, Pension Board members and senior officers.

The key risks to the delivery of this Policy are outlined below:

- i) Changes in Pension Policy & Investment Committee and/or Pension Board membership and/or senior officers' potentially diminishing knowledge and understanding.
- ii) Poor attendance and/or a lack of engagement at training and/or formal meetings by Pension Policy & Investment Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- iii) Insufficient resources being available to deliver or arrange the required training.
- iv) The quality of advice or training provided not being to an acceptable standard.

The Pension Policy & Investment Committee members, with the assistance of London Borough of Enfield senior officers and Pension Board members will monitor these and other key risks and consider how to respond to them.

### **Reporting**

A report will be presented to the Pension Policy & Investment Committee on an annual basis setting out:

- i) The training provided / attended in the previous year at an individual level
- ii) Attendance at Pension Policy & Investment Committee and Pension Board meetings
- iii) The results of the measurements identified above.

This information will also be included in the London Borough of Enfield Pension Fund's Annual Report and Accounts.

At each Pension Policy & Investment Committee and Pensions Board meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

### **Costs**

All training costs related to this Training and Development Policy are met directly by the London Borough of Enfield Pension Fund.

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

This Training and Development Policy to be approved and at the London Borough of Enfield Pension Policy & Investment Committee meeting of 21 November 2019. This Training and Development Policy to be adopted by the London Borough of Enfield Pension Board at their next meeting. It will be formally reviewed and updated at least every year or sooner if the training arrangements or other matters included within it worth re-evaluation.

### **Further Information**

If you require further information about anything in or related to this Training and Development Policy, please contact:

Bola Tobun  
Pension & Treasury Manager  
London Borough of Enfield  
Civic Centre  
Silver Street  
London  
EN1 3XF  
E-mail [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)  
Telephone 020 8132 1588

## Appendix 1

### CIPFA Knowledge and Skills Framework for Members of Pension Committees

#### Core Areas:

#### 1. Pensions Legislative and Governance Context

##### **General Pensions Framework**

A general awareness of the pension's legislative framework in the UK.

##### ***Scheme-specific legislation***

- An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.
- An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
- A regularly updated appreciation of the latest changes to the scheme rules.
- Knowledge of the role of the administering authority in relation to LGPS.

##### ***Pensions regulators and advisors***

An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

##### ***General constitutional framework***

- Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
- Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

##### ***Pensions scheme governance***

- An awareness of the LGPS main features.
- Knowledge of the Myners principles and associated CIPFA and Society of Local Authority Chief Executives (SOLACE) guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Knowledge of the stakeholders of the pension fund and the nature of their interests.
- Knowledge of consultation, communication and involvement options relevant to the stakeholders.

##### **Pensions Accounting and Standards**

- Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.

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

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
<b>1 – Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.		1 2 3 4 5	
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.		1 2 3 4 5	
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.		1 2 3 4 5	
A regularly updated appreciation of the latest changes to the scheme rules.		1 2 3 4 5	
<b>2 – Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.		1 2 3 4 5	
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.		1 2 3 4 5	
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.		1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.		1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.		1 2 3 4 5	

**Resources Department**

Enfield Council  
 Civic Centre, Silver Street  
 Enfield EN1 3XY

[www.enfield.gov.uk](http://www.enfield.gov.uk)

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

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
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Knowledge of the Myners principles and associated ClPFA and SOLACE guidance.		1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.		1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.		1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.		1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.		1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.		1 2 3 4 5	
An understanding of how breaches in law are reported.		1 2 3 4 5	
<b>3 – Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.		1 2 3 4 5	
Understanding of the required and adopted scheme policies and procedures relating to:		1 2 3 4 5	
<ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>			

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

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

Knowledge of how discretionary powers operate.		1 2 3 4 5	
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).		1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.		1 2 3 4 5	
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.		1 2 3 4 5	
<b>4 – Pensions accounting and auditing standards</b>			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.		1 2 3 4 5	
An understanding of the role of both internal and external audit in the governance and assurance process.		1 2 3 4 5	
An understanding of the role played by third party assurance providers.		1 2 3 4 5	
<b>5 – Pensions services procurement and relationship management</b>			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.		1 2 3 4 5	

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

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

A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5	
<b>6 – Investment performance and risk management</b>		
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5	
An awareness of the Myrers principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5	

## Procedure for Recording and Reporting Breaches of the Law

### 1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the Enfield Pension Fund, the Local Government Pension Scheme managed and administered by Enfield Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies, in the main, to:
- all members of the Enfield Pension Policy & Investment Committee and Board;
  - all officers involved in the management of the Pension Fund;
  - personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
  - officers of employers participating in the Enfield Pension Fund who are responsible for pension matters.

### 2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 ***Pensions Act 2004***  
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
- a trustee or manager of an occupational or personal pension scheme;
  - a member of the pension board of a public service pension scheme;
  - a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
  - the employer in relation to an occupational pension scheme;
  - a professional adviser in relation to such a scheme; and
  - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
    - (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
    - (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

### 2.3 ***The Pension Regulator's Code of Practice***

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

### 2.4 ***Application to the Enfield Pension Fund***

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Enfield Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

## **3 The Enfield Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Enfield Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

### 3.1 ***Clarification of the law***

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):  
[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- Local Government Pension Scheme Regulations (various):  
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)  
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

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

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

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

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

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

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

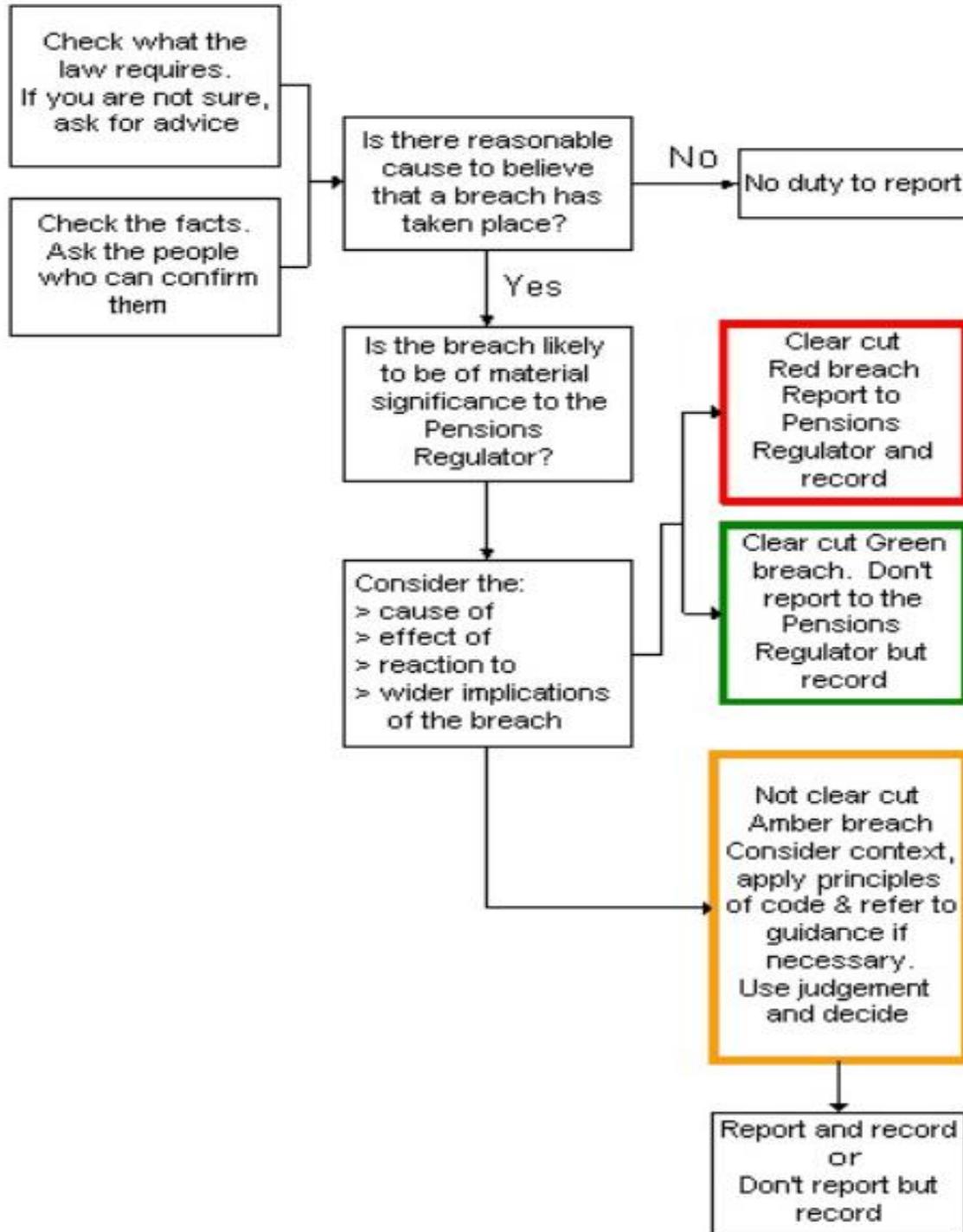
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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

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

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

## Decision-tree: deciding whether to report



### 3.5 ***Referral to a level of seniority for a decision to be made on whether to report***

Enfield Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where

appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Council Director of Finance and the Executive Director of Resources, at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

### 3.6 ***Dealing with complex cases***

The Council Director of Finance and the Executive Director of Resources may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

### 3.7. ***Timescales for reporting***

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

### 3.8 ***Early identification of very serious breaches***

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

### 3.9 ***Recording all breaches even if they are not reported***

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Enfield Council will

maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Council Monitoring Officer and the Executive Director of Resources. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

### 3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at [www.tpr.gov.uk/exchange](http://www.tpr.gov.uk/exchange), or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Enfield Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Enfield Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10041083); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

### 3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pension Policy & Investment Committee and Pensions Board**

A report will be presented to the Pension Policy & Investment Committee and the Pensions Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Executive Director of Resources. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

**Further Information**

If you require further information about reporting breaches or this procedure, please contact:

Bola Tobun - Pensions & Treasury Manager  
Email: [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)  
Telephone: 020 8379 6879

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

**Designated officer contact details:**

1) Director of Finance – Matt Bowmer (Interim)  
Email: [Matt.Bowmer@enfield.gov.uk](mailto:Matt.Bowmer@enfield.gov.uk)

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

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

## Appendix A

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

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

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

### The cause of the breach

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

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

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

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

### The effect of the breach

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

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

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

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

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

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

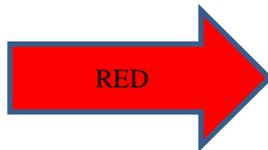
### **The wider implications of the breach**

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

## Appendix B

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

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



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

These must be reported to The Pensions Regulator.

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



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

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



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

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

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

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

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

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





## CONFLICTS OF INTEREST POLICY

### Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Enfield Pension Fund, which is managed by London Borough of Enfield. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Enfield Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Policy & Investment Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

### In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- **Understand and monitor risk**

- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

### To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Policy & Investment Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all managers in the management of London Borough of Enfield Pension Fund, the Chief Finance Officer (Section 151 Officer), Executive Directors, Directors and the Service Heads (from here on in collectively referred to as the senior officers of the Fund).

The Pension Manager/Pension Investment & Treasury Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he/she considers appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pension Policy & Investment Committee or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

### **Legislative and related context**

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

#### *The Public Service Pensions Act 2013*

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

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

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of Pension Boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is created by statute and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance.

#### *The Pensions Act 2004*

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator

has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

#### *Local Government Act 2000*

All members and co-opted members of the Enfield Pension Policy & Investment Committee are required by the Local Government Act 2000 to abide by Enfield's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

#### *The Public Services Ombudsman for Wales' Ten Guiding Principles*

The Local Government Act 2000 empowered the National Assembly to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added to these; a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

### **CODE OF CONDUCT & CONFLICT OF INTEREST POLICY**

#### **1. Code of conduct**

- 1.1 As members of a publicly funded body with a responsibility to discharge public business, members of the Enfield Pension Board should have the highest standards of conduct.
- 1.2 Pension Board members should have regard to the Seven Principles of Public life:
  - Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership
- 1.3 All Enfield Pension Board members must:
  - Act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

- Not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
- Make all choices on merit and must be impartial and seen to be impartial, when carrying out your public duties.
- Co-operate fully with whatever scrutiny is appropriate to your role.
- Not, without proper authority, reveal any confidential and sensitive information that is provided to you, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation.
- Ensure when using or authorising the use by others of the resources of the authority that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.
- Promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.
- Sign the Conflict of Interest Declaration and declare any further potential conflicts of interest that may arise once appointed as a member.
- Comply with the Enfield Pension Fund Code in addition to all other existing Codes of Conduct or Protocols (e.g. The Member Code of Conduct).

## 2. **Conflict of interest**

2.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined in Section 5(5) as a “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme.”

2.2 A conflict of interest exists where a decision on a matter might reasonably be regarded as affecting (to a greater extent than other persons who may be affected by the decision) the well-being or financial position of the Councillor, a relative or a friend or

- the employment or business carried out by those persons, or in

- which they might be investors (above a certain level),
- any of the bodies with which the decision maker is associated, and which decision maker will have registered in the appropriate register of interests.

It does not need to be shown that a conflict of interest actually exists. It is sufficient if it appears to a fair and informed observer that there was a real possibility of conflict.

- 2.3 Examples of potential conflicts of interest, not only for the Board but also for all those involved in managing the Pension Fund, are listed at appendix A.
- 2.4 All prospective Pension Board members are required to complete the Enfield Pension Fund Conflict of interest declaration before they are appointed to the Pension Board, attached at appendix B.
- 2.5 All appointments to the Pension Board should be kept under review by the Executive Director, Resources.
- 2.5 It is the duty of any appointed Pension Board member to declare any potential conflict of interest. This declaration should be made to the Chair of the Pension Board in the first instance or to the Scheme Manager and recorded in a register of interests.
- 2.7 The Pension Board shall identify and monitor any potential conflict of interests in a register of interests (attached at appendix C). The register of interests should be circulated to the Enfield Pension Board and Scheme Manager for review and publication.
- 2.8 If the Pension Board suspects any conflict of interest it should report its concerns to the Scheme Manager.
- 2.9 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the Pension Board, the Enfield Pension Board must consider obtaining legal advice when assessing its course of action and response. The Enfield Pension Board should consult the Monitoring Officer or the Service Head, Legal Services in the first instance.
- 2.10 Education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Knowledge and Understanding policy.
3. **Operational procedure for officers, Pension Policy & Investment Committee members and Pension Board members**
- 3.1 The following procedures must be followed by all individuals to whom this policy applies.

<b>What is required</b>	<b>How this will be done</b>
<p><i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i></p>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix B. This is in addition to the requirement to register disclosable pecuniary interests and other registerable interests.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix C.</p>
<p><i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i></p>	<p>At the commencement of any Pension Policy &amp; Investment Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Governance Officer to the Chairman of every meeting prior to that meeting.</p> <p>At the start of the Pension Policy &amp; Investment Committee meetings there will also, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual, who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Governance Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Officers, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Governance Officer and where it relates to the business of any meeting, also to the Chairman of that meeting. The Officers, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Pensions &amp; Treasury Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.</p>

<b>What is required</b>	<b>How this will be done</b>
<i>Step 3 - Periodic review of potential and actual conflicts</i>	At least once every 12 months, the Officers will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see Appendix B) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. Following this exercise, the updated Register will then be circulated by the Officers to all individuals to whom it relates.

#### **4. Operational procedure for advisers**

- 4.1 All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with London Borough of Enfield.
- 4.2 Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:
- be provided with a copy of this Policy on appointment and whenever it is updated
  - adhere to the principles of this Policy
  - provide, on request, information to the Pensions & Treasury Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to London Borough of Enfield
  - notify the Pensions & Treasury Manager immediately should a potential or actual conflict of interest arise.
- 4.3 All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.
- 4.4 London Borough of Enfield will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.
- 4.5 London Borough of Enfield will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.
- 4.6 Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Policy & Investment Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

4.7 Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, London Borough of Enfield shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

#### 4.8 *Minor Gifts*

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £10 per item and an overall maximum value of £20 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Policy & Investment Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the London Borough of Enfield Members' Code of Conduct.

### 5. **Monitoring and Reporting**

5.1 The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Governance Officer for the Fund. In addition, it will be published in the annual report and accounts

5.2 In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- Provide its findings to the Administering Authority's Independent Adviser and ask him or her to include comment on the management of conflicts of interest in his

or her annual report on the governance of the Fund each year.

## 6. Key Risks

6.1 The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Pension & Treasury Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

## 7. Costs

7.1 All costs related to the operation and implementation of this Policy will be met directly by Enfield Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## 8. Approval, Review and Consultation

8.1 This Conflicts of Interest Policy is to be approved using delegated responsibilities on 27 February 2020. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Bola Tobun,  
Pension & Treasury Manager,  
London Borough of Enfield  
E-mail - [Bola.Tobun@enfield.gov.uk](mailto:Bola.Tobun@enfield.gov.uk)  
Telephone – 020 8132 1588

## Appendix A

### Examples of Potential Conflicts of Interest

- a) An elected member on the Pension Policy & Investment Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.
- b) A member of the Pension Policy & Investment Committee is on the board of a Fund Manager that the Committee is considering appointing.
- c) An officer of the Fund or member of the Pension Policy & Investment Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.
- d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Policy & Investment Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Policy & Investment Committee item.
- g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Executive Director of Finance and Public Protection, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Policy & Investment Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.
- h) Officers of the Fund are asked to provide a report to the Pension Board or Pension Policy & Investment Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.
- i) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- j) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

- k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Policy & Investment Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Board.

**Appendix B**

**Declaration of Interests relating to the management of Enfield Pension Fund administered by London Borough of Enfield**

I, [insert full name]

am:

*Tick as appropriate*

- an officer involved in the management
- Pension Policy & Investment Committee Member
- Pension Board Member

of Enfield Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Enfield Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

**Responsibilities or other interests that could result in a conflict of interest** (please list and continue overleaf if necessary):

*A) Relating to me*

*B) Relating to family members or close colleagues*

**Undertaking:**

I declare that I understand my responsibilities under the Enfield Pension Fund Conflicts of Interest Policy. I undertake to notify the Pension & Treasury Manager of any changes in the information set out above.

Signed:

Date:

Name:

(CAPITAL LETTERS)

## Appendix C

### Enfield Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by London Borough of Enfield, the Administering Authority.

Date Identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified (1)	Action taken (2)	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc.

(2) E.g. withdrawing from a decision making process, left meeting

## Section 4 - Glossary

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

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

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## **Section 5:**

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### **Independent Auditor's Report to the members of London Borough of Enfield Pension Fund**

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

