

**LONDON BOROUGH OF REDBRIDGE**

**PENSION FUND**

**ANNUAL REPORT**

**2022/23**

Pensions Regulator registration number – 10079172

DRAFT

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## EXECUTIVE OVERVIEW

Welcome to the Pension Fund Annual Report for 2022/23.



Councillor Khan

Chair of the Pension Fund Committee

In my first report in last year's Annual Report I expressed the challenges that lay ahead as the markets were reeling from the invasion of Ukraine by Russia and there were concerns over potential global recession. Sadly the war in Ukraine continues and this has had implications not only to investors but to households too as a consequence of rising energy prices and the knock-on effect in other areas as well as rising bank interest rates. The UK markets have also had a turbulent time as a consequence of the country having three different prime ministers, although other countries have also had a torrid time over the past twelve months.

Despite all the gloomy news there was some good news. The results of the 2022 Valuation were received and I was delighted to see that the Actuary has calculated that the Fund is now 99% funded. Whilst the outcome of the valuation was warmly received by the majority of the employers in the fund as their contribution rates reduced, this has led to the opportunity for a complete review of our Fund's Investment Strategy.

I am still of the belief that climate change is one of the biggest challenges facing the world which has resulted in organisations and individuals looking at ways to reduce their impact on the environment. So I would expect this will be a key-driver in the investment strategy review particularly as we would aim to have a plan to be net-zero within a time frame that is affordable and achievable without exposing the fund to increased risk. The Redbridge Pension Fund continues to be a member of the Local Authority Pension Fund Forum (LAPFF). This Forum works alongside other organisations to tackle, amongst other things, climate change by encouraging companies to bring about positive changes to their working practices. The Committee receives regular updates on the activities of the LAPFF and I hope that as investors we are able to continue to use our influence to make change happen.

More details of the activities of the Committee can be found on pages 9 and 10.

## MANAGEMENT STRUCTURE

The London Borough of Redbridge Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by statute and is kept under review by the Department for Levelling Up Housing and Communities (DLUHC).

The London Borough of Redbridge is the Administering Authority for the London Borough of Redbridge Pension Fund. The Council has set up the Pension Fund Committee to oversee the management of the Fund. The Pension Fund Committee consists of five Councillors who are appointed by the Council on an annual basis.

In accordance with the Council's Constitution, and the Local Government Pension Scheme Regulations, the responsibility for the management and investment of the Pension Fund is delegated to the Pension Fund Committee. During 2022/23 the Members of the Committee were:

Cllr. T. Khan (Chair)  
Cllr. F. Rahman (Vice Chair)  
Cllr. L. Rahman  
Cllr. S. Qayum Hussain  
Cllr. P. Canal

### **Other Professional Advisers and service providers**

#### **Actuary**

Hymans Robertson

#### **Investment Consultant**

Mercer Ltd.

#### **Pool Operator**

London Collective Investment Vehicle (LCIV)

#### **Investment Managers - Direct**

Schroder Investment Management

#### **Investment Managers via the LCIV**

Baillie Gifford

Legal & General Investment Management Ltd

Stepstone

Aviva

#### **AVC Providers**

Clerical Medical

Utmost Pensions (formerly Equitable Life)  
Standard Life

**Custodian**

Northern Trust

**Auditors**

EY LLP

**Performance Measurement**

Northern Trust

**Solicitors**

In House and Eversheds

**Scheme Administrators**

In House

**Pension Fund Bankers**

National Westminster Bank plc

**Shareholder Services**

Institutional Protection Services

**Subscribers to:**

Local Authority Pension Fund Forum (LAPFF)

Pensions and Lifetime Savings Association (PLSA)

## CONTACT DETAILS

Registered Address	Corporate Director of Resources London Borough of Redbridge Lynton House  255 – 259 High Road Ilford Essex IG1 1NN
Pension Enquiries	Maureen Jones <a href="mailto:pensions(lgps)admin@redbridge.gov.uk">pensions(lgps)admin@redbridge.gov.uk</a> 020 8708 3236
Investments Enquiries	<a href="mailto:corporate.accounting@redbridge.gov.uk">corporate.accounting@redbridge.gov.uk</a>

Redbridge Pension Fund Website:

<http://www.yourpension.org.uk/handr/Redbridge-Publications/Redbridge-Fund-Members.aspx>



## SCHEME FEATURES

The Local Government Pension Scheme (LGPS) was established in accordance with statute to provide death and retirement benefits to all eligible employees and their dependents. Eligible employees are mainly local government staff, except teachers who have separate pension arrangements, and a number of other bodies as permitted by Local Government Pension Scheme Regulations.

From 1 April 2014, the scheme changed from a final salary basis to a Career Average Revalued Earnings basis.

Table 1 – LGPS Features to 31 March 2023

Eligibility - Employees with a contract of 3 months and more and Casual employees who elect to join.	
<b>Member Contribution</b>	<ul style="list-style-type: none"> <li>Ranging from 5.5% - 12.5% depending on salary.</li> </ul>
<b>Normal Retirement Age</b>	<ul style="list-style-type: none"> <li>Equal to individual member's State Pension.</li> </ul>
<b>Early Retirement</b>	<ul style="list-style-type: none"> <li>Immediate payment of unreduced benefits on efficiency/redundancy grounds from the age of 55;</li> <li>Voluntary retirement from age 55 with reductions for early payment including deferred into payment without employers consent needed.</li> <li>Flexible retirement with employer consent from the age of 55.</li> </ul>
<b>Ill Health Retirement</b>	<ul style="list-style-type: none"> <li>A three-tier ill-health arrangement has been introduced that pays benefits to members based on the member's prospect of returning to gainful employment.</li> <li>Tier 1 – Immediate payment with service enhanced to Normal Pension Age;</li> <li>Tier 2 – Immediate payment with service enhancements of 25% of service to Normal Pension Age;</li> <li>Tier 3 – Temporary payment of pension for up to 3 years.</li> </ul>
<b>Pensions</b>	<ul style="list-style-type: none"> <li>1/49<sup>th</sup> of salary for each year of membership from 01/04/2014;</li> </ul>

	<ul style="list-style-type: none"> <li>• Or 1/98<sup>th</sup> of salary for each year of membership from 01/04/2014 for those members electing to move to the 50/50 section of the scheme;</li> <li>• Service between 01/04/2008 and 31/03/2014 will be calculated at 1/60<sup>th</sup>;</li> <li>• Service prior to 01/04/2008 will be calculated at 1/80<sup>th</sup> plus lump sum of 3/80<sup>th</sup></li> </ul>
<b>Tax Free Lump Sum</b>	<ul style="list-style-type: none"> <li>• Lump sum by commutation at the rate of £1 annual pension for £12 lump sum, up to HMRC limit of 25% of capital value.</li> </ul>
<b>Death in Service</b>	<ul style="list-style-type: none"> <li>• Lump sum of three times assumed pensionable pay at date of death.</li> </ul>
<b>Death Benefits after retirement</b>	<ul style="list-style-type: none"> <li>• Death on pension lump sum of ten times pension less pension already paid</li> </ul>
<b>Dependents Benefits</b>	<ul style="list-style-type: none"> <li>• Long-term pension benefits payable to the member's spouse, civil partner, or nominated co-habiting partner subject to certain conditions.</li> <li>• Long-term children's pension.</li> </ul>
<b>Period in which members can cancel membership and reclaim contributions</b>	<ul style="list-style-type: none"> <li>• Members can terminate their membership of the pension scheme and reclaim the contributions paid up to 2 years after joining, provided they have not other LGPS benefits.</li> </ul>

The employee rate bandings are based on actual pensionable pay including non-contractual overtime. The table below provides details of the bandings which have been effective since 1 April 2022 and are reviewed annually.

<b>Pay Bands</b>	<b>Contribution Rate</b>
Up to £15,000	5.5%
£15,001 - £23,600	5.8%
£23,601 - £38,300	6.5%
£38,301 - £48,500	6.8%
£48,501 - £67,900	8.5%
£67,901 - £96,200	9.9%
£96,201 - £113,400	10.5%
£113,401 - £170,100	11.4%
More than £170,100	12.5%



# GOVERNANCE



# GOVERNANCE STRUCTURE

## Investment Powers and Duties:

The Local Government Pension Scheme Regulations require the London Borough of Redbridge, as the administering authority, to invest any monies not immediately required to pay pensions and other benefits. This legislation also governs the way investments are made and controlled.

## Pension Fund Committee:

The London Borough of Redbridge Pension Fund Committee, comprising of five councillors, meet at least four times a year to monitor the performance of the fund and the various fund managers, to approve the annual business plan and the annual report, to review and approve the Investment Strategy Statement and to review the investment strategy. The Pension Fund Committee will also be informed of the actuarial valuation of the Fund and keeps the governance and administration arrangements under review. As part of the requirements to ensure that Councillors' knowledge is kept up to date, the Pension Fund Committee receives training from various professional advisers on topical issues. The Members of the Committee have full voting rights.

Pension Fund Committee Members as at 31 March 2023



Councillor Khan

Labour

Chair)

Councillor Rahman

Labour

Councillor Rahman

Labour

Councillor Qayum

Councillor Canal

Labour

Conservative

(Chair) (Vice

**Substitute Members:** Councillors Johnson, Ali, Bhamra and Gomez.

**Meetings** - The Pension Fund Committee held five meetings during 2022/23 for Pension Fund matters. The table overleaf shows the attendance at the meetings by the Committee members:

**Table 2 – Attendance at Committee Meetings**

Councillor	Number of Meetings	Meetings Attended
Councillor Khan	5	5
Councillor F Rahman	5	2
Councillor L Rahman	5	4
Councillor Qayum	5	4
Councillor Canal	5	1
Substitute Councillors	5	2

**Conflicts of Interest** – The Council has in place a “Members’ Code of Conduct” which Councillors are required to comply with. At each Committee Meeting, Members are required to disclose any declarable pecuniary or personal interest in an agenda item and if such a declaration is made, then the Member is not permitted to take part in the debate on that specific agenda item.

**Training** – The Committee’s Annual Business Plan includes a training plan to ensure that Members continue to develop their knowledge and skills to ensure compliance with best practice.

The Committee participated in a series of training events which coincided with the Committee Meetings. The topics of the training sessions covered during 2022/23 were as follows:

- Understanding the Fund’s various Policy Statements
- Understanding the roles of the various parties involved with the Pension Fund.
- The Triennial Valuation and the implications to the employers in the Fund.
- How the London CIV are implementing their policy on Climate Change

In addition, Members of the Committee and the Local Pension Board have participated in in-house training as well as attending external seminars.

#### **Governance Compliance Statement (GCS)**

The Regulations require the Council, as the Administering Authority for the Pension Fund, to publish details of their governance and stewardship arrangements. The statement must include the extent of the Authority’s compliance against a set of principles issued in guidance from the Department for Levelling Up, Housing & Communities (DLUHC), and reasons for not doing so. The GCS is attached as Appendix 4

#### **Local Pension Board**

The Local Pension Board, comprising of two employee member representatives, two employer member representatives and an independent Chair, has held two meetings this year and during these meetings they have reviewed the Pension Fund Annual Report & Accounts, the policy for dealing with breaches of the Regulations, Internal Controls Guidance and the Management of Risk. The Local Pension Board has also monitored the performance of the Fund’s Investment, and the Pension Administration Function’s Performance Indicators. The Board also received updates on topical information.

Representatives of the Local Pension Board have attended a number of Pension Fund Committee meetings. Any recommendations made by the Pension Fund Committee can be reviewed by the Local Pension Board to ensure that the Fund is managed in compliance with regulations and adopts best practice where possible.

### **Investment Administration**

The Corporate Director of Resources monitors the pension fund investments and manager performance and prepares reports in relation to this activity for the Pension Fund Committee. Senior Officers within the Council also meet with the fund managers periodically to review the performance of the portfolios and consider other topical issues.

The Corporate Director of Resources, in consultation with the Operational Director of Finance, is responsible for ensuring that any surplus cash is invested to obtain the best possible return within the agreed investment strategy.

### **Investment Management**

The management of the Fund's assets is determined by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Regulations enable authorities to appoint investment managers to manage and invest Pension Fund monies on their behalf, subject to being satisfied with their experience, competence, risk management controls and appropriate arrangements for monitoring performance. The Regulations governing the Pension Fund require the Fund to publish an Investment Strategy Statement (ISS) setting out the main parameters and responsibilities for the management of the Fund. The Regulations also require the ISS to include details of the Fund's approach to pooling its investments. The statement includes details of the proposed asset allocation, restrictions on investment types, the type of investment management used, the investment risk and performance monitoring. It also sets out the Fund's approach to responsible investment and corporate governance issues. The ISS is attached at Appendix 5.

The Fund's investment strategy is reviewed by the Pension Fund Committee periodically to ensure that it remains fit for purpose. The strategic asset allocation and mandates for the fund managers are set out overleaf in Table 3.

**Table 3 Strategic asset allocation as at 31 March 2023**

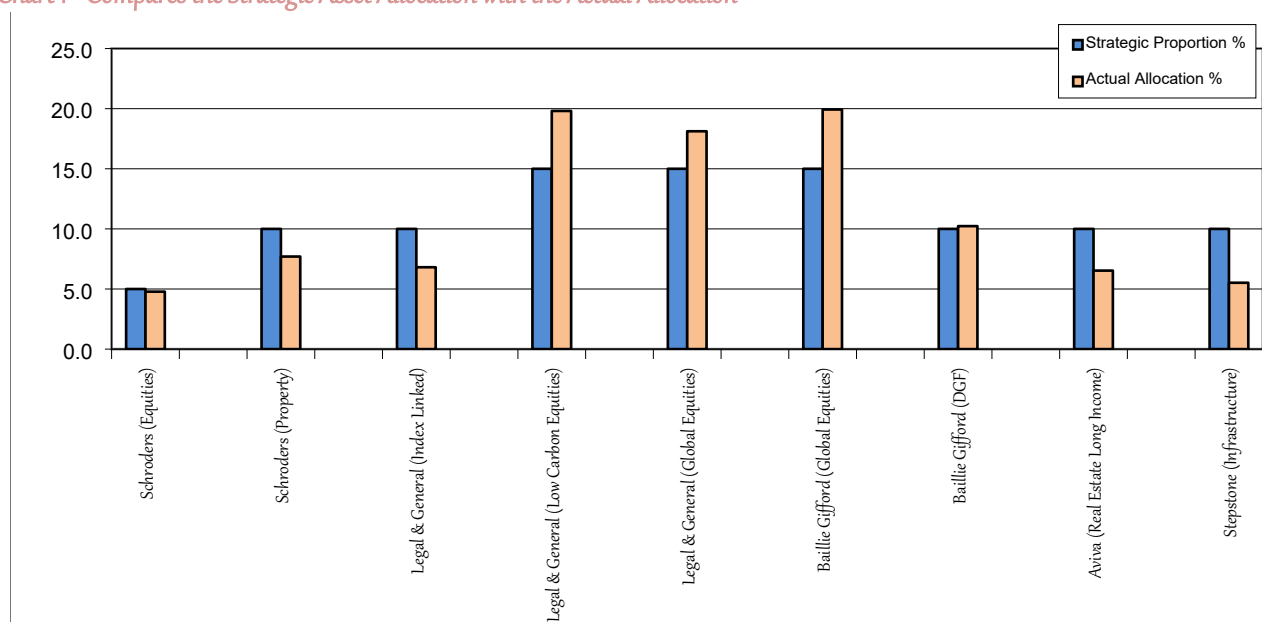
Manager	Strategic Proportion %	Actual Allocation %	Mandate	Target
<b>Direct Investment Mandates</b>				
Schroders (Equities)	5.0	4.8	Emerging Markets Equities	To out-perform the MSCI Emerging Markets index by 3%
Schroders (Property)	10.0	7.7	Property	Outperform the IPD All Balanced Property Fund Index by 1%
Cash	0.0	0.5	Cash	To outperform overnight SONIA
<b>TOTAL</b>	<b>15.0</b>	<b>13.0</b>		
<b>Investments through London CIV</b>				
Legal & General	7.5	9.7	UK Equities	Track the FTSE All Share
Legal & General	7.5	8.4	Global Equities	Track the FTSE All World
Legal & General	15.0	19.8	Global Equities - Low Carbon	To perform in line with the MSCI Low Carbon Target Index
Legal & General	10.0	6.8	Index Linked Gilts	To perform in line with the FTSE UK Index Linked Index
Baillie Gifford	15.0	19.9	Global Equities	To out-perform the MSCI AC World Index by 3%
Baillie Gifford DGF	10.0	10.2	Unconstrained Global	Absolute return of 3.5% above UK base rate
Aviva	10.0	6.5	Real Estate Long Income	Net income distribution of 3% per annum
Stepstone	10.0	5.5	Infrastructure	Net return of 8% per annum
<b>TOTAL</b>	<b>85.0</b>	<b>87.0</b>		

-MSCI – Morgan Stanley Capital International

In addition to these mandates, the Council invests residual cash balances that are held on behalf of the Pension Fund, prior to being used to pay pension benefits. The investment strategy incorporates a 5% flexibility variance between the strategic allocation and the actual allocation to allow for fluctuations in market conditions. Chart 1 overleaf compares the strategic allocation with the actual allocation at year end.

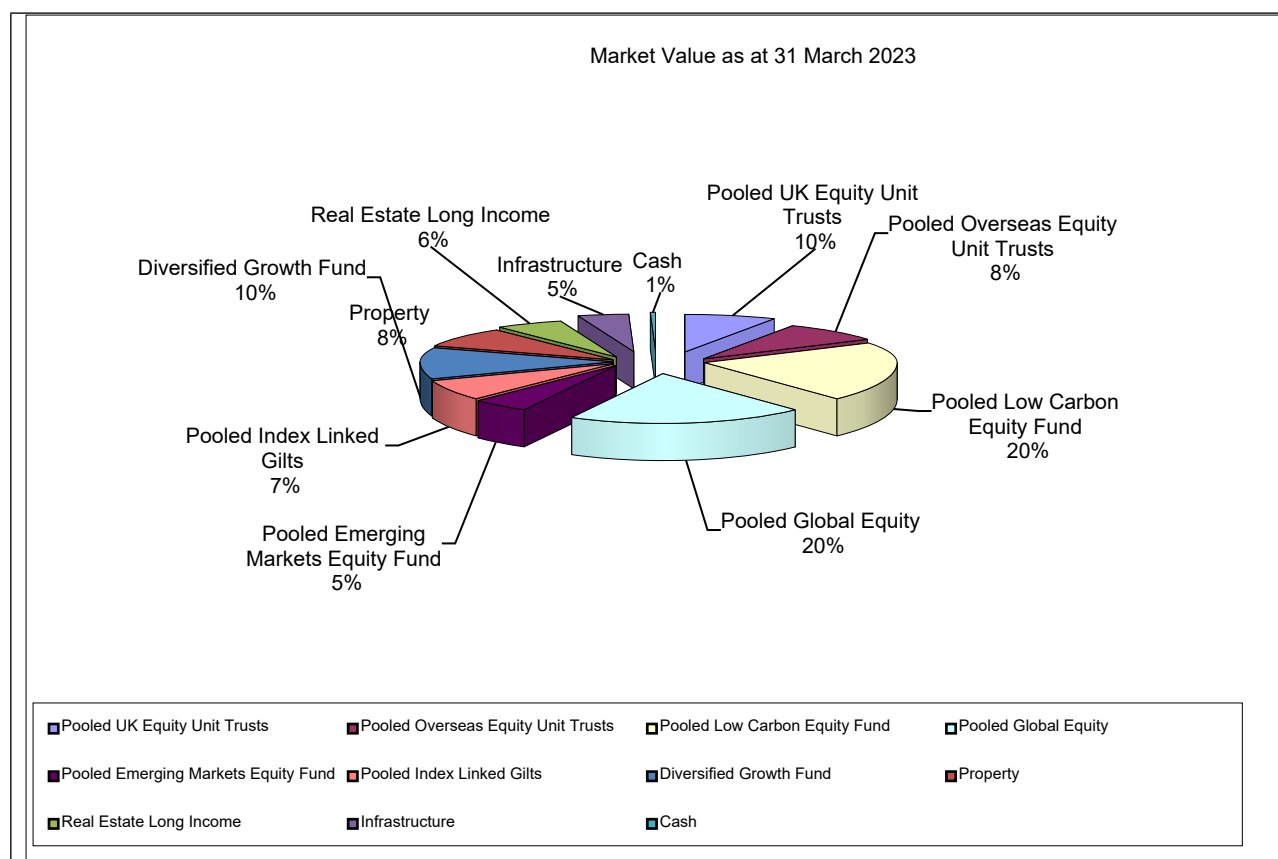


Chart 1 - Compares the Strategic Asset Allocation with the Actual Allocation



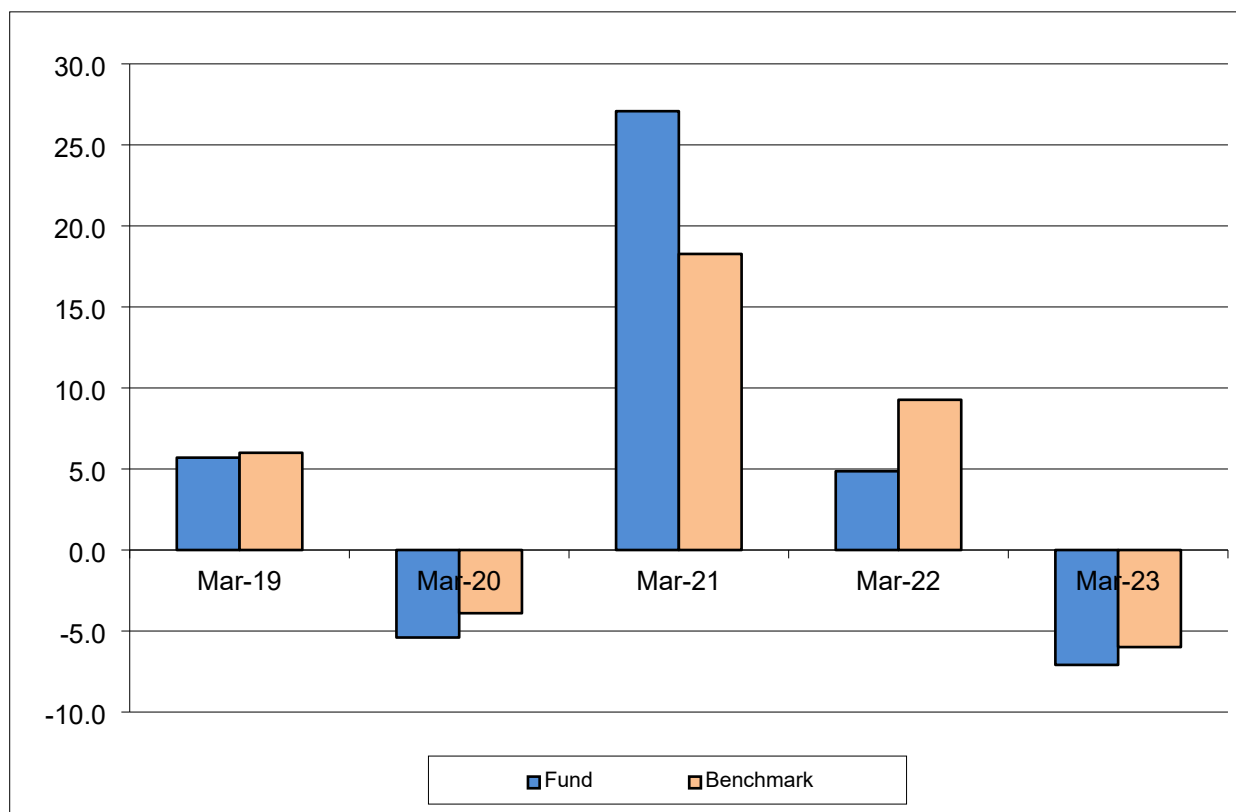
The overall strategic asset allocation is 80% in equity type assets and 20% in bond type assets as set out in the ISS. The value of the Fund as at 31 March 2023 was £936.044m and Chart 2 shows how the Pension Fund has been invested between the various types of investment mandate.

Chart 2 – The Distribution of Assets by Market Value



Performance of the Fund against the Funds strategic benchmarks is measured by the Northern Trust Company. Chart 3 provides details of the Fund's annual performance returns for the past five years.

**Chart 3 – Annual investment return of the Fund relative to the combined benchmarks.**



The Fund's aim is to balance the minimisation of risk with the achievement of the Fund's investment objectives.

### Post Pool Reporting

In accordance with Regulations the London Borough of Redbridge is a member of the London CIV and in November 2016 made our first investment through LCIV with the appointment of Baillie Gifford for the global equity mandate. Since then further investments have been made via the LCIV. To determine value for money Table 4 below shows the costs paid to the LCIV together with the savings achieved from reduced investment manager fees.

**Table 4 – Value for Money from Pooling**

	Prior to 2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Cumulative Costs
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Service Charge</b>	0.075	0.025	0.025	0.025	0.025	0.025	0.025	0.225

<b>Development Fees</b>	-	-	0.065	0.065	0.085	0.085	0.085	0.385
<b>Savings</b>	(0.044)	(0.141)	(0.210)	(0.211)	(0.144)	(0.222)	(0.185)	(1.159)
<b>TOTAL</b>	0.031	(0.116)	(0.120)	(0.121)	(0.034)	(0.112)	(0.075)	(0.549)

## Corporate Governance and Responsible Investing

The Fund recognises its responsibility to ensure the highest standards of governance and promoting corporate governance within the companies in which it invests. The Fund believes that the potential for stronger investment returns are more likely to be achieved from businesses that operate to high standards of corporate governance along with environmental and social best practice.

The Fund does not impose an exclusion policy against specific companies or sectors. The Fund is of the view that exclusion deprives investors of the leverage to influence companies to change, and that by doing so, could potentially reduce holdings in companies that are building significant portfolios of renewable energy assets, or in companies with strong energy transition plans. The Pension Fund, however, moved 50% of its index-tracking equity portfolio into a Low Carbon Equity Fund as the Committee seeks to reduce the carbon foot print of the Fund.

Following the results of the 2022 Valuation, the Pension Fund will be undertaking a review of its investment strategy which will include a plan to reduce its carbon footprint to zero within a timescale that is not only achievable but also affordable.

The Pension Fund has instructed its Fund Managers to vote its shares in accordance with the Fund Manager's Voting Policies as these policies are compliant with the UK Stewardship Code. The Fund Managers provide quarterly reports of the voting activity undertaken together with any engagement undertaken with companies. These reports are provided to the Members of the Committee. The policy on corporate governance is reviewed by the Committee periodically.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which seeks to work with shareholders, fund managers and investment companies to influence changes that will benefit investors, investment companies and potentially the wider community.

The Redbridge Pension Fund is also a member of Pensions & Lifetime Savings Association (PLSA formerly known as NAPF) for other pension matters.

## RISK MANAGEMENT

No organisation can completely eliminate risk and this is particularly so for a pension fund. This is because the Fund exists to pay future pension benefits and the future is inherently uncertain. Therefore the Fund's primary long-term risk is that its assets are not sufficient to meet its liabilities. The investment objectives have been set with the aim of maximising investment returns over the longer term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled without increasing the risk to the Council.

The investment strategy incorporates flexibility of up to +/-5% of the strategic asset allocation per mandate to reflect normal market volatility. However when market conditions are highly volatile, the rebalancing of the Fund in-line with the strategy may be suspended to avoid exposure to greater risk from market conditions.

The Pension Fund's Investment Advisers, Mercer, undertake regular investigations of the Investment Managers and provide reports to the Council of their findings. Mercer also provide news alerts on issues that may be of interest regarding the Fund's Investment Managers. Clarification with the Investment Managers would be sought on any concerns raised.

The Pension Fund has also appointed an independent company, Institutional Protection Service, who provide the following services:

- Reports on corporate fraud or mismanagement where it affects shareholder interest.
- Assesses any potential claim by shareholders due to the misconduct by companies and identify options for recovering this loss.

The Council has access to copies of the Fund Managers' audited internal control reports and also has access to web-site alerts from professional pension publications.

A Risk Register for the Pension Fund has been developed and is included within the both the ISS (Appendix 5) and Funding Strategy Statement (Appendix 6). This sets out the key risks including demographic, regulatory and governance. The actuary reports on these risks at each triennial valuation or more frequently if required.

# PENSION ADMINISTRATION



## PENSIONS ADMINISTRATION FUNCTION

The Pension Administration Function is responsible for dealing with the payment of pensions and benefits, whilst also ensuring the integrity of data submitted by external organisations. This in turn contributes to the collection of funds and other such income into the Pension Fund.

The Pension administration function is undertaken by a team of 8.08 full time equivalents, who are responsible for communicating with scheme members, pensioners and employers in the scheme.

The cost of administration per member, equates to £59.10 in 2022/23 (£43.70 in 2021/22). This increase was due to additional costs for the triennial valuation as well as payment of tax for High Earners.

Tasks undertaken by the team include:

- Processing Retirements;
- Issuing Statutory Notifications;
- Responding to pension enquiries;
- Providing Retirement estimates;
- Finalising Cash Equivalent Transfer Values;
- Issuing Annual Benefit Statements.

During the financial year, the administration team have continued to experience an increasing number of deferred members and leavers between the age of 55 and 60 asking for their benefits to be released early.

### **Work Programmes Delivered**

- The issuing of Annual Benefit Statements benefits by the statutory deadline of 31 August 2022 was met with a total of 9,746 statements being issued.
- A continued drive to improve the take up of the Altair member self-service facility with 2,606 members across the fund having registered. This equates to 16.17% of the memberships.
- For the sixth year running, the pensioners received their annual increase in the month that it was due.
- A project has commenced allowing employers and schools not using the Councils payroll service to load payroll data

themselves monthly. To date 25 schools using Surrey payroll services are now loading data directly on the pensions administration software, and other employers are being onboarded during the coming year.

## Training

The Team have attended training courses to maintain and develop their skills and knowledge of the LGPS and to consider the additional responsibilities given to administrators of the Fund concerning the identification and prevention of scams and fraud.

The Redbridge Pension Fund has also signed up to PENTag which is an on-line tool that provides details of the scheme regulations since 1922 with all the amendments and knowledge on all matters regarding the LGPS since its inception.

As further development, a guidance manual has been produced and issued to each member of the team to assist with their knowledge and skills which has proved exceptionally useful whilst working remotely. This includes such items as the rules of Intestacy and Ombudsman' cases.

A project management approach underpins regular workload reviews and the progression of critical projects. This means that budget resources are regularly tracked to ensure a cost-effective service that also has the ability to flex resources as and when required. This is particularly pertinent as the Team continue to deal with competing priorities and resource levels.

A sample of some of work of the Pension Administration function and numbers completed this year is provided in the table below:

**Table 5 – Pension Administration cases and performance**

Case Type	Numbers Completed 2022/23	Average Number per member of staff
New Members	813	406
Deferred Members	125	42
Pensioners and Retirements inc dependants and 17 trivial commutations	329	110
Transfers Out	126	36
Deaths	224	64
Annual Benefits Statements Issued	9,746	4,873
Refunds	54	15
Complaints	1	1

The averages included in the table above are averaged across the staff responsible for those functions and not necessarily across the whole team.

## Breakdown of Retirement Grants

The table below shows the number and value of the retirement grants processed in 2022/23

ANALYSIS OF RETIREMENT GRANTS - 2022-23

Month	Normal	Redundancy	Early/Late	Ill-Health	TOTAL COSTS	Total Number of Cases
	£m	£m	£m	£m	£m	
April	0.235	0.005	0.019	-	<b>0.259</b>	8
May	0.439	0.147	0.068	0.059	<b>0.713</b>	30
June	0.602	0.033	0.141	-	<b>0.776</b>	29
July	0.194	-	0.177	-	<b>0.371</b>	25
August	0.348	0.008	0.091	0.010	<b>0.457</b>	36
September	0.887	-	0.320	-	<b>1.207</b>	51
October	0.209	0.058	0.108	0.021	<b>0.396</b>	23
November	0.210	-	0.039	-	<b>0.249</b>	20
December	0.087	0.034	0.002	0.028	<b>0.151</b>	16
January	0.220	-	0.154	-	<b>0.374</b>	24
February	0.283	0.012	0.014	-	<b>0.309</b>	16
March	0.262	-	0.348	-	<b>0.610</b>	31
<b>TOTAL</b>	<b>3.976</b>	<b>0.297</b>	<b>1.481</b>	<b>0.118</b>	<b>5.872</b>	<b>309</b>

The Council monitors the performance of the administration team against a number of Performance Indications on a monthly basis. Details of the performance for the year ending 31 March 2023 are set out in the table below:

Table 7 – Performance Indicators

	Performance Indicator	Target	Average 2022/23
PEN01	New Member - sending out confirmation that they have been admitted to the pension scheme within 20 working days of the end of the month the employee joined or the date of notification by the employer, whichever is the later.	70%	100%
PEN02	Deferred Members Calculating – deferred pension benefits and notifying members of their rights upon termination of pensionable employment within 20 working days of the month of leaving or notification by the employer whichever is the later.	60%	63%



PENo3	Active and Deferred Members Retiring – issue of retirement benefits within 30 days of the member having retired from the scheme or notification by the employer and receipt of the appropriate forms from the Member, whichever is the later.	82%	87%
PENo4	Issue of Statutory Notices – sending out a statutory notification following a change to pensionable status within 20 working days of the end of the month in which the change takes effect or notification by the employer whichever is the later.	68%	100%

## **Internal Dispute Resolution Procedure**

Members of the pension scheme have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established.

## **Pensions Administration Strategy and Communications Policy Statement**

In accordance with the regulations, the Council has prepared a Pensions Administration Strategy (PAS) and a Communications Policy Statement (CPS).

The PAS is managed by the Pensions Administration function and sets out:

- procedures for liaison and communication with Scheme employers;
- Statutory Requirements;
- Performance Reports, levels of Performance and circumstances for giving written notice of unsatisfactory performance; and
- Charging Schedules.

A copy of the PAS is attached as Appendix 2

The CPS provides a written statement on how the Council as the Administering Authority will communicate with:

- Members;
- Representatives of Members;
- Prospective Members; and
- Scheme Employers.

A copy of the CPS is attached as Appendix 3

## **Data Security**

The Pension Fund is responsible for a lot of personal data and sensitive information. The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the Council's policies in respect of Confidentiality, Data Protection and Information Security;
- New staff have these responsibilities and policies explained to them as part of the induction and their understanding is checked;
- All administration data is stored electronically and paper records are safely destroyed;

- 
- Where data has to be transferred off site a secure email facility is used.

## MEMBERSHIP SUMMARY

The London Borough of Redbridge Pension Fund had twenty-three contributing employers in the Fund including the Council itself. Employers are classified as either scheduled (who have automatic right to join the fund) or admitted bodies (who are admitted at the Council's discretion) as defined by Regulations. Full details of the membership by employer is attached at Appendix 1.

Changes to the employer membership during 2022/23 were as follows:

- Coram and Alliance in Partnership ceased to be employers in the Fund.

Chart 4 below shows the breakdown of the total membership by employer type.

### Chart 4 – Membership classification by employer type as at 31 March 2023

The Fund membership has increased over the last five years from 18,068 to 20,727 - an increase of 14.72%. The membership profile over the same period is set out in Chart 5 overleaf.

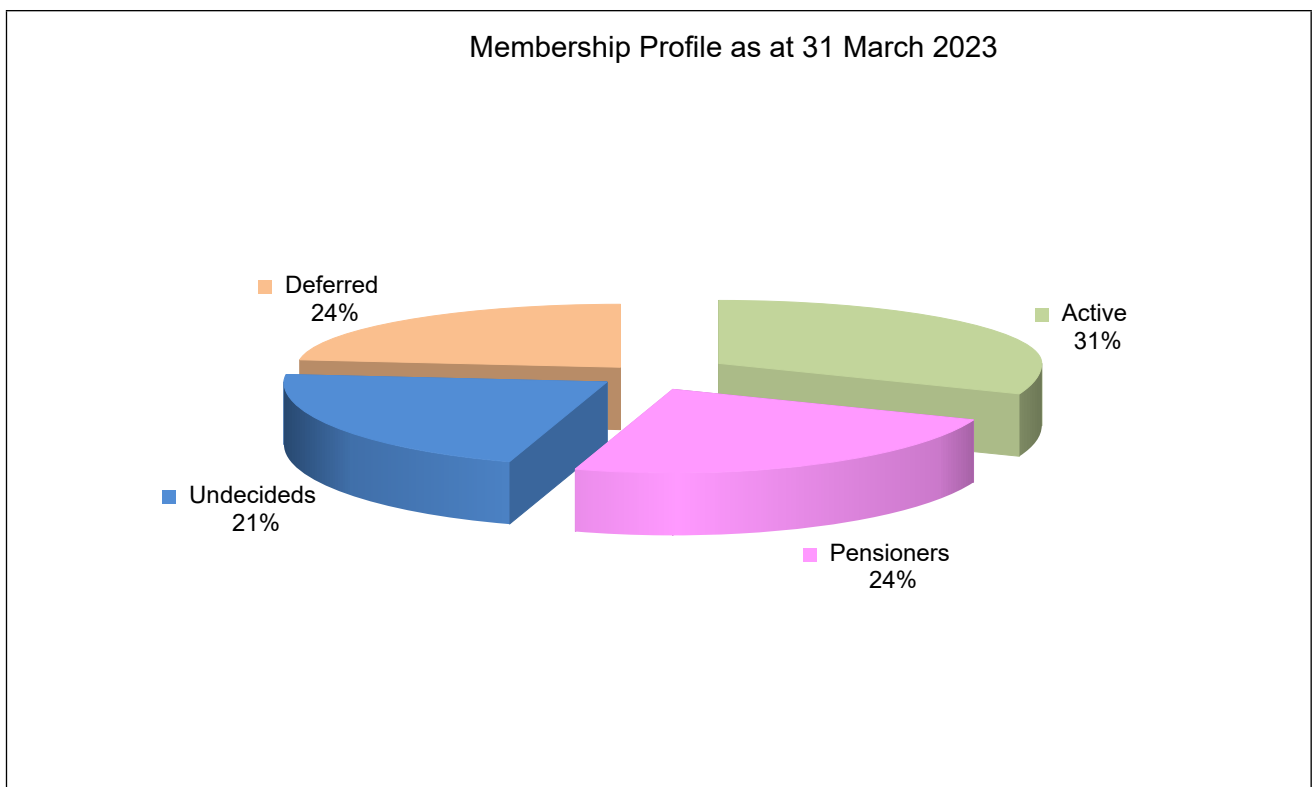
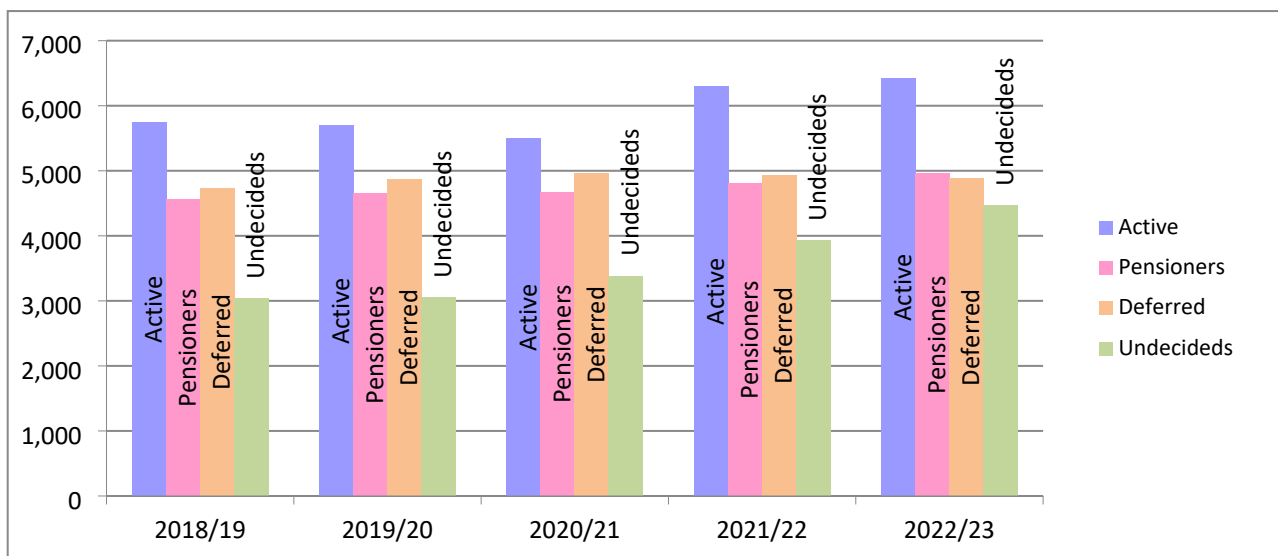


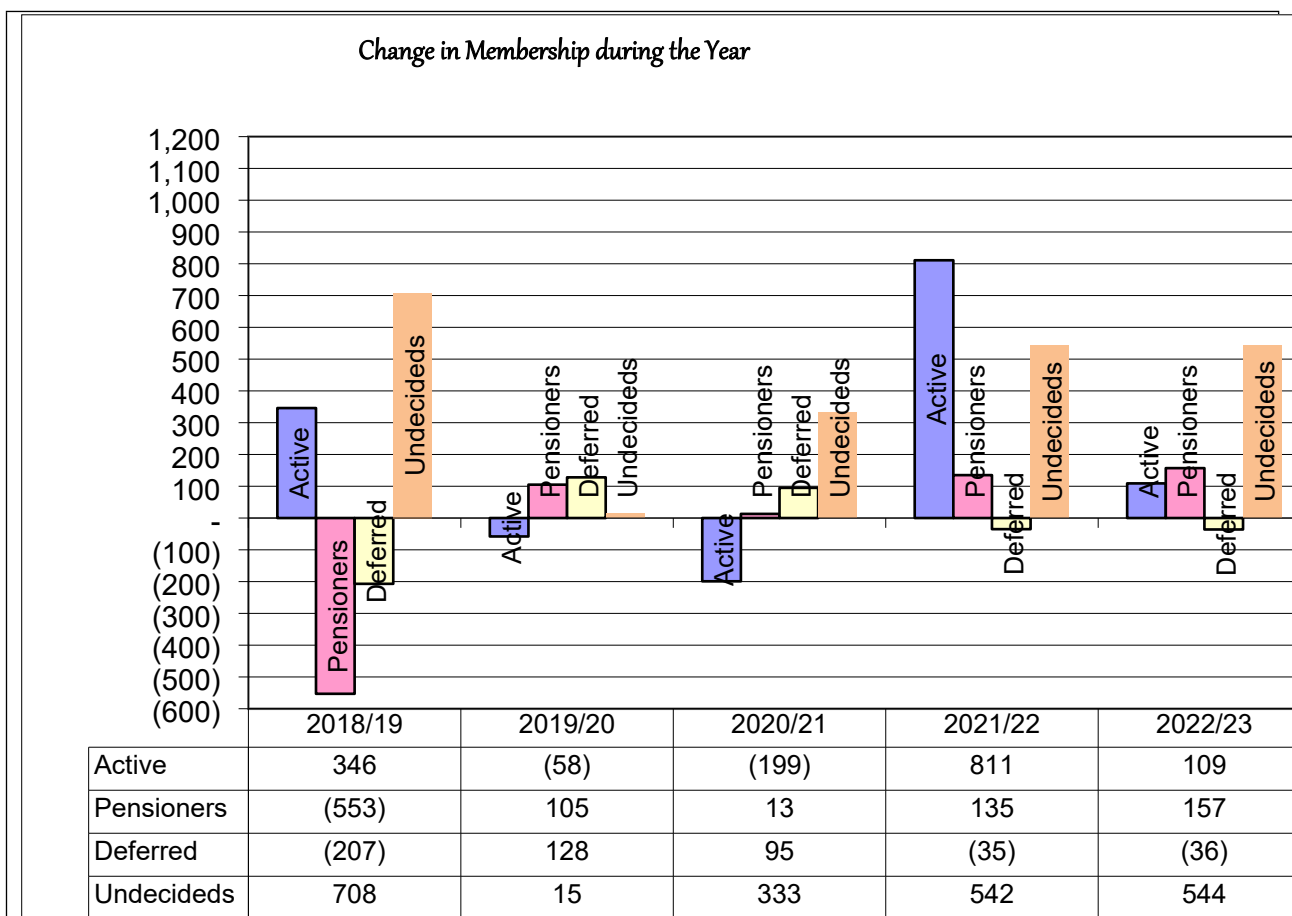
Chart 5 – Membership Composition



The Fund has become more mature over the years due to the increasing number of pensioner and deferred members as a percentage of the whole Fund membership.

To demonstrate this change in profile, Chart 6 below shows the change in membership numbers each year for the past five years.

Chart 6 – Changes in Membership Profile



## **Auto-Enrolment**

Under the terms of the Occupational and Personal Pension Schemes (Automatic –Enrolment) Regulations 2010 (as amended), employers must automatically enrol eligible employees into a work-place pension scheme from a staging date set by the employer size. For Redbridge this date was 1 March 2013 and all new employees since then have been automatically enrolled into the pension scheme unless they specifically request not to be in the scheme – “opt-out”.

On 12 February 2013 Cabinet decided that Redbridge would use the Transitional Provisions in the legislation to defer the application of auto enrolment for existing employees to 1 October 2017. Using this option, the Council did not automatically enrol existing eligible employees before 1 March 2013 until 1 October 2017. Thereafter the Council is now required to automatically enrol all employees who have been subject to the transitional provisions from 1 October 2017. Employees will then need to opt-out if they do not wish to remain in the scheme.

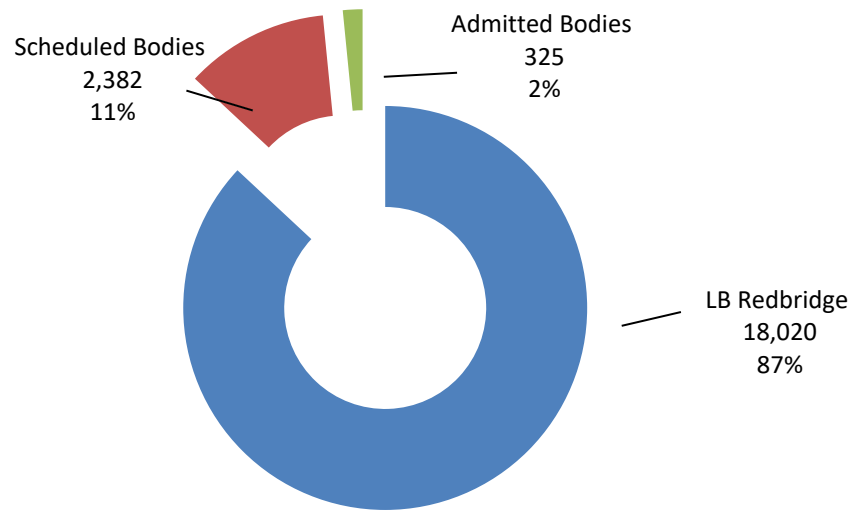
Under the legislation eligible employees who have opted out of the scheme must be automatically re-enrolled every three years.

## **Contributions to the Fund**

The Council monitors the receipt of pension contributions from the various employers in the Scheme to ensure compliance with the regulations. During 2022/23 £41.250m of contributions were received by the due date which equates to 99.63%. The remaining 0.37% was mainly due to late processing of the payments by a couple of our employers albeit by one day.

Chart 7 shows the breakdown of the employee and employer contributions by the classification of employer.

### **Chart 7 – Employee & Employer Contributions classified by employer type**



# FINANCIAL SUMMARY





## FINANCIAL SUMMARY

The Council, as the administering authority, is responsible for ensuring that sufficient funds will be available to meet current and future benefit payments. Investment Managers, Members of the Pension Fund Committee, Council Officers, the Actuary and Independent Investment Specialists work together to deliver optimal returns whilst also balancing the risk to the Fund and maintaining affordable employers' contribution rates.

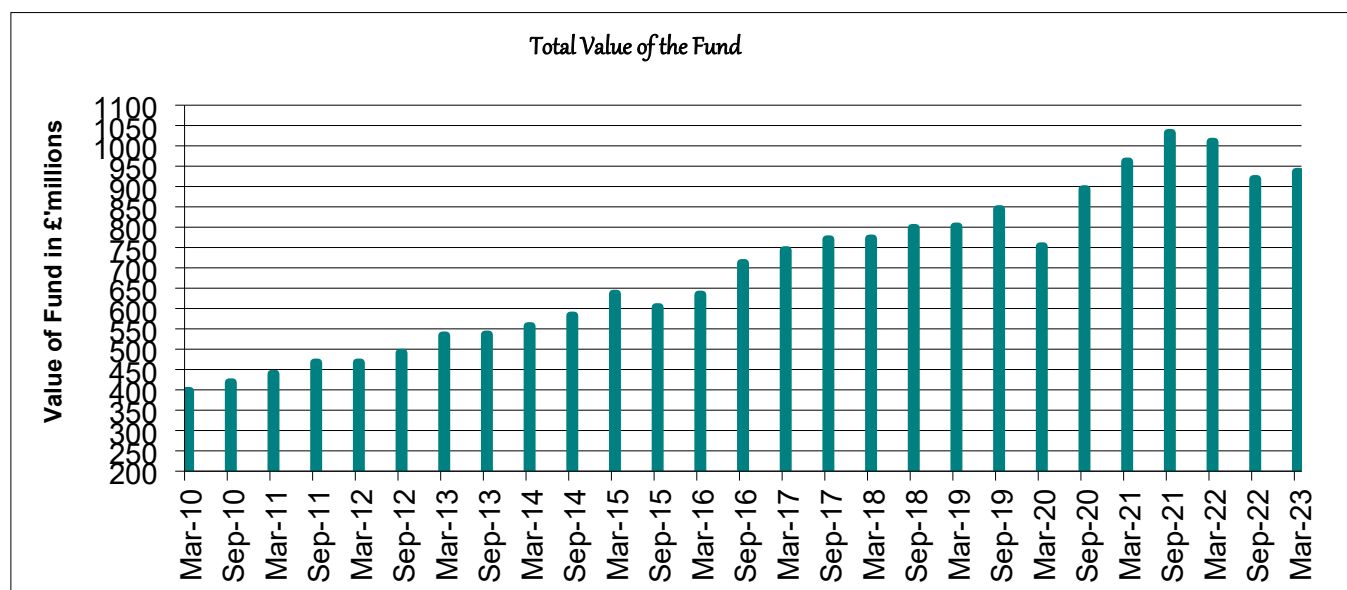
**Table 8 – Annual Income & Expenditure Summary and Fund Value since 2018/19**

<b>Financial Summary</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Asset Market Value at 1 April</b>	<b>772.124</b>	<b>803.468</b>	<b>759.424</b>	<b>961.408</b>	<b>1,009.952</b>
Income	37.113	40.207	36.261	40.981	47.712
Expenditure inc. Management expenses	(52.378)	(43.412)	(42.304)	(45.687)	(49.070)
<b>Net Cash Flow</b>	<b>(15.265)</b>	<b>(3.205)</b>	<b>(6.043)</b>	<b>(4.706)</b>	<b>(1.358)</b>
Investment Income	7.202	12.511	7.670	7.160	13.878
Net Realised/Unrealised Profit and (Loss)	39.407	(53.350)	200.357	46.090	(86.428)
<b>Asset Market Value at 31 March</b>	<b>803.468</b>	<b>759.424</b>	<b>961.408</b>	<b>1,009.952</b>	<b>936.044</b>

The negative cashflow position in 2018/19 was mainly due to the bulk transfer in respect of Redbridge College; in 2019/20 an increase in benefit payments and in 2020/21, 2021/22 and 2022/23 the negative cashflow was due to some significant transfers of former employees pensions to other schemes. Going forward, the income generating assets will provide income to the Fund that is expected to cover the increase in pension payments whilst allowing for a reduction in the employer contributions.

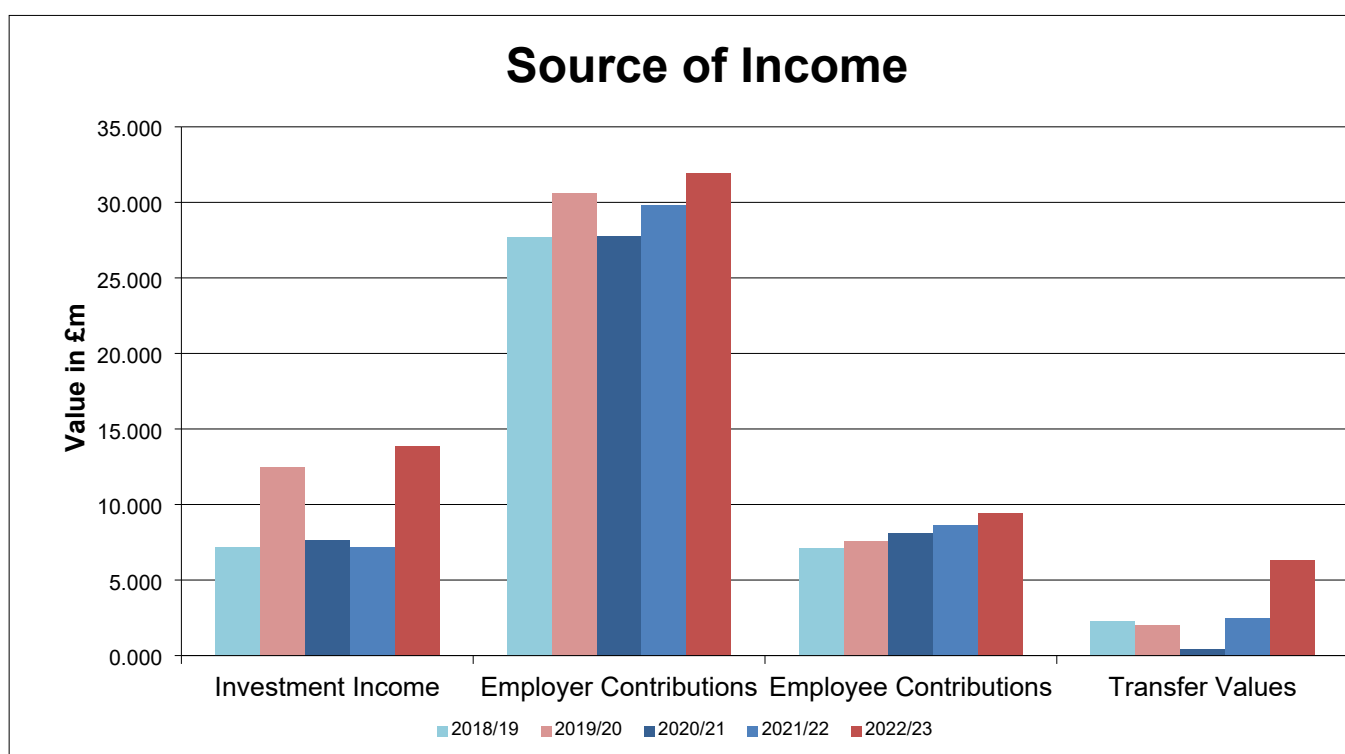
Chart 8 shows the value of the Fund since March 2008 and demonstrates the market volatility of global markets over recent years. The chart also shows that the markets continue to be volatile particularly during periods of high inflation and conflicts between countries, such as the situation in Ukraine and the disputes between the USA and China.

**Chart 8 - Change in the value of the Fund March 2010 to March 2023**



The Fund receives income from various sources. The main source of income received relates to employee and employer contributions. The employee contribution rate is set by Regulation, whereas the employer contribution rate is calculated by the Fund's Actuary and is set as a result of the triennial valuation. The last valuation was undertaken as at 31 March 2019 and set the employers' contribution rate for three years from 1 April 2020. Chart 9 provides details of the various income streams.

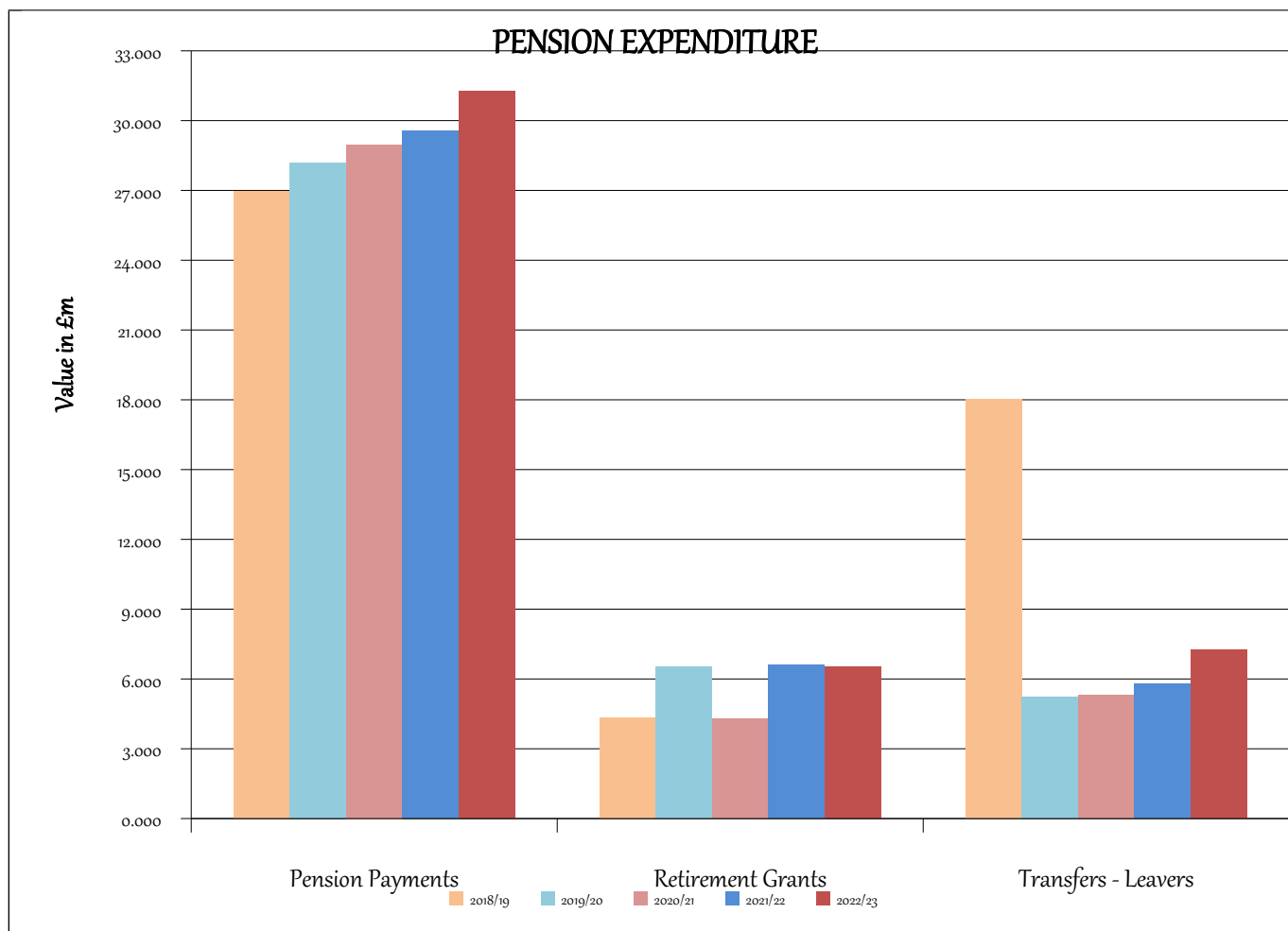
Chart 9 – Source of Income



The amount of investment income received increased in 2019/20 due to some of the pooled unit trusts paying an income to the Fund, as opposed to re-investing the income generated back into the pooled unit trust. This receiving of income arrangement was suspended in 2020/21 and reinstated in 2022/23.

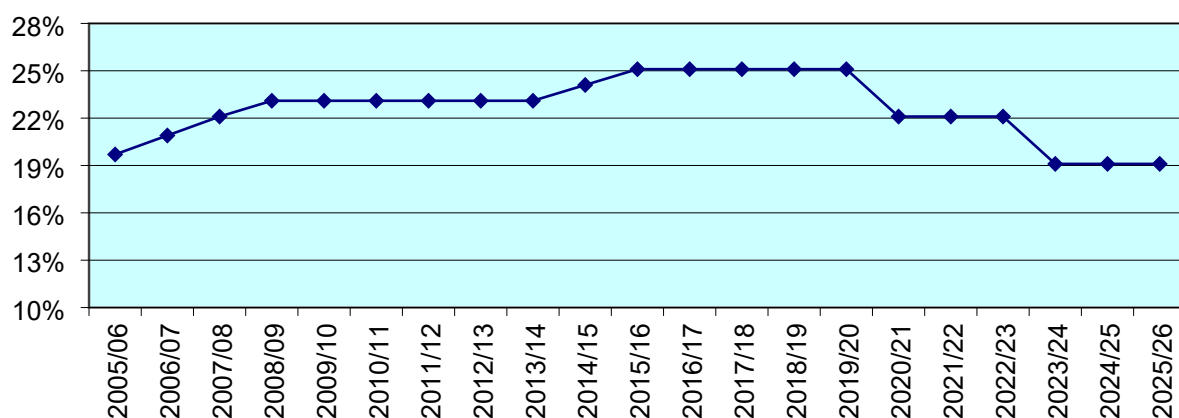
In 2022/23 pensions were increased by 3.1% in-line with inflation. The value of the average pension is now £6,303 per year. The increase in pension expenditure is shown in Chart 10.

Chart 10 – Pension Expenditure



As well as looking to ensure that employer contribution rates remain affordable, the Council also seeks to avoid volatility in the rates. Chart 11 shows the movement of the contribution rates over the past eighteen years and for the next three years as set by the Fund's Actuary:

Chart 11 – London Borough of Redbridge Contribution Rates



### Comparison of Budget Forecast and Actual Income and Expenditure

The Council monitors the Pension Fund's cash flow on an annual basis, comparing trends on income and expenditure against previous years to ensure that the Fund remains cash positive, effectively having sufficient income to meet its liabilities. Table 9 sets out actual income and expenditure along side the budget for 2022/23, and, provides comments on variances.

Table 9 – Income and Expenditure 2022/23

Expenditure	2022/23 Annual Budget £m	31 March 2023 Actual £m	Variance to Forecast £m	Reason
Pension Payroll	30.200	31.284	1.084	More retirements than predicted
Retirement & Death Grants	6.000	6.447	0.447	More retirements than estimated
Transfer Values	6.000	7.268	1.268	Senior officer left
HR Recharge	0.500	0.450	(0.050)	Staff vacancies
Other Admin Expenses	0.500	0.378	(0.122)	
Training	0.015	0.005	(0.010)	
Investment Expenses	2.000	2.278	0.278	Based on Fund Valuation
Investments with Fund Managers	10.000	21.999	11.999	Drawdown payments called
<b>TOTAL EXPENDITURE</b>	<b>55.215</b>	<b>70.109</b>	<b>14.894</b>	

Income	2022/23 Annual Budget £m	31 March 2023 Forecast £m	Variance to Forecast £m	Reason
Contributions - employees & employers	(36.000)	(41.083)	(5.083)	Increase in active membership
Transfer Values	(3.000)	(6.307)	(3.307)	Senior officer joined

Early Retirement Pension Strain	(0.750)	(0.135)	0.615	Fewer redundancies than predicted
Income from investment managers	(5.000)	(7.710)	(2.710)	Depends of Fund valuations
Disinvestment	(10.000)	(13.900)	(3.900)	To meet drawdown payments
<b>TOTAL INCOME</b>	<b>(54.750)</b>	<b>(69.135)</b>	<b>(14.385)</b>	
<b>IN-YEAR DEFICIT / (SURPLUS)</b>	<b>(0.465)</b>	<b>2.494</b>	<b>0.509</b>	
<b>Opening Cash Balance</b>		<b>(2.645)</b>		
<b>YEAR-END CASH BALANCE</b>		<b>(2.136)</b>		

The Council's Revenue and Benefits department provides the administration service for the Pension Fund and recharges the Pension Fund for this service. In addition, the Pension Fund incurs costs as part of delivering administrative services. Table 10 sets out details of these additional costs together with the original budget.

**Table 10 – Cost of Pension Administration**

	2022/23 Budget £m	2022/23 Actual £m	Variance £m	Comment
LBR Recharge	0.500	0.450	(0.050)	Vacancies in Admin Team
Computer System	0.220	0.222	0.002	
Actuarial Services	0.150	0.126	(0.024)	
Subscriptions	0.020	0.009	(0.019)	
Training	0.015	0.005	(0.010)	
Audit	0.021	0.021	-	
Other Expenses	0.079	-	(0.079)	

**Table 11 – Local Pension Board**

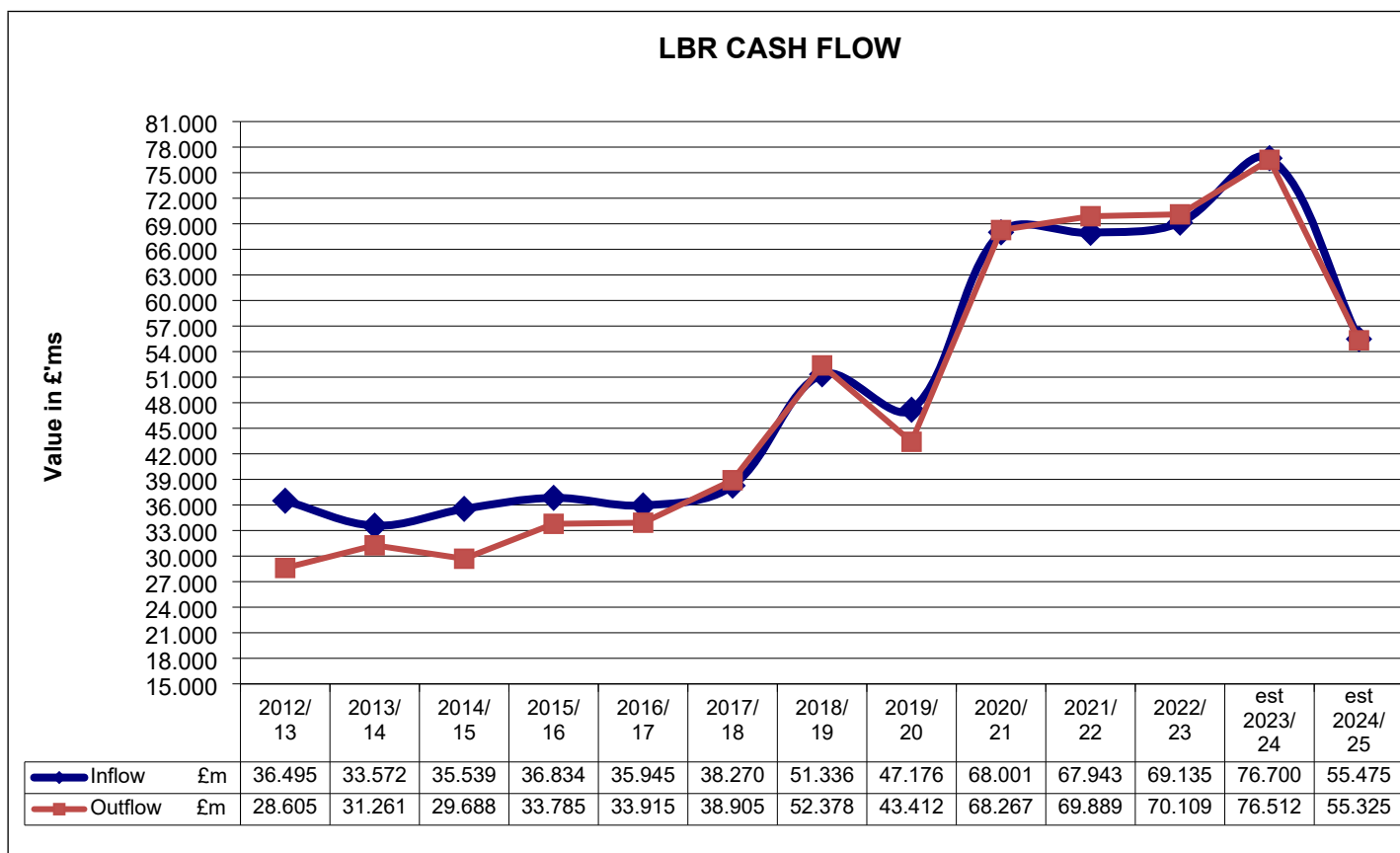
As part of the overall cash flow, the Local Pension Board has been allocated a budget to enable it to achieve its objectives. This included an allowance for training and development as well as the facility to obtain independent professional advice.

	<b>Budget</b> <b>£m</b>	<b>Actual</b> <b>£m</b>	<b>Variance</b> <b>£m</b>	<b>Comment</b>
Local Pension Board	(0.010)	(0.003)	(0.007)	Meetings cancelled

## Cash Flow

The cash-flow for the pension fund has been affected by changes to the level of contributions received as well as the pension payments being made. Chart 12 overleaf demonstrates the change in the level of income over expenditure in recent years. Whilst it is anticipated that sufficient income will be available to maintain a cash-positive position for at least the next few years, this will need to be kept under review particularly as the Fund continues to mature. The spike in 2018/19 was due to the bulk transfer in respect of Redbridge College. The spike in 2020/21 which continued into 2022/23 was due to the changes to the investment strategy resulting in the disinvestment and reinvestment into the Infrastructure Fund and the Real Estate Long Income Fund. The commitment to invest in the Infrastructure Fund is expected to be fully called in 2023/24 and therefore income and expenditure is expected to reduce.

Chart 12 – LBR Cash Flow





## London Borough of Redbridge Fund (the Fund) Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 66% likelihood that the Fund will achieve the funding target over 17 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,010 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £11 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.





## London Borough of Redbridge Pension Fund | Hymans Robertson LLP

**Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.3% pa
Salary increase assumption	2.7% pa
Benefit increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Males		Females
Current Pensioners	21.7 years	24.5 years
Future Pensioners*	22.7 years	26.0 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

**Experience over the period since 31 March 2022**

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Barry Dodds FFA

2 June 2023

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282.

A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office.

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INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF REDBRIDGE ON THE  
PENSION FUND FINANCIAL STATEMENTS

Not yet available

## STATEMENT OF RESPONSIBILITIES

The London Borough of Redbridge as Administering Authority of the London Borough of Redbridge Pension Fund is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Corporate Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

In the Council's Constitution, the following responsibilities have been delegated to the Corporate Director of Resources:

- the duty to maintain and manage a Pension Fund in accordance with the Local Government Pension Scheme Regulations. This power shall be exercised in accordance with the recommendations of the Pension Fund Committee.
- to ensure that the Council's accounting records are kept in accordance with the appropriate accounting standards and mandatory guidance and that the Statement of Accounts is prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards.
- the statutory duty to arrange for a triennial Actuarial Valuation of the Fund; to obtain an Actuary Certificate and to send a copy to the Minister; and to supply a copy of the Pension Fund audited accounts to admitted employing authorities.
- the duty to comply with and to exercise and perform any powers and duties under the various Pension Acts and the Superannuation Act 1972 which fall to be exercised or
- performed by the Council by virtue of its being an employer (powers and duties relating to supervision of pension schemes).

Statement of the Corporate Director of Resources

I certify that the Accounts set out on pages 33 to 47 have been prepared in accordance with proper practices and present a true and fair view of the transactions of the London Borough of Redbridge Pension Fund during the year ended 31 March 2023 and financial position of the Fund at the date of its assets and liabilities, other than liabilities to pay pensions and benefits after the year end.

Maria G Christofi, BA (Hons), FCCA, CPFA

Corporate Director of Resources &amp; Section 151 Officer

XX XXX 2023

# Pension Fund Account for the Year Ended 31 March 2023

2021/22		Notes	2022/23
£000			£000
	<b>Dealings with members, employers and other directly</b>		
	Contributions receivable	7	11,185
2,502	Transfers in	8	6,307
40,981			47,712
	<i>Less:</i>		
(36,164)	Benefits payable	9	(37,816))
(5,833)	Leavers	10	(7,317))
(11,007)			(45,133)
(1,016)	<b>Net additions/(withdrawals) from dealings with members</b>		2,579
(6,500)	<b>Management Expenses</b>	11	(6,500)
	<b>Returns on Investments</b>		
7,160	Investment income	12	13,8780
46,090	Change in market value of investments	14(a)	(86,427)
53,250	<b>Net returns on Investments</b>		(72,548)
48,544	<b>Net increase/(decrease) in the Fund during the year</b>		(73,908)
961,408	<b>Net Assets of the scheme at 1 April 2022</b>		1,009,952
1,009,952	<b>Net Assets of the scheme at 31 March 2023</b>		936,044

## Net Assets Statement as at 31 March 2023

2021/22		Notes	2022/23
£000			£000
150	Longer Term Investments		150
1,006,562			931,700
	<b>Current Assets</b>	18	1,800
(547)	<b>Current Liabilities</b>	18	(460)
1,009,952	<b>Net Assets of the Scheme at 31 March 2023</b>		936,044

The accounts summarise the transactions and net assets of the Pension Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial present value of promised retirement benefits is disclosed at Note 21.

I certify that the Pension Fund Account and Net Assets Statement present a true and fair view of the income and expenditure in 2021/22 and the Pension Fund's financial position as at 31 March 2023.

Maria G Christofi, BA (Hons), FCCA, CPFA

Corporate Director of Resources & Section 151 Officer

13 July 2023

## Notes to the Pension Fund Account

### 1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations by the London Borough of Redbridge. The scheme is a contributory defined benefit pension scheme that provides pensions and other benefits to former Council employees (except teachers, who have a separate scheme) and to various scheduled and admitted bodies.

The scheduled bodies in the scheme as at 31 March 2023 were: Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Palmer Academy, Isaac Newton Academy, Aldborough Free School, Loxford Academy, St Aidan's Academy, Beacon Multi Academy (formerly Beal Multi Academy), Atam Academy, Winston Way Academy, Avanti Court School, Astrum Academy, Strive4 Academy, Al-Noor Academy, Good Shepherd Diocese, St Peters & St Paul's Academy and Our Lady of Lourdes Academy.

The admitted bodies in the scheme as at 31 March 2023 were: Mears Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Kindred Nursery (formerly known as Dizzy Ducks), Lewis & Graves, , Birkin Clean, Town & Country and Westminster Drug Project

As at 31 March 2023 the membership of the scheme was as follows:

Active Members	As at 31 March 2022	As at 31 March 2023
Redbridge Council	5,335	5,336
Scheduled Bodies	1,045	1,066
Admitted Bodies	141	120
<b>TOTAL</b>	<b>6,521</b>	<b>6,522</b>
<hr/>		
Redbridge Council	4,550	4,600
Scheduled Bodies	151	160
Admitted Bodies	96	100
<b>TOTAL</b>	<b>4,806</b>	<b>4,860</b>
<hr/>		
Redbridge Council	7,775	8,100
Scheduled Bodies	665	1,147
Admitted Bodies	104	100
<b>TOTAL</b>	<b>8,544</b>	<b>9,347</b>

The Fund is financed by contributions as well as interest, dividends and profits from realised investments. The contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

Five Councillors are appointed annually by the Council to the Pension Fund Committee, which has the role of dealing with the management of the Pension Fund's investments in accordance with regulations laid down in statute and the Fund's Investment Strategy Statement.

In line with the provisions of the Public Service Pension Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. The Board Members are independent of the Pension Fund Committee.

The administration of the scheme is managed in-house by the London Borough of Redbridge.

The Pension Fund's financial statements provide a stewardship report on the Fund, together with a statement of the assets position at the financial year-end.

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounting requirement under International Accounting Standard (IAS) 26 is disclosed at Note 21.

**Going Concern** - At the date of the authorisation of the financial statements, the Fund does not consider that the impact of Covid-19 gives rise to material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. The Council therefore remains satisfied that the Fund it administers continues to be a going concern.

The Pension Funds latest actuarial valuation as at 31 March 2022, showed it to be 99% funded, an increase of 15% from the position 3 years ago. The actuarial valuation includes the Rates and Adjustment certificate detailing contributions to the Pension Fund that participating employers are expected to make. It remains the Fund's expectation that these will be paid as planned, and to date the Fund has not received a request from participating employers to defer contribution payments.

Following the latest actuarial valuation and schedule of employer contributions payments, the Pension Fund has reviewed its cashflow forecast. The fund should have sufficient cash for the next 3 years to meet its obligations to pay pensions without selling any investments. Should investments be required to be sold because of negative cashflows or employers being unable to pay their contributions (which is not expected) the Pension Fund would have ready access to cash as 80.13% of the Fund's investments could be sold at short notice.

**Increased Market Volatility** - The value of the Investment assets of the Fund changes on a daily basis, however the degree of volatility in global financial markets has increased because of continuing social and economic uncertainties created by the conflict in Ukraine. Despite this, the Fund remains in a strong financial position, capable of meeting all its payment obligations. The Funding Strategy is based on long term investment returns and as such, the increased volatility seen at present is not considered a material concern.

The bid value of the Fund's investment assets as at 31 March 2023 were £931.700m a decrease of 7.44% in the value of the Fund's investment assets since 31 March 2022.

## 3. Summary of Significant Accounting Policies



**Fund account – revenue recognition**

- A) **Contribution Income** – Normal contributions, both from 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's augmentation and pension strain contributions are accounted for in the period that the liability arises. Any amount due in year but unpaid is treated as a current financial asset.
- 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. Individual transfers in/out are accounted for when received/paid. Bulk transfers are accounted for on an accrual's 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.
  - (ii) **Dividend Income** – Dividends have been accounted for on an accrual's basis. Investment income on overseas investments have been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
  - (iii) **Distributions from pooled equity funds** – Pooled investment vehicles are accumulation funds and as such the change in market value includes income, net of withholding tax which is re-invested in the Fund.
  - (iv) **Distributions from pooled property funds** – Income distributions from the pooled property fund investments have been accounted for on an accrual's basis.
  - (v) **Movement in the net market value of investments** – Changes in the net market value of investments 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 incurs withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.
- F) **VAT** – As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. VAT receivable is excluded from income.
- G) **Voluntary Scheme Pay (VSP), Mandatory Scheme Pay (MSP) and Lifetime Allowances** – Members are entitled to request the Pension Fund to pay their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

- H) **Management Expenses** – Pension Fund management expenses are accounted for in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Costs. All administrative expenses are accounted for on an accrual's basis. All staff costs of the pension's administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with the Council's policy.
- I) **Investment Management Expenses** - All investment management expenses are accounted for on an accrual's basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.
- J) **Oversight and Governance Costs** - The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

A proportion of the Council's costs for management time spent by officers on investment management is charged to the Fund and is included within oversight and governance costs.

#### Net assets statement

- K) **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 assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i) Market quoted investments – the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
  - ii) Fixed interest securities – are recorded at net market value based on their bid price.
  - iii) Pooled investment vehicles – these are valued at either the closing bid price where a bid price exists or on the single unit price provided by the investment managers.
  - iv) Cash – the cash held in the Pension Fund current account is invested by the Council in accordance with its Treasury Management Policy.
- L) **Foreign Currency Transactions** – 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 any 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.
- M) **Derivatives** – the pooled units in which the Fund invests uses derivative financial instruments to manage its exposure to specific risk arising from its investment activities.
- N) **Cash and cash equivalents** – cash comprises of cash in hand and demand deposits. 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. Cash that is invested for longer than an overnight deposit is recognised as an investment asset.
- O) **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.

- P) **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 22).

- Q) **Additional Voluntary Contributions** – AVCs are not included in the accounts which is in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

#### 4. Critical Judgements in Applying Accounting Policies

The Pension Fund liability is calculated triennial by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 22. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

#### 5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

**Pension Fund Liability** – The Pension Fund liability is calculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

#### 6. Events after the Year End Date

There have been no events since 31 March 2023 and up to the date when these accounts were authorised that require any adjustment to these accounts.

#### 7. Contributions Receivable

Contributions represent those amounts receivable from the various employing bodies in respect of their own contributions and those of their contributing employees. Under the provisions of the scheme, employees' rates are based on pay bandings and range from 5.5% to 12.5% of pensionable pay. The Fund's

Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 13.3% to 35.4% plus any additional lump sum contributions required in respect of funding shortfalls at the time of the triennial actuarial valuation.

Early retirement - All capital costs, such as employee and employer contributions foregone, and the cost of making pension payments early in respect of non-ill-health early retirements, are met by the employer that approved the early retirement.

		2021/22	2022/23
		£000	£000
<b>Contributions</b>	London Borough of Redbridge	25,120	26,880
	Scheduled Bodies	3,709	4,070
	Admitted Bodies	988	990
		<b>29,817</b>	<b>31,941</b>
<b>Members</b>	London Borough of Redbridge	7,344	8,052
	Scheduled Bodies	1,066	1,178
	Admitted Bodies	252	234
		<b>8,662</b>	<b>9,464</b>
		<b>38,479</b>	<b>41,405</b>

Contributions split between normal, deficit funding and augmentation are outlined below:

	2021/22	2022/23
	£000	£000
Normal Employer Contributions	26,438	28,742
Deficit Payments *	2,893	3,066
Augmentation (Early Retirements)	486	135
	<b>29,817</b>	<b>31,941</b>

\*The deficit recovery policy is set out in the Scheme's Funding Strategy Statement

## 8. Transfers In

Sums received for scheme members from other pension schemes that relate to periods of previous pensionable employment.

	2021/22	2022/23
	£000	£000
Individual Transfers from other schemes – London Borough of Redbridge	2,502	6,307
	<b>2,502</b>	<b>6,307</b>

## 9. Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme regulations.

	2021/22	2022/23
	£000	£000
Pensions	29,575	31,283
Commutation of Pensions and Lump Sum Retirement Benefits	5,702	5,926
Lump Sum Death Benefit	862	538
Interest	25	69
	<b>36,164</b>	<b>37,816</b>

**By Employer**

	2021/22 £000	2022/23 £000
London Borough of Redbridge	34,469	35,859
Scheduled Bodies	933	1,098
Admitted Bodies	762	859
	<b>36,164</b>	<b>37,816</b>

**10. Payments to and on Account of Leavers**

Regulations permit a refund of employee contributions to be made to new members with less than two years initial scheme membership. Individual transfers are payments of accrued pension benefits in respect of scheme members who have left the scheme and joined a pension scheme elsewhere. The bulk transfer is in respect of the transfer of Redbridge College to another fund.

	2021/22 £000	2022/23 £000
Refunds to members	45	49
Bulk Transfers to another Scheme	-	-
Individual Transfers to other Schemes	5,788	7,268
	<b>5,833</b>	<b>7,317</b>

**11. Management Expenses**

The table below shows a breakdown of the management expenses incurred during the year. The London Borough of Redbridge carries out the administrative function in-house.

	2021/22 £000	2022/23 £000
Administrative Costs	725	1,043
Investment Management Expenses	2,819	2,714
Overnight and Governance	131	161
Audit Fees	16	21
	<b>3,691</b>	<b>3,939</b>

**11(a). Investment Management Expenses**

	2021/22 £000	2022/23 £000
Management Fees	2,700	2,689
Custody Fees	119	25
	<b>2,819</b>	<b>2,714</b>

2021/22

2022/23

Total	Pooled Units outside of LCIV	Pooled Units through LCIV
£000	£000	£000
2,181	678	1,503
119	59	60
192	-	192
327	-	327
<b>2,819</b>	<b>737</b>	<b>2,082</b>

	Total	Pooled Units outside of LCIV	Pooled Units through LCIV
	£000	£000	£000
Fund Manager Fees	2,486	439	2,047
Custody Fees	75	25	50
Pool Costs	153	-	153
Other Expenses	-	-	-
<b>Total</b>	<b>2,714</b>	<b>464</b>	<b>2,250</b>

## 12. Investment Income

Interest, dividends and other income shown in the Fund Account have been broken down as follows:

	2021/22 £000	2022/23 £000
Pooled Investments Vehicles	4,552	10,259
Pooled Property Investments	2,505	2,018
Cash Deposits	59	696
Other Investment Income	14	5
	<b>7,160</b>	<b>13,878</b>

## 13. Investments

The table below shows the Fund's investments by asset class:

	2021/22 £000	2022/23 £000
Pooled Investments	920,290	858,667
Pooled Property Investments	84,818	72,054
Cash Deposits	1,304	979
<b>Total Investment Assets</b>	<b>1,006,562</b>	<b>931,700</b>

There are no investment liabilities.

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2023 with a comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2022.

2022/23

	Value at 31/03/22 £000	Purchases at cost £000	Sales proceeds £000	Change in fair value £000	Cash movement £000	Value at 31/03/23 £000
Pooled Equity Unit Trusts	920,2906	22,505	(13,900)	(70,229)	-	858,667
London CIV	150	-	-	-	-	150
Property Unit Trusts	84,818	3,764	(330)	(16,198)	-	72,054
<b>Other Balances</b>	<b>1,006,562</b>	<b>26,269</b>	<b>(14,230)</b>	<b>(86,427)</b>		<b>931,700</b>
Cash Deposits	1,304	-	-	-	(475)	829
	<b>1,006,562</b>	<b>26,269</b>	<b>(14,230)</b>	<b>(86,427)</b>	<b>(475)</b>	<b>931,700</b>

2021/22

	Value at 31/03/21 £000	Purchases at cost £000	Sales proceeds £000	Change in fair value £000	Cash movement £000	Value at 31/03/22 £000
Pooled Equity Unit Trusts	882,226	66,834	(63,602)	32,494	-	920,290
London CIV	150	-	-	-	-	150
Property Unit Trusts	71,767	1,793	-	11,258	-	84,818
<b>Other Balances</b>	<b>1,006,562</b>	<b>26,269</b>	<b>(14,230)</b>	<b>(86,427)</b>		<b>931,700</b>
Cash Deposits	560	-	-	-	744	1,304
	<b>954,703</b>	<b>68,627</b>	<b>(63,602)</b>	<b>43,752</b>	<b>744</b>	<b>1,006,562</b>

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investments and changes in the sterling value of assets caused by changes in exchange rates. In the case of the pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

As a result of the Fund's investments in pooled investment vehicles the Fund did not incur any direct transaction costs, such as broker fees and taxes. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

As shareholders of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £0.150m of regulatory capital.

A summary of individual investments exceeding 5% of the Fund's total net assets is set out below:

Investment	31 March	% of net
	2023	assets
Investment in Pooled Investment Vehicles	72,054	7.79%
All World (ex UK) Equity Index Unit Trust	79,004	8.44%
Low Carbon Equity Index Unit Trust	185,420	19.81%
Global Equity Fund	186,560	19.93%
Emerging Markets Equity Fund	44,768	4.78%
Index Linked Bond Fund	63,722	6.81%
Diversified Growth Fund (DGF)	95,822	10.24%
Real Estate Long Income Fund	61,096	6.53%
Infrastructure Fund	51,702	5.52%
Schroder Property Fund	72,054	7.79%

### 13(a) Investments – Fund Management

As at 31 March 2023, the fair value of assets under management was £931.700m. The Fund has undertaken work in conjunction with the Fund's external adviser to implement a long-term strategy to match the objective of being fully funded in the longer term. The structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's Investment Strategy Statement, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Committee.

The Tables below shows details of the investment mandates analysed between those invested managed by the pool and those outside of the pooled arrangement:

31/03/22 £000	% of Portfolio	Manager	Mandate	31/03/23 £000	% of Portfolio	Strategic Asset Allocation %
<b>Investments managed by Pool</b>						
199,287	19.73	Baillie Gifford	Global Equities	186,560	19.93	15.00
119,092	11.79	Baillie Gifford	Diversified Growth Fund	95,822	10.23	10.00
32,269	3.20	Stepstone	Infrastructure	51,702	5.52	10.00
72,698	7.20	Aviva	Real Estate Long Income	61,096	6.53	10.00
169,177	16.75	LGIM	Global Equities	169,576	18.12	15.00



31/03/22 £000	% of Portfolio	Manager	Mandate	31/03/23 £000	% of Portfolio	Strategic Asset Allocation %
189,193	18.73	LGIM	Low Carbon Equities	185,420	19.81	15.00
91,745	9.08	LGIM	Index Linked Gilts	63,722	6.81	10.00
<b>873,461</b>	<b>86.48</b>			<b>813,898</b>	<b>86.95</b>	<b>85.00</b>
<b>Investments managed outside of Pool</b>						
46,828	4.64	Schroders	Emerging Markets Equities	44,768	4.78	5.00
-	-	Aberdeen Standard	Fixed Income	-	-	-
84,818	8.40	Schroders	Property	72,054	7.70	10.00
4,845	0.48	Cash inc LCIV		5,323	0.57	-
<b>136,491</b>	<b>13.52</b>			<b>122,146</b>	<b>13.05</b>	<b>15.00</b>
<b>1,009,952</b>	<b>100.00</b>	<b>TOTAL</b>		<b>936,044</b>	<b>100.00</b>	<b>100.00</b>

#### 14. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

#### 2021/22

Designated as fair value through profit & loss £000	Loans and Receivables £000	Financial Liabilities at amortised cost £000	
			<b>Financial Assets</b>
920,440	-	-	Pooled Investment
			Pooled Property - Investment
84,818	-	-	
-	3,949	-	Cash
-	1,292	-	Debtor
<b>1,005,258</b>	<b>5,241</b>	<b>-</b>	<b>Total</b>
			<b>Financial Liabilities</b>
-	-	(547)	Creditors
-	-	(547)	<b>Total</b>
<b>1,005,258</b>	<b>5,241</b>	<b>(547)</b>	
<b>1,009,952</b>			<b>Grand Total</b>

#### 2022/23

Designated as fair value through profit & loss £000	Loans and Receivables £000	Financial Liabilities at amortised cost £000	
			<b>Financial Assets</b>
858,816	-	-	Pooled Investment
			Pooled Property - Investment
72,054	-	-	
-	4,155	-	Cash
-	1,479	-	Debtor
<b>930,870</b>	<b>5,634</b>	<b>-</b>	<b>Total</b>
			<b>Financial Liabilities</b>
-	-	(460)	Creditors
-	-	(460)	<b>Total</b>
<b>930,870</b>	<b>5,634</b>	<b>(460)</b>	
	<b>936,044</b>		<b>Grand Total</b>

## 14 (a) Net Gains and Losses on Financial Instruments

2020/21		2022/23
£000	Financial Assets	£000
46,090	Fair value through profit & loss	86,427
46,090	TOTAL	86,427

## 14 (b) Fair Values of Financial Instruments and Liabilities

The following table summarises the fair values of the financial assets and financial liabilities by class of instrument.

31 March 2022		31 March 2023
Fair Value £000	Financial Assets	Fair Value £000
1,005,258	Fair value through profit & loss	930,870
5,241	Loans and Receivables	5,634
1,010,499	Total Financial Assets	936,504
(115)	Total Financial Liabilities	(115)
1,009,354		936,389

## 15. Fair Value – Basis of Valuation

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

## 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, quoted index-linked securities and unit trusts.

## Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine the 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 could have a significant effect on the instruments' valuation is not based on an observable market data.

## 15 (a) Fair Value Hierarchy

The table below provides analysis of the assets and liabilities of the pension fund allocated into levels 1 to 3 based on the level at which fair value is observed.

	Level 1	Level 2	Level 3	Total
Values as at 31 March 2023	£000	£000	£000	£000
<b>Financial Assets</b>				
Financial assets at fair value through profit & loss	-	817,922	112,948	930,870
Financial Assets at amortised cost	5,634	-	-	5,634
<b>Total Financial Assets</b>	<b>5,634</b>	<b>817,922</b>	<b>112,948</b>	<b>936,504</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit & loss	-	-	-	-
Financial liabilities at amortised cost	(460)	-	-	(460)
<b>Total Financial Liabilities</b>	<b>(460)</b>	<b>-</b>	<b>-</b>	<b>(460)</b>
<b>Net Financial Assets</b>	<b>5,174</b>	<b>817,922</b>	<b>112,948</b>	<b>936,044</b>

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Values as at 31 March 2022</b>				
<b>Financial Assets</b>				
Financial Assets at fair value through profit & loss	-	900,141	105,117	1,005,258
Financial Assets at amortised cost	5,241	-	-	5,241
<b>Total Financial Assets</b>	<b>5,241</b>	<b>900,141</b>	<b>105,117</b>	<b>1,010,499</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit & loss	-	-	-	-
Financial liabilities at amortised cost	(547)	-	-	(547)
<b>Total Financial Liabilities</b>	<b>(547)</b>	<b>-</b>	<b>-</b>	<b>(547)</b>
<b>Net Financial Assets</b>	<b>4,694</b>	<b>900,141</b>	<b>105,117</b>	<b>1,009,952</b>

#### 15 (b) Reconciliation of Fair Value Measurements within Level 3

	London CIV	Infrastructure	Real Estate Long Income	Total
	£000	£000	£000	£000
Value at 31 March 2022	150	32,269	72,698	105,117
Purchases	-	16,486	5,513	21,999
Unrealised profit and loss	-	2,947	(17,115)	(14,168)
<b>Value at 31 March 2023</b>	<b>150</b>	<b>51,702</b>	<b>61,096</b>	<b>112,948</b>

#### 16. Nature and Extent of Risks arising from Financial Instruments

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

##### Market Risks

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, whilst 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 sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

#### Other Price Risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), 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.

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

#### Other Price Risk – Sensitivity Analysis

The following table demonstrates the change in the net assets available to pay benefits if the market price were to increase or decrease by 10%.

#### Price Risk:

	Value	Value on Increase	Value on Decrease
	£000	£000	£000
UK Equities	90,572	99,630	81,515
Overseas/Global Equities	591,574	650,731	532,416
Index Linked Gilts	60,000	70,000	50,000
Property	72,054	79,260	64,849
Infrastructure	51,702	56,872	46,531
Real Estate Long Income	61,096	67,206	54,987

#### 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 base currency of the fund, i.e. pounds sterling.

The following table shows the change in value of these assets had there been a 10% strengthening/weakening of the pound against the various currencies:

#### Currency Risk (by asset class):

	Value	Value on Increase	Value on Decrease
	£000	£000	£000
Overseas Equities	501,574	650,731	532,416

#### 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. 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.

#### **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.

#### **Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Pension Fund has immediate access to its cash holdings that are invested by the Council. The levels of cash held are reviewed by the Council as part of the periodic cashflow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that the majority of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

## 17. Investment Strategy Statement

The Council is required by Regulation to prepare and publish an Investment Strategy Statement (ISS). This Statement sets out the Fund's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated. A copy of the ISS can be found on the Council's website [www.redbridge.gov.uk](http://www.redbridge.gov.uk).

## 18. Current Assets and Liabilities

	2021/22	2022/23
	£000	£000
Cash at Bank	2,645	3,325
Contributions due	955	248
Sundry debtors	115	987
Prepaid expenses	222	244
<b>Total of Current Assets</b>	<b>3,937</b>	<b>4,804</b>
Accrued benefits	(207)	(17)
Accrued expenses	(340)	(443)
Sundry creditors	-	-
<b>Total of Current Liabilities</b>	<b>(547)</b>	<b>(460)</b>

## 19. Stock Lending

The Fund does not participate in stock lending arrangements.

## 20. Related Party Transactions

The London Borough of Redbridge is the single largest employer of members in the Pension Fund and contributed £26.786m to the Fund in 2022/23 (£25.120m in 2021/22).

During the year no Councillors or Chief Officers with direct responsibility for Pension Fund issues have undertaken any declarable transactions with the Pension Fund, other than the following.

- Administrative services undertaken by the Council to the Pension Fund were £0.450m (£0.475m in 2021/22).
- Investment services undertaken by the Council to the Pension Fund were £0.122m (£0.122m in 2021/22).

Each member of the Pension Fund Committee is required to disclose their interest at each meeting.

The key management personnel of the Pension Fund are the members of the Pension Fund Committee and the Corporate Director of Resources.

## 21. Actuarial Valuation

In 2022/23, the contribution rate paid by the Council as an employer was determined following an actuarial valuation of the Fund as at 31 March 2019. The valuation as at 31 March 2022 set the employer's contribution rates for the years 2023/24, 2024/25 and 2025/26. The actuarial method

used by the Actuary is known as the “projected unit method”. The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund which is open to new members.

For this valuation the Actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. Those assumptions which have the most significant effect on the results of the valuation are shown overleaf:

<b>Assumption</b>	<b>Rate</b>
The rate of increase in pensionable earnings	2.3%
“Gilt-based” discount rate	3.6%
The level of increase in earnings growth	2.3%

The result of the 2019 valuation was that the value of the Fund’s assets was actuarially assessed as £803m, which was sufficient to meet 84% of its accrued liabilities. The employer’s contribution rate required as a result of the valuation incorporates a phased increase in the balance of the Fund to meet 100% of future benefit liabilities, as required by Pension Fund regulations. As a result of the 2019 valuation, those employers within the Fund that have funding shortfalls are required to make repayments over an agreed period in accordance with the policies set out in the Pension Fund’s Funding Strategy Statement (available on the Council’s website [www.redbridge.gov.uk](http://www.redbridge.gov.uk)), and certified by the Actuary in the Actuarial Valuation Report. The new employer contribution rates and shortfall payments commenced from 1 April 2023.

## 22. Actuarial Present Value of Promised Retirement Benefits

The Fund’s Actuary prepares reports for the purposes of IAS19 for the Council and other employers participating in the Pension Fund upon request. Further information pertaining to the Council is included at note 40 of the Notes to the Core Financial Statements.

The Actuary has calculated that the liabilities at 31 March 2023 for the entire Fund comprises of:

<b>Type of Member</b>	<b>31 March 2022 Liability £m</b>	<b>31 March 2023 Liability £m</b>
Full Members	514	363
Deferred Members	383	244
Pensioners	553	466
<b>Total</b>	<b>1,450</b>	<b>1,073</b>

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS26 information).

	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
Present value of funded obligations	(1,450)	(1,073)
Fair value of Fund Assets (BID Value)	1,010	936



Net Liability for the Pension Fund

(440) (137)

These calculations have been determined using the following financial assumptions:

Year Ended

	31 March 2022	31 March 2023
	% p.a.	% p.a.
Inflation / Discount Rate	3.20	3.00
Salary Increase Rate	3.20	3.00
Discount Rate	2.70	4.75

### 23. Additional Voluntary Contributions (AVC's)

The Council has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. A total of one hundred and two members of the Pension Fund contribute to the AVC schemes. In 2022/23 £224,347 of contributions deductions were made in respect of the AVC Scheme (£52,106 in 2021/22).

Market Value 31 March 2022		Market Value 31 March 2023
£000	AVC Provider	£000
203	Aviva Pension (Contractual Pension Plan)	176
268	Clerical Medical	268
240	Standard Life	264
<b>711</b>	<b>TOTAL</b>	<b>711</b>

The Council, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the Council's Pension Fund accounts.

### 24. Contractual Commitments

The Fund has committed £70m into the Step-stone Infrastructure Fund. Of this commitment £23.995m was outstanding at 31 March 2023.

## PUBLICATIONS

The Pension Fund publishes the following documents on the Council's website [www.redbridge.gov.uk](http://www.redbridge.gov.uk) within the section "About the Council": "Our Finance Services": "Pension Fund".

### 1. **Annual Business Plan**

The Pension Fund Committee undertakes a review of the activities of the committee over the previous twelve months and sets out the tasks for the forthcoming year. This would include reviewing policy statements and monitoring the performance of the Fund. The Annual Business Plan is agreed each year at the Pension Fund Committee meeting held in February.

### 2. **Pension Administration Strategy (Appendix 2)**

This statement is produced by the Pension Administration Team and is revised periodically to ensure that it remains consistent with recommended practices. The statement sets out the Council's policy for:

- setting levels of performance;
- procedures for securing compliance with Regulations;
- setting Performance Targets.

### 3. **Communication Policy Statement (Appendix 3)**

This statement is produced by the Pension Administration Team and is revised periodically to ensure that it remains consistent with recommended practices. The statement sets out the Council's policy for:

- communicating with interested parties including members and other employers within the scheme;
- the method and frequency of communications used;
- promoting the LGPS to seek to increase membership within the scheme;
- performance objectives for administering the scheme.

### 4. **Governance Compliance Statement (Appendix 4)**

The objective of this statement is to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders. It therefore provides details of:

- how the Council, as Administering Authority maintains and manages its pension fund function in accordance with regulatory requirements;
- the structure for the decision making process, which includes details of the various responsibilities for administering the Pension Fund;
- the frequency of Pension Fund Committee meetings;

- the voting rights of the Committee members;
- accessibility to information and training.

The Governance Compliance Statement will be reviewed in 2020/21 in light of the governance review undertaken by the Council.

**5. Investment Strategy Statement (ISS) (Appendix 5)**

Administering Authorities are required to prepare, maintain and publish a written Investment Strategy Statement governing their decisions about investments. This document therefore sets out details of:

- the strategy for investing and the risks associated with such investing
- the approach adopted by the Fund towards pooling
- the Fund's policy towards social, environmental and corporate governance;
- the Fund's policy with regards to the exercising of rights including voting;
- Details of the advice sought with regards to investing.

**6. Fund Strategy Statement (FSS) (Appendix 6)**

This statement is prepared in collaboration with the Fund's Actuary and after consultation with the Fund's employers and investment advisers and sets out:

- the strategy for the Pension Fund to show how the pension liabilities are to be met whilst seeking to achieve a constant and affordable employer contribution rate;
- shows details as to how the Fund is seeking to achieve its objectives and the risk associated with the strategy;
- details of the responsibilities for each key party, including the employers, employees and actuary.

The Funding Strategy Statement is reviewed periodically to coincide with the valuation. The revised FSS was approved in 2023. The next valuation is due 31 March 2025.

The Agenda and Minutes of the Pension Fund Committee meetings are also available on the Council's website.

## EMPLOYERS WITHIN THE REDBRIDGE PENSION FUND

The table below outlines the membership profile as at 31 March 2023 for all employers in the Fund as well as their status.

Employer	Status	Active	Deferred	Undecideds	Pensioner	Total	%
LB Redbridge	Scheduled	5,226	4,546	3,556	4,692	18,020	86.94%
Al-Noor School	Scheduled	29	-	12	-	41	0.20%
Aldborough E-Act School	Scheduled	19	1	20	2	42	0.20%
Astrum Academy	Scheduled	260	27	94	14	395	1.91%
Atam Academy	Scheduled	12	3	5	-	20	0.10%
Avanti Court Primary School	Scheduled	25	3	30	-	58	0.28%
Beacon Academy Trust	Scheduled	137	44	178	37	396	1.91%
Chadwell Heath Academy	Scheduled	39	30	26	17	112	0.54%
Good Shepherd Catholic Trust	Scheduled	2	-	1	-	3	0.01%
Isaac Newton Academy	Scheduled	65	9	85	1	160	0.77%
Little Heath School	Scheduled	104	31	77	14	226	1.09%
Loxford Academy	Scheduled	70	4	87	9	170	0.82%
Mayfield School	Scheduled	91	58	50	25	224	1.08%
Our Lady of Lourdes Academy	Scheduled	18	-	15	3	36	0.17%
Palmer Academy	Scheduled	30	14	35	13	92	0.44%
St. Aidan's Academy	Scheduled	22	6	28	10	66	0.32%
St Peter's & St. Paul's Academy	Scheduled	30	1	20	2	53	0.26%
Strive 4 Academy	Scheduled	59	11	72	7	149	0.72%
Ursuline Academy	Scheduled	21	38	8	15	82	0.40%
Winston Way Academy	Scheduled	33	5	19	-	57	0.28%
Birkin Clean	Admitted	1	-	1	1	3	0.01%
Kindred Nursery	Admitted	1	1	3	1	6	0.03%
Lewis & Graves	Admitted	11	2	6	1	20	0.10%
Imagine Independence	Admitted	2	1	-	2	5	0.02%
Mears	Admitted	23	2	-	1	26	0.13%
Town & Country	Admitted	1	-	-	1	2	0.01%
Vision	Admitted	80	49	37	95	261	1.26%
Westminster Drugs Project	Admitted	1	1	-	-	2	0.01%
		6,412	4,887	4,465	4,963	20,727	100.00%

A deferred member is a former employee who has decided not to transfer their accrued benefits to an alternative pension scheme and they

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will therefore receive pension benefit upon normal retirement.



# Pension Administration Strategy

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January 2023

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# THE LONDON BOROUGH OF REDBRIDGE PENSION FUND

## Pension Administration Strategy

### 1 Introduction

This policy statement has been prepared by the London Borough of Redbridge as the Administering Authority to the London Borough of Redbridge Pension Fund in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Administering Authority will keep this policy statement under review and make revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

In preparing, reviewing or making revisions to this policy, the administering authority will consult with its Scheme Employers and publish the statement to each Scheme employer and to the Secretary of State.

The Administering Authority and its Scheme Employers must have regard to this pension administration strategy when carrying out their Scheme functions.

It is effective from 1 March 2023.

### 2 Matters to be considered

- procedures for liaison and communication with Scheme employers in relation to which it is the Administering Authority (“its Scheme employers”).
- the establishment of levels of performance which the Administering Authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by:
  - the setting of performance targets;
  - the making of agreements about levels of performance and associated matters, or
  - such other means as the administering authority considers appropriate.
- procedures which aim to secure that the Administering Authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- procedures for improving the communication by the Administering Authority and its Scheme employers to each other of information relating to those functions.
- the circumstances in which the Administering Authority may consider giving written notice to any of its Scheme employers under Regulation 70 (additional costs arising from Scheme employer’s level of performance) on account of that employer’s unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b) (f).



- the publication by the Administering Authority of annual reports dealing with:
- the extent to which the Council and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
- such other matters arising from its Pension Administration Strategy as it considers appropriate, and
- such other matters as appear to the Administration Authority after consulting its scheme employers and other such persons as it considers appropriate, to be suitable for inclusion in that strategy.

### 3 Liaison and Communication

Pension administration relies largely on information supplied to the pension administration team by the Scheme employers making up the total membership of the pension scheme. The pension team can be contacted at any time during normal office hours on 020 8708 3338. An office email facility is also available at [pensionsLGPSadmin@redbridge.gov.uk](mailto:pensionsLGPSadmin@redbridge.gov.uk)

Each employer must nominate a pension liaison officer to deal with initial enquiries received from the Administering Authority. If preferred, a number of officers can be nominated (up to a maximum of 4) by the employer, providing that their specific responsibilities are identified. The employer will inform the Administering Authority immediately if these details are amended in anyway.

The employer will provide the following details in respect of their pension liaison officer(s):

- name
- position
- direct telephone number (if direct dial is available)
- email contact details
- specific responsibilities of each officer (if more than one has been nominated).

The Administering Authority will maintain a schedule of pension liaison officers and other employer contact details and ensure that all staff concerned with pension administration use the contact details provided by the employer.

The Administering Authority maintains a Pension Fund website with a dedicated employers' area. The information on the website includes:

- general employer guidance and information on procedures for administering the Local Government Pension Scheme, including all forms to be used;
- employer and employee information used to communicate current issues pertaining to the Scheme;
- copies of all publications issued by the Pension Fund including newsletters and scheme guides;
- links to the LGPS Regulations, LGE Circulars, CLG Guidance and consultation documents.

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The Administering Authority will hold meetings every 6 months with the pension liaison officers for Employers to discuss current pension issues and administration procedures.

The website will be maintained to comply with “The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018”.

Further details regarding communications between the Administering Authority and Scheme Employers are contained within the London Borough of Redbridge ‘Pension Fund Communications Policy Statement’.

## 4 Levels of Performance

In order to achieve and monitor performance targets, the Administering Authority will consult with Scheme Employers and produce a Service Level Agreement (SLA) between itself and each Scheme employer, setting out the responsibilities of both the Administering Authority and the Scheme employer in administering the Local Government Pension Scheme. This will be reviewed on an annual basis.

The Administering Authority will keep the SLA under review and consult with the Scheme Employers as amendments are required.

A number of Key Performance Indicators (KPIs) have been identified and will be reported to the Local Pension Board of the London Borough of Redbridge Pension Fund. The KPIs to be achieved include:

- setting up a new member record on the pension administration system and sending the member confirmation they have been admitted to the pension scheme within 20 working days of the end of the month the employee joined or the date of notification by the Employer, whichever is the later,
- calculating deferred pension benefits and notifying members of their rights upon termination of pensionable employment within 20 working days of leaving or notification by the Employer, whichever is the later,
- sending a statutory notification to a member following a change to pensionable status within 20 working days of the end of the month in which the change takes effect or notification by the Employer, whichever is the later.

The Administering Authority will consult with the Scheme Employers if the KPIs are amended in anyway.

## 5 Statutory Requirements

As well as the deadlines and performance standards set out in the SLA, a number of other statutory requirements are made by the Scheme Regulations. For the purpose of this strategy statement some of these are detailed in this section.

Each Scheme employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. This policy statement must be kept under review and where revisions are made, the revised policy statement must be published before the expiry of one month from the effective date of revision. A copy of the policy statement must be sent to the Administering Authority.

Each Scheme employer must specify the name, job title, and address of a person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. When an amendment to these details is made, a notification of the change should be sent to the Administering Authority immediately.

Each Scheme employer must determine the rate at which its employees should contribute to the Scheme with effect from 1 April each year and where an employee holds more than one post, the rate applicable to each post. Where there is a material change to a member's pensionable pay in the course of a financial year, the employer may re-determine the contribution rate to be applied in accordance with its policies.

Each Scheme employer must obtain the approval of the Administering Authority as to its choice of registered medical practitioner for the purposes of awarding ill health retirement under the Scheme regulations.

Each Scheme employer must pay to the Administering Authority all contributions deducted from the pay of its employees and the respective employer contributions. Payment must be made no later than the 19th day of the month following the period for which the pension contributions have been deducted or a fine will be levied.

Each Scheme employer must submit the information detailed in the iConnect payroll extract file specification (Appendix A) to the Administering Authority each month using the iConnect portal. In the event the portal not be available to the employer, the information must be submitted using a supplied excel template.

*Please note: The amount of any Additional Voluntary Contributions should **NOT** be included.*

Each Scheme employer must pay to the Administering Authority any charge identified by the Administering Authority as a result of the Scheme employer's decision to release any pension benefits prior to a member's normal retirement age. Such payments should be made within 21 days from the date of receipt of an invoice as issued by the Administering Authority.

Each Scheme employer must also pay to the Administering Authority any charge identified by the administering authority as a result of the Scheme employer's decision to award any additional benefits to a scheme member in accordance with its statement of policy regarding the exercise of certain discretionary functions as described above. Such payments should be made within 21 days from the date of receipt of an invoice as issued by the Administering Authority.

## 6 Circumstances for giving written notice of unsatisfactory performance

In the event that a Scheme employer fails to make payment of employee and employer contributions by the 19th of the month following the period in relation to which the contributions were deducted, the Administering Authority will give a written notice of unsatisfactory performance to the Scheme employer. If failure to make payment by the required deadline occurs more than once in any 12-month period, the Administering Authority will charge the Scheme employer in accordance with the charging schedule attached to this strategy statement.

Similarly, in the event that a Scheme employer has failed to settle an invoice as described in this part within the prescribed 21-day deadline, the Administering Authority will give a written notice of unsatisfactory performance to the Scheme employer. If failure to make payment by the required deadline occurs more than once in any 12-month period, the Administering Authority will charge the Scheme employer in accordance with the charging schedule attached to this strategy statement.

If as a result of an Scheme employer's failure to notify the Administering Authority that one of its employees has become entitled to the release of their pension benefits, the Pension Fund may become liable to pay interest on any retirement lump sum paid to the member. Consequently, the Administering Authority will issue a written notice of unsatisfactory performance and invoice the Scheme employer for the amount of interest paid. Such circumstances arise where payment of the lump sum is made later than 30 days following the date from which the benefits are due and interest is calculated in accordance with Regulation 81(4) of the Local Government Pension Scheme Regulations 2013 (as amended).

Persistent failure to meet the targets laid down in the SLA will result in the Administering Authority issuing a written notice of unsatisfactory performance to the Scheme employer. The Administering Authority will assist the Scheme employer to resolve any issues but continued failure to meet the targets will result in the Administering Authority imposing a fine on the Scheme employer in accordance with the charging schedule attached to this strategy statement.

The Administering Authority will report any occasion where it has had to issue a written notice of unsatisfactory performance and the amount of any charges made, to the Local Pension Board of the London Borough of Redbridge Pension Fund.

## 7 Performance Reports

The Administering Authority will keep records of the performance of each Scheme employer on a monthly basis.

Every quarter, the Administering Authority will report back to each Scheme employer on their performance.

The Administering Authority will produce and publish an annual performance report that will be made available to all Scheme Employers. This will be published on the London Borough of Redbridge Pension Fund website along with the KPIs for the pension administration team

## Charging Schedule

1	Failure to notify the pension team of new starter details within 10 working days from the end of the month in which scheme membership commenced.	£100 per case
2	Failure to notify the pension team of a change to a scheme member's status within 10 working days from the end of the month in which the change took effect.	£100 per case
3	Failure to notify the pension team of the leaving details of a scheme member within 10 working days from the end of the month in which the employment ended.	£100 per case
4	Failure to notify the pension team of the retirement details of a scheme member within 5 working days from the date of the member's retirement.	£100 per case
5	Whereas a result of the Scheme employer's failure to notify the pension team of a scheme member's retirement, interest becomes payable on any retirement lump sum paid, the administering authority will recharge the total amount of interest to the Scheme employer.	Interest calculated in accordance with regulation 81(4) of the Local Government Pension Scheme Regulations 2013 (as amended)
6	Failure to make payment of monthly employee and employer contributions by the 19th of the month following the period to which the contributions	Interest is payable in accordance with the LGPS Regulations 2013 s71.

7	Failure to submit the information detailed in the iConnect payroll extract file specification (Appendix A) to the Administering Authority each month within 10 working days from the end of the month to which the information relates.	£50 per working day
8	Failure to make payment of a capital cost owing to the Pension Fund within 21 days from the date of issue of an invoice.	Interest is payable in accordance with the LGPS Regulations 2013 s71.
9	Any Employer duties that are required to be carried out by the pension administration team must be recharged to the employer	£50 per hour

## Notes to Charging Schedule

Notifications of all new starters must include the information contained in the service level agreement. Late notifications will only be reported where the standards laid down in the service level agreement have clearly not been met as a result of the employer's failure to meet the required standards.

Notifications of relevant pension status changes are set out in the service level agreement. Late notifications will only be reported where the standards laid down in the service level agreement have clearly not been met as a result of the employer's failure to meet the required standards.

Notifications of all leaver details must include the information contained in the service level agreement. Late notifications will only be reported where the standards laid down in the service level agreement have clearly not been met as a result of the employer's failure to meet the required standards.

Notifications of all retirement details must include the information contained in of the service level agreement. Late notifications will only be reported where the standards laid down in the service level agreement have clearly not been met as a result of the employer's failure to meet the required standards.

Regulation 81(4) of the Local Government Pension Scheme Regulations 2013 (as amended) states that interest must be calculated at one per cent above base rate on a day to day basis from the due date of payment and compounded with three-monthly rests. If late payment of a lump sum occurs as a result of a failure by the scheme member to provide information to the pension team, the Pension Fund will be liable for the payment of any interest due.

The method of payment of contributions is set out in the service level agreement.

The policy of the London Borough of Redbridge, as Administering Authority to the London Borough of Redbridge Pension Fund, is to have all invoices paid by the due date specified on the invoice. If payment is not made within that timescale a reminder will be sent followed by a demand. If payment is not received legal action may be taken.

In accordance with The Local Government Pension Scheme (Management and Investment of Funds) Regulations the only charges that can be made to the fund is for Pensions Administration including the salaries of the Pensions Administration Team.

In accordance with paragraph 7 of this policy statement, the Pension Fund will monitor the performance of employers on an ongoing basis and report the results to the Local Pension Board. The charges detailed in sections 1 to 4 and section 7 of the above table may be made in cases of persistent underperformance and will only be invoked once all steps have been taken to resolve any issues causing an employer's under performance and with the consent of the Local Pension Board. The charges detailed in sections 5 to 6 and section 8 of the Charging Schedule of the above table will be imposed automatically.



# Pension Fund

## Communications Policy Statement



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# Introduction



This is the Communications Policy Statement of the London Borough of Redbridge Pension Fund, (the Administering Authority).

The Fund liaises with 22 employers and over 15,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

It is effective from 1 July 2016.

Any enquiries in relation to this Communications Policy Statement should be sent to:

**Maureen Jones Pensions Manager**

[maureen.jones@redbridge.gov.uk](mailto:maureen.jones@redbridge.gov.uk)

London Borough of Redbridge

Pensions Administration

255 – 259 High Road Ilford

Essex IG1 1NN

**Email:** [HRHelpdesk@HR.Direct@redbridge.gov.uk](mailto:HRHelpdesk@HR.Direct@redbridge.gov.uk) **Telephone** 020 8708 3000

# Regulatory Framework



This policy statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013 (as amended). The provision requires us to:

“...prepare, maintain and publish a written statement setting out our policy concerning communications with:

- members
- representatives of members
- prospective members; and
- scheme employers.

In addition it specifies that the statement must set out our policy on:

- 
- the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
  - the format, frequency and method of distributing such information or publicity; and
  - the promotion of the Scheme to prospective members and their employers.

# Communication with key stakeholders



## Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following key groups:

- active members
- deferred members
- pensioner members
- prospective members
- employing authorities (scheme employers and admission bodies)

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as HM Revenue and Customs, the Department of Communities and Local Government, the Pensions Regulator, solicitors, the Pensions Advisory Service, senior officers, dependants, actuaries, unions and other pension providers. This policy also covers how we communicate with this wider stakeholder group.

## How we communicate

### General communication

We will strive to 'e'-enable much of our correspondence with our members but also use more traditional methods where members do not have access to technology. We will encourage electronic communications, for example, by e-mail and will aim to respond by email. We will ensure our website is kept up-to-date and signpost this to all our members whenever we communicate with them. [www.redbridge.gov.uk/pensions](http://www.redbridge.gov.uk/pensions).

Our pension team is responsible for dealing with queries from our customers. Any phone calls or visitors are then passed to the relevant person within the section. The team can be contacted by emailing the HR Helpdesk at: [HR.Direct@redbridge.gov.uk](mailto:HR.Direct@redbridge.gov.uk).

## Accessibility

All our staff have received training on customer service and we ensure that members receive a professional and polite service when dealing with us.

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We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically.

The 'Louder than Words' (LTW) charter mark is a best practice initiative run by Action on Hearing Loss (previously RNID) for organisations who want to provide excellent services and accessibility for Deaf, deafened and hard of hearing service users and employees.

The HR Service was successfully assessed against 10 standards linked to the following areas:

- communicating well with customers and staff
- having a safe and deaf-friendly environment
- making it easy for people to contact and access the Council and HR Services

We achieved the charter mark in 2014 and were successfully re-accredited in 2015. We will always be alert to ensure we meet our member's needs, especially spending more time with those who find pensions complicated.

### Active, Deferred and Pensioner Members

Our objectives with regard to communication with members are:

- LGPS to be used as a tool in the attraction and retention of employees all
- members better informed about the benefits of the LGPS
- as a result of improved communication, for queries and complaints to be reduced to engage with and inform all our stakeholders

Our objectives will be met by providing the following general communications; ,:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Scheme booklet	Website	At major scheme	-	Active
Newsletters	Website	Annually and after any	-	Active
Pension Fund Report	Website	Annually	On Website	All
Annual Benefit Statements	Paper based	By 31 August each year	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
Factsheets	On Website	Continually available	-	Active and
Website	Electronic	Continually available	Continually	All

Pre- Retirement Courses	Face to face	As and When Required	As and When Required	Employees considering retirement within next two years
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## Explanation of communications

**On line Scheme Booklet** - A booklet providing an overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

**Pension Fund Report and Accounts** – Provides a review of the administration of the Pension Scheme and details of the investments of the Pension Fund at the end of the financial year. This report also includes the Pension Fund's Statement of Accounts, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement. This is a detailed and lengthy document and is available to download from the Council's website.

**Annual Benefit Statements** – For active members these include the current value of benefits. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the deferred benefits as well as the associated death benefits.

**Factsheets** - These are topic specific leaflets

**Website** - provision of scheme specific information, forms that can be printed or downloaded, access to documents, links to related sites and contact information.

**Pre-Retirement Courses** - Planning for the Future

A one-day workshop providing an opportunity for employees who are considering retiring within the next two years to plan and reflect on the lifestyle choices they have. The aim is to raise awareness of financial issues and offer handy tips on planning for retirement.

### Promotion of the scheme to prospective members and their Employing Authorities

Our communications objectives with prospective members are:

- raising awareness of the LGPS
- LGPS to be used as a tool in the attraction of employees

We will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Scheme booklet	On Website	On commencing	On-Line	New employees



## Explanation of communications

**On line Scheme booklet** - A booklet providing an overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

## Communicating with Employing Authorities

Our communications objectives with employers are to: improve

- relationships
- assist them in understanding costs/funding issues and understanding their obligations
- work together to maintain accurate data ensure smooth transfers of staff
- ensure they understand the benefits of being an LGPS employer
- assist them in making the most of the discretionary areas within the LGPS

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Pension Fund Report and	Website	Annually	Electronically	Main contact for all employers
Employer	Website / email	As and when required, but at	Electronically	Main contact for all employers
Meeting with Pensions Team Leader	Face to face	6 Monthly	Invitation sent by post or email	Senior management involved in funding and HR issues.
Induction Meeting for New Employers	Face to Face	Within 2 Months of Signing the Admissions Agreement	Invitation sent by Email	Responsible Officers for providing Pensions
Service Level Agreement	Electronic Document	Monitored Quarterly for any Breaches	By Email	Responsible Officers for Providing Pensions

# Explanation of communications

**Employer Communication** - to consult on the Funding Strategy Statement.

**Pension Fund Report and Accounts** - Provides a review of the administration of the Pension Scheme and details of the investments of the Pension Fund at the end of the financial year. This report also includes the Pension Fund's Statement of Accounts, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement. This is a detailed and lengthy document and is available to download from the Council's website.

**Induction Meeting** - To take the new Employer through the Welcome Pack and ensure they are clear about roles and responsibilities.

### Communication with senior managers

Our communications objectives with senior managers are to:

- ensure they are fully aware of developments within the LGPS ensure that they understand costs/funding issues
- promote the benefits of the scheme as a recruitment/retention tool

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Briefing papers that highlight key issues or developments relating to the LGPS and the Fund.	electronic	As and when required	Email or hard copy	All

### Communication with union representatives

Our communication objectives with union representatives are to:

- ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- engage in discussions over the future of the scheme
- provide opportunities to educate union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
ICC Meetings	Face to face	As Required	-	All

### Communication with elected members/ the Pensions Fund Committee/ the Local Pensions Board

Our communications objectives with elected members/the Pensions Board are to ensure they

- are aware of their responsibilities in relation to the scheme

- 
- seek their approval to the development or amendment of discretionary policies, where required
  - seek their approval to formal responses to government consultation in relation to the administration of the scheme

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Briefing papers	electronic	As and when required	Email	Any members as
Scheme and investment updates/training sessions	Paper based and electronic	As and when required	Email, hardcopy report or presentation	All members of the Pensions Fund Committee
Pension Fund Committee meetings	Meeting	Quarterly	-	All members of the Pensions Fund Committee
Pension Board meetings	Meeting	Quarterly	-	All members of the Pension Board
Pension Fund Annual Report and Accounts	Electronically	Annually	Electronically	All members of the Pensions Fund Committee, Local Pension Board

### Explanation of communications

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Scheme and investment updates/training sessions – providing a broad overview of the main provisions of the LGPS, and elected members responsibilities within it.

Pension Fund Committee meetings – a formal meeting of elected members, attended by senior managers, at which Members review the performance of the Fund and its various Fund Managers. Members meet with the Fund Managers periodically and have the opportunity to discuss the Fund Managers' investment decisions and strategy.

### Pension Board Meetings

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 require Pension Boards to be established for the public service pension schemes.

These are initially the schemes for civil servants, armed forces, health service workers, teachers, judiciary, police, firefighters and local government workers. In due course it may also include some public body schemes.

The role of each Board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension Boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Scheme regulations (or scheme-specific guidance) may provide further detail on the scope.

Pension Fund Report and Accounts – Provides a review of the administration of the Pension Scheme and details of the investments of the Pension Fund at the end of the financial year. This report also includes the Pension Fund's Statement of Accounts, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement. This is a detailed and lengthy document and is available to download from the Council's website.

#### Communication with the Pensions Administration Team

Our communications objectives with the Pension Administration Team are to:

- ensure they are aware of changes and proposed changes to the scheme provide on the job training to new staff
- develop improvements to services, and changes to processes as required agree and
- monitor service standards

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Provision of direct	Face to face	As and When required	By arrangement	All
Team meetings	Face to face	Minimum of 1 every	By arrangement	All
Attendance at seminars to enhance knowledge on more	Externally provided	As and when advertised and	By email, paper based	All

#### Policy on communication with tax payers

Our communications objectives with the Redbridge Community are to:

- provide access to key information in relation to the management of the scheme outline the management of the scheme
- Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Pension Fund Report and Accounts	Redbridge and on Pension Fund website	Annually	Electronically	All

Public Committee	Redbridge	As and when available	Electronically	All
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### Explanation of communications

Pension Fund Report and Accounts – Provides a review of the administration of the Pension Scheme and details of the investments of the Pension Fund at the end of the financial year. This report also includes the Pension Fund's Statement of Accounts, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement. This is a detailed and lengthy document and is available to download from the Council's website.

Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

### Communication with other stakeholders/interested parties

Our communications objectives with other stakeholders/interested parties are to:

- meet our obligations under various legislative requirements
- ensure the proper administration of the scheme
- deal with the resolution of pension disputes administer the AVC scheme

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
<ul style="list-style-type: none"> <li>• Pension Fund evaluation reports</li> <li>• R&amp;A certificates</li> <li>Revised R&amp;A certificates</li> <li>Cessation valuations</li> </ul>	Electronic	Every three years	Via email	The Department for Communities and Local Government  (CLG)/National Scheme Advisory Board/  Her Majesty's Revenue and Customs (HMRC)/ all scheme employers
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	DCLG
Formal resolution of pension disputes	Hard copy or electronic	As and when a requires resolution	Via email or post	Scheme member or their representatives, the Pensions



				Advisory Service/ the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	DCLG/HMRC/ the Pensions Regulator

### Explanation of communications

Pension Fund Valuation Reports – a report issued every three years by the Fund's actuary setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date.

Details of new employers – a legal requirement to notify DCLG of the name and type of employer entered into the Fund (e.g. following the admission of third party service providers into the scheme)

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

Completion of questionnaires – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the makeup of the Fund.

## Levels of Performance and Measurement



To measure the success of our communications with active, deferred and pensioner members, we will monitor the following areas of performance.

Audience	Communication	Statutory delivery period	Target delivery period
New Member	Sending out confirmation that they have been admitted to the pension scheme	-	Within 20 working days of the end of the month the employee joined or the date of notification by the Employer, whichever is later.
Active and Deferred	Annual Benefit Statements	By 31 August each year	Annually in accordance with legislation.
Active and deferred members retiring	Issue of retirement benefits	Within two months of retirement	Within 30 days of the member having retired from the scheme or notification by the Employer and receipt of the appropriate forms from the Member, whichever is the later.

Active and Deferred Members	Sending out a statutory notification following a change to pensionable status	-	Within 20 Working Days of the end of the month in which the change takes effect or notification by the Employer, whichever is the later.
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#### Reporting Performance Information

Details of our performance will be reported to our Employment Experience Management Team and the Local Pensions Board regularly throughout the year.

## Review Process



This Communication Policy will be reviewed to ensure it meets audience needs and regulatory requirements every two years. A current version of the Policy will always be available on our website at [www.redbridge.gov.uk/pensions](http://www.redbridge.gov.uk/pensions)



# London Borough of Redbridge Pension Fund

## Governance Compliance Statement

## Introduction

This is the Governance Compliance Statement of the London Borough of Redbridge Pension Fund, which is administered by the London Borough of Redbridge as the Administering Authority (the Authority). The purpose of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders. It sets out the way that the Council, as an Administering Authority maintains and manages its pension fund function in accordance with regulatory requirements.

## Regulatory Framework

The Local Government Pension Scheme Regulations 1997 required Local Government Pension Scheme (LGPS) Administering Authorities to publish details of their governance and stewardship arrangements by 1 April 2006. On 30 June 2007, the 1997 regulations were further amended to require Administering Authorities to prepare, maintain and publish a statement detailing the extent of compliance against a set of principles set as detailed in the draft guidance from the Ministry of Housing, Communities and Local Government (MHCLG). Where an authority does not comply with these principles, they are required to state the reason for not doing so. The Authority's statement is attached at Annex 1.

The Governance Compliance Statement is required by the provisions of Regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (the regulations).

### (1) The Authority must

- Keep the statement under review;
- Make such revisions as are appropriate following a material change in respect of any of the matters mentioned in paragraph 2 and
- if revisions are made
- publish the statement as revised, and;
- send a copy to the Secretary of State.

### (2) The matters are

- Whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee, or an officer of the authority;
- If it does so:
- The terms, structure and operational procedures of the delegation;
- The frequency of any committee or sub-committee meetings;
- Whether such a committee or sub-committee includes representatives of employing authorities, including authorities which are not scheme employers, or members, and, if so, whether those representatives have voting rights.

(c) The extent to which a delegation, or the absence of a delegation, complies with the guidance given by the Secretary of State, and, to the extent it does not so comply, the reasons for not complying.

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(3) *In reviewing and making revisions to the statement, the authority must consult with such persons, as it considers appropriate.*

# Governance Compliance Statement

## Constitution

The Constitution of the London Borough of Redbridge sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The law stipulates some of these processes, while others are a matter for the Council to choose.

The Constitution sets out the framework under which the Pension Fund is to be administered. The Pension Fund Committee undertakes the management of the Pension Fund in accordance with the Committee's Terms of Reference.

The Constitution and the more detailed procedures and delegations relating to the responsibilities and operation of the Council's functions include the arrangements for the management and administration of the Council's Pension Fund. A copy of the Constitution can be obtained from the Council's website [www.redbridge.gov.uk](http://www.redbridge.gov.uk), local libraries or by writing to the Council at the address shown on page 5.

## Management Arrangements

**Scheme Administration** – The Revenues and Benefits Service Area is responsible for the day-to-day administration of the Pension Fund. Responsibilities include membership arrangements, the calculation of benefits, and the maintenance of records for scheme members and employers. These functions are carried out in accordance with the pension regulations and Council policies. The Assistant Director of Revenues, Benefits and Transactional Centre meets with the Corporate Director of Resources to report on pension scheme administration matters.

**Scheme Management and Investments** – in accordance with the Council's Constitution the responsibility for the management and investment of the Pension Fund is delegated to the Pension Fund Committee. The Pension Fund Committee has recommended that the management of the Fund's assets be delegated to specialist investment management firms on a discretionary basis. Investment managers are appointed in accordance with the pension regulations and the Council's Standing Orders. Each investment manager is required to carry out its investment activities within the appropriate regulatory requirements and as set out in the manager's Investment Management Agreement and the Fund's Investment Strategy Statement.

Although the management of the Fund's assets have been delegated to investment managers, the Pension Fund Committee has the ultimate responsibility for the investment strategy.

Performance and management activities are monitored by the Corporate Director of Resources and reported to the Pension Fund Committee on a quarterly basis.

**Scheme Discretions** – The Council has an agreed policy on the exercise of discretions available to it under the regulations. Discretions are considered and awarded on a case-by-case basis within the policies agreed. The Discretionary Payments Panel has been established to

consider the award of discretionary benefits and, must have regard to the advice of the Corporate Director of Resources, and the Operational Director of Assurance. Except where the discretionary payment is in respect of a Director or Chief/Head of Service.

Where appropriate the award of discretionary benefits is referred to the Council's Appointments Committee.

Each employer body participating in the Pension Fund is required to have a policy on the exercise of discretions and are responsible for the financial implications of awarding discretionary benefits.

**Financial Standing Orders** - Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure one of its officers has responsibility for this. In Redbridge the responsible officer is the Corporate Director of Resources. These standing orders set out the regulatory framework for financial administration within the Council setting out the duties of the Corporate Director of Resources and Directors and identifying the financial decisions which require Executive or Council approval.

The Corporate Director of Resources is responsible for ensuring that the Council's financial affairs are administered in a proper manner, in accordance with all statutory obligations, and in compliance with all professional codes of practice.

There are a number of standing orders in relation to the Pension Fund including the need for a triennial actuarial valuation.

Standing orders are reviewed as required by Legal Services.

**Annual Report and Accounts** - The Corporate Director of Resources is responsible for ensuring record keeping and accounts are maintained in a proper manner for 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 Fund Committee and the Governance and Assurance Committee and is incorporated in the Statement of Accounts for the Council.

**Pension Fund** – The Council has set up the Pension Fund Committee to oversee the management of the Fund's investments. The Committee consists of five local Councillors who are appointed by the Council on an annual basis. All Members have full voting rights. The Corporate Director of Resources provides advice to Members of the Pension Fund Committee. In addition, advice is also provided by a number of pensions professional which includes the Fund's Actuary, an Independent Investment Adviser and Northern Trust who provide performance measurement services.

Councillors, who are members of the pension scheme, may sit as a Member of the Committee. There are no representatives from scheme employer bodies or employee members on the Committee.

**Meetings** - The dates of meetings of the Pension Fund Committee are fixed in accordance with the constitution. The Committee meet a minimum of four times a year. The quarterly meetings are generally held at the offices of the Investment Managers. Extraordinary meetings are held when necessary. Whilst all meetings are open to the public, the discussion of some investment and fund management business is categorised as exempt from public disclosure under Part 3 of Part 1 of Schedule 12A to the Local Government Act 1972. On these occasions the public are excluded from the meeting whilst these matters are considered.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Ilford Town Hall 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.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting.

#### *Training and Development –*

One of the requirements of CIPFA's Principles for Investment Decision Making is that all Members of the Pension Fund Committee have sufficient knowledge to make investment decisions and challenge the advice that they are given. This requires the Pension Fund Committee to have gained a familiarity with pension issues through a programme of training and development.

The Pension Fund Committee receives training and development in accordance with the training programme which is set out in the Committee's Business Plan. Training is commissioned from a variety of sources such as:

- External courses
- Training courses delivered by Investment Consultants
- Training courses sponsored by the Investment Managers
- Training included as part of the service received from the Performance Measurement provider and Actuary
- National conferences

## **Public Policy Statements**

In addition to the Governance Compliance Statement, the regulations require the Authority publish a number of policy statements relating to pension fund and administrative issues, these are:

- An Investment Strategy Statement;
- A Funding Strategy Statement;



- A Communication Policy Statement; and
- The Exercise of Discretions under the Local Government Pension Scheme regulations.

Copies of these are available from the Council's web site [www.redbridge.gov.uk](http://www.redbridge.gov.uk) or via the contact points detailed below.

## Contact Points

Any enquiries in relation to this Governance Compliance Statement should be sent to the Corporate Director of Resources.

By email to [corporate.accounting@redbridge.gov.uk](mailto:corporate.accounting@redbridge.gov.uk)

By telephone to 020 8708 3030, or

In writing to: Corporate Accounting, Lynton House, 255 – 259 High Road, Ilford, Essex, IG1 1NN

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## GOVERNANCE COMPLIANCE STATEMENT – INVESTMENT STRATEGY STATEMENT

The principles set out in this statement are based on the governance compliance statutory guidance published by the MHCLG. This guidance was issued to all administering authorities in England and Wales with statutory responsibilities under the LGPS Regulations. It deals with the compliance standards against which LGPS Committees are to measure themselves. Where compliance does not meet the published standard, there is a requirement under regulations to provide in the governance compliance statement the reasons for not complying.

### Principle A: Structure

(a) *The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing council.*

**Compliant** - *The responsibility for the management and investment of the Pension Fund is delegated to the Pension Fund Committee.*

(b) *The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.*

**Not compliant** - *There are currently no representative arrangements for employers or scheme members of the Fund under the current constitution.*

(c) *That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.*

**Not Compliant** - *Not applicable as no secondary committee has been established.*

(d) *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.*

**Not Compliant** - *Not applicable as no secondary committee has been established.*

---

## Principle B: Representation

- That all key stakeholders are afforded the opportunity to be represented with the main or secondary committee structure. These include: -
  - Employing authorities (including non-scheme employers, e.g., admitted bodies);
  - Scheme members (including deferred and pensioner scheme members);
  - Where appropriate independent professional observers, and
  - Expert advisers (on an ad-hoc basis)

**Partial compliance** - Under the current constitutional arrangements of the Authority, there are no representation arrangements for employers or scheme members of the Fund. The Corporate Director of Resources and other pension professionals that attend meetings provide advice as required.

(b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.

**Compliant** - Minutes from the meetings are published in the intranet and are therefore accessible by interested parties. Scheme employers are consulted on occasions concerning some specific policy statements, such as the Funding Strategy Statement. There are no lay members on the Pension Fund Committee.

## Principle C: Selection and role of lay members

(a) That committee or panel 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 on the Pension Fund Committee are fully aware of their role on the Committee.

(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda

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**Compliant** – In accordance with the Council's Constitution, Members of the Pension Fund Committee are required to declare any interest relating to the pension fund at the start of each meeting that is then duly noted in the minutes of the meeting.

#### **Principle D: Voting**

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees

**Compliant** - All Members of the Pension Fund Committee have full voting rights.

#### **Principle E: Training**

• 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** - The Pension Fund Committee receive training and development in conjunction with each of the key tasks as set out in the annual Business Plan. Training sessions are generally provided by the Investment Managers immediately after Committee meetings. Additional training is commissioned as and when required and is sourced from:

- External courses
- Training courses delivered by Investment Consultants
- Training courses sponsored by the Investment Managers
- Training included as part of the service received from the Performance Measurement provider and Actuary
- National conferences

Training and development is a legitimate expense that is chargeable to the Pension Fund.

• That where such a policy exists, it applies equally to all members of committees, advisory panels or any other form of secondary forum.

**Compliant** - All members of the Pension Fund Committee have equal access to training.

(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

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**Compliant** – Pension Fund training is continually reviewed and a programme is prepared and agreed as part of the annual business plan.

#### Principle F: Meetings

- That an administering authority's main committee or committees meet at least quarterly.

**Compliant** - The Pension Fund Committee hold a minimum of four quarterly meetings. Additional extraordinary meetings may be held where necessary.

- 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.

**Not Compliant** - Not applicable as there is no secondary committee.

- That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

**Partial Compliance** - Although there is no forum provided under the current governance arrangements, scheme employers have been consulted with regards to specific policy statements.

#### Principle G: Access

That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

**Compliant** - All Members of the Pension Fund Committee have equal access to committee papers and documents. Committee papers are also published on the intranet and are therefore accessible to all interested parties.

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#### Principle H: Scope

*That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.*

**Partial Compliance** - The publication of the Pension Fund Annual Report that is presented to the Pension Fund Committee incorporates the wider scheme issues. The Corporate Director of Resources provides a quarterly update to Members of developments affecting the Pension Fund.

#### Principle I: Publicity

*That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.*

**Partial Compliance** - The Pension Fund Governance Compliance Statement is published on the Council's website. Scheme members and employers are made aware of the governance compliance statement via the Pension Fund's Annual Report. The Council is seeking to identify further ways of consulting with other employers within the scheme.

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# LONDON BOROUGH OF REDBRIDGE

## PENSION FUND

## INVESTMENT STRATEGY STATEMENT



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If you have any queries please contact Jan Grant in the first instance at [corporate.accounting@redbridge.gov.uk](mailto:corporate.accounting@redbridge.gov.uk) or 020 8708 3030 or by writing to her at:

Lynton House

255 / 259 High Road

Ilford

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## London Borough of Redbridge Pension Fund (“the Fund”)

### 1. INTRODUCTION

The Local Government Pension Scheme (LGPS) was established in accordance with statute to provide death and retirement benefits for all eligible employees and their dependents. Eligible employees are mainly local government staff, except teachers who have separate pension arrangements, and a number of other bodies as permitted by Local Government Pension Scheme Regulations 2013 (and amendments thereto).

The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not immediately needed to pay benefits. The London Borough of Redbridge (“the Council”) is a designated administering authority. The governance arrangements for the Redbridge Pension Fund are set out in Appendix 1.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) (and as amended) 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.

The Fund’s investment objective is to minimise the long-term cost of funding commensurate with an appropriate level of risk and volatility. This objective will be achieved through the formulation of an appropriate investment strategy that takes into account the assumptions made within the actuarial valuation, which are linked to the liabilities of the Fund. The investment strategy seeks to achieve a real return of at least 3.5% per annum above long-term Government bond yields, sub-divided between bond and equity type assets. Further details of the structure of the investment portfolio are set out in Section 2.

The strategic asset allocation of the Fund is currently broadly split 80% equity type investment (includes property) and 20% bonds although during periods of market volatility this may vary. External fund managers have been appointed to manage the Fund’s investments and each manager has a clear investment objective. The Fund invests in a wide range of assets with its fund managers in order to provide diversification and to spread the risk. Within Section 2 are details of the risks associated with the Fund and the measures in place to minimize these risks.

The Fund considers that collaborative working and the pooling of assets has the potential to provide services possibly at a lower cost. The Fund has therefore taken the opportunity to use framework agreements to procure advisory services when contracts are due for renewal. The Fund also seeks to pool its investments using the London Collective Investment Vehicle as opportunities arise. Further details on the pooling of investments are set out in Section 3.

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As a Public Sector scheme, the Local Government Pension Scheme is frequently scrutinised on its investment decision processes. In response to a review by the Department of Communities and Local Government six principles, as a measure of best practice were proposed. The Fund's compliance with these principles is set out at Appendix 2.

This Investment Strategy Statement has been prepared in collaboration with the Fund's advisers. It is a living document which means that it is subject to revision as the investment markets change. It is also an important tool for the Fund as well as providing transparency in relation to how the Fund's investments are managed.

The Pension Fund Committee ("the Committee") reviews the Fund's compliance with the Investment Strategy Statement at least triennially or more frequently should any significant change occur.

## **2. INVESTMENT STRATEGY AND THE PROCESS FOR ENSURING SUITABILITY OF INVESTMENTS**

The Fund's primary investment aim is to ensure that over the long term the Fund will have sufficient assets to meet pension liabilities as they are due.

The power and duties of the Administering Authority to invest Fund monies are set out in Regulations. The Fund is required to invest any monies which are not immediately required to pay pensions and any other benefits and, in so doing, take account of the need for a suitable diversified portfolio of investments and the advice of persons properly qualified on investment matters. During periods of market volatility, the Council, as Administering Authority, may retain any surplus cash balance to invest in the money market in accordance with the Council's Treasury Management Strategy.

The Fund seeks to achieve this investment objective through the formulation of an appropriate investment strategy that:

- Maximises the return on investments whilst maintaining acceptable levels of risk.
- Recognises the short-term volatility that can occur within the stock-markets with diversification across different asset classes.
- Recognises the assumptions made within the actuarial valuation that links to the liabilities of the Fund.
- Enable employer contribution rates to be kept as affordable and as stable as possible.

In broad terms, investments may be made in accordance with the regulations in equities, fixed interest and other bonds, and property, in both the UK and overseas markets and in accordance with the investment managers' agreements. The Fund has decided to access these types of investments via Pooled Unit Trusts. It is considered that with the size of the Fund in mind, investment in these vehicles leads to lower volatility of returns and a wider spread of investments than would be possible, in some cases, from direct investments in these sectors albeit the Fund will consider other vehicles or ways of accessing investments through Pooling as these become available. The Fund, however, does maintain a policy that applies a restriction as to the maximum percentage to which the Fund can invest as shown in the table below:

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LIMIT	RESTRICTION
5%	Investment in entities connected with the Council
10%	Cash Deposit with the Local Authority
10%	Direct investment in any one company or entity
40%	In any single Pooled Unit Trust

### **Asset Allocation**

The Fund's asset strategy, along with an overview of the role each asset plays is set out in the table overleaf:

Asset Class	Manager	Allocation %	Allowable Ranges %	Role(s) within the Strategy
Global Equities	LCIV – Legal & General	15	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To achieve a return in-line with the various market indices
Global Equities – Low Carbon Fund	LCIV – Legal & General	15	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To achieve a return in-line with the market indices
Global Equities	LCIV - Baillie Gifford	15	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To outperform the MSCI AC World Index by 3%
Diversified Growth Fund	LCIV – Baillie Gifford	10	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements with lower volatility than the Fund's equity investment. To provide diversification by allowing the Fund to access a range of underlying asset classes to achieve a return of 3 ½% above one-month LIBOR (London Inter-Bank Offer Rate)
Index-linked Gilts	LCIV – Legal & General	10	+/- 5	To reduce volatility of the Fund's funding level and to provide protection against inflation increases.
Infrastructure	LCIV _ Stepstone	10	+/- 5	To provide diversification and to achieve a net return of between 8% and 10%
Real Estate Long Income	LCIV- Aviva	10	+/- 5	To reduce volatility of the Fund's funding level and to provide protection against inflation increases.
Emerging Markets Equities	Schroders	5	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To outperform the MSCI Emerging Market Index by 3%
Property	Schroders	10	+/- 5	To provide diversification and access to alternative drivers of return by investing in a diverse property portfolio. To outperform the relevant benchmark by 1%

The Fund's investments are currently held in pooled units as opposed to holding direct shares in individual companies. The investments with both Baillie Gifford, Stepstone, Aviva and Legal & General are managed through the LCIV as the Fund seeks to pool its investments in accordance with Government requirements. Further details concerning the pooling arrangements are set out in Section 3.

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Performance targets are set in relation to the benchmark and (where appropriate weighted indices specified). The investment managers' performance data is provided over a range of periods, including quarterly, annually and triennially by the fund's custodian, Northern Trust. The Committee reviews the performance of the Fund and its Fund Managers at quarterly meetings against the respective benchmarks. The objectives set for the Fund Managers are primarily over a rolling three-year periods.

### **3. RISK MEASUREMENT AND MANAGEMENT**

As mentioned previously in Section 2, the gradual reduction of the funding deficit is a core objective of the Committee. The funding deficit is calculated by the Fund's Actuary and is influenced by both assets and liabilities. The funding position has implications for the setting of contribution rates for the various employers in the Fund.

The Fund is exposed to a number of risks that pose a threat to meeting the core objective, which includes funding risks, assets risks and operational risks. Details of these risks are set out in the Risk Register which is attached at Appendix 3.

Regarding the risks from the investments, the Committee has agreed an investment strategy that seeks to maintain an asset allocation that provides diversification, thereby spreading the risk whilst seeking to reduce the deficit over a period of time. The expectation is that this will offer protection through periods of market volatility where some assets will preserve capital better than others or in rising markets where some assets will perform better than others. Additional diversification is achieved by employing more than one investment manager.

The investment strategy incorporates flexibility of up to +/- 5% of the strategic asset allocation per mandate, to reflect normal market volatility. However when market conditions are highly volatile, the rebalancing of the Fund in-line with the strategy may be suspended to avoid exposure to greater risk from market conditions.

The Investment Advisers, whilst constructing their review of the Investment Strategy, consider how the portfolio would perform in different situations and the possible outcomes. This then helps format the strategy to incorporate constraints on the maximum exposure to a specific asset class, sector, region or country. The equity market is invariably volatile and therefore the monitoring of the performance of the Fund and its Fund Managers is more focused towards the longer term than the short-term performance.

The Committee pays close attention to the risks that may arise through a mismatch between the Fund's assets and its liabilities as well as the risks that may arise from a lack of diversification of investments. For the time being, the Fund's long-term asset allocation will follow the benchmarks as previous specified and an equity-biased approach will be maintained. A higher weighting in the equity pooled unit trusts is held in the expectation that superior returns will be achieved in the long term. This reflects the need to keep the Council's cost of the Fund at reasonable levels, even at the risk of possible adverse and volatile returns in the shorter term.

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The Committee has acknowledged that there is a risk to the Fund's investments from Climate Change and therefore has reduced its exposure to this risk within the equity portfolio by investing in a low carbon fund. It is expected that this fund will provide superior returns over the long term in the same way as the other equity pooled unit trusts, but with less risk from climate change.

In accordance with Regulations, a Local Pension Board was formed that consists of an independent Chair, two Representatives for the Employers in the Fund and two Representatives for the Members of the Fund. The role of the Local Pension Board is to secure compliance with the LGPS Regulations and to ensure good governance and administration of the Fund.



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#### 4. APPROACH TO ASSET POOLING

The Fund has been a supporter of the pooling of assets with London Collective Investment Vehicle (LCIV) since it was created in 2013 and contributed to the funding of set-up costs. In 2014 the Fund became a shareholder of the LCIV. Following the launch of funds under management by the LCIV, the Fund has invested 15% of the portfolio into the Alpha Growth Global Equity Fund managed by Baillie Gifford and 10% of the portfolio into the Diversified Growth Fund also managed by Baillie Gifford. The investment strategy has also allocated a further 10% of the Fund to be invested via the LCIV into the Infrastructure Fund managed by Stepstone.

In addition, as the LCIV has an arrangement with Legal & General Investment Management Ltd (LGIM) the Fund also invests 30% of the portfolio in three index-tracking equity pooled units as well as 10% in an Index-Linked Gilts pooled units fund with LGIM. This means that 75% of the Fund is currently invested via the LCIV.

The Fund has made a commitment to invest into the Real Estate Long Income Fund through the LCIV. This will be funded by the transfer of assets from the bond mandate currently with Aberdeen Standard. Once this investment has been drawn-down, the Fund will be 85% funded via the LCIV.

The Fund regularly monitors the performance of underlying holdings at Committee meetings and also has regular meetings with the LCIV to ensure it is undertaking its duties as appointed.

In due course the LCIV expects to launch further products, including property that will offer greater diversification. As these new options become available the Fund will consider these as part of its investment strategy, considering the cost savings available and the alignment of these options with the Fund's strategy.

The Fund does not currently hold any assets that it expects will not be suitable for pooling over time via the LCIV. This position will be reviewed at least every three years, with a report to be submitted to the Scheme Advisory Board on an annual basis providing an update on the progress of asset transfers to the LCIV.

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## 5. SOCIAL, ENVIRONMENTAL AND CORPORATE GOVERNANCE POLICY

The Regulations require the Pension Fund to state its policy on the extent (if at all) to which social, environmental or ethical consideration are taken into account in the selection, retention and realisation of investments.

The Committee has considered socially responsible investment in the context of its legal and fiduciary duties, and the obligations that these place upon it. The Committee takes the view that non-financial factors should not drive the investment process at the cost of financial return on the Fund. Therefore, the Committee holds a policy of non-interference with the day-to-day decision making of the investment managers.

However, 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.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund holds the majority of its investments) to undertake appropriate monitoring of current investments with regards to their policies and practices on all issues which may 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 manager to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

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. As part of a review of the Investment Strategy, the Committee approved the switch of 50% of the index-tracking equity portfolio into a Low Carbon Fund as the Committee seeks to reduce the carbon footprint of the Fund without reducing the return on our investments.

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.

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## 6. POLICY OF THE EXERCISE OF RIGHTS ATTACHING TO INVESTMENTS

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 interest of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercise 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.

Following a review of the Investment Managers' voting policies the Committee agreed that voting on both UK and Overseas holdings should be undertaken by the Investment Managers in accordance with their voting policies since the Fund's investments are made through pooled vehicles.

The Fund's investments through the LCIV are covered by the Responsible Investment Policy. Voting is delegated to the external managers and monitored on a quarterly basis. The LCIV will arrange for managers to vote in accordance with the voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) 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.

The Investment Managers provide quarterly reports that provide details of the voting activity together with details of the meetings held with companies as part of their engagement process.

The policies adopted by Legal & General are published on their website at [https://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](https://documentlibrary.lgim.com/documentlibrary/library_55458.html)

Details of Schroders policies on responsible investing can be viewed at <http://www.schroders.com/en/about-us/corporate-responsibility/>

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. The Fund through its participation in the LCIV 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 they invest.

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The Fund is a member of the LAPFF which was set up in 1991 to promote the investment interests of local authority pension funds. LAPFF seeks to maximise the influence of the local authorities as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

The Fund is also a member of the Pensions & Lifetime Savings Association (PLSA). The PLSA provide its members with examples of good stewardship practice and recommendations for key voting at the Annual General Meetings of their investee companies.

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## 7. ADVICE TAKEN

The Fund has appointed Investment Advisers, Mercer Ltd, to provide guidance and advice to the Committee and Officers. In 2018/19 Mercers were commissioned to undertake a review of the Fund's Investment Strategy and their recommendations have been implemented as investment opportunities have arisen. Mercers will continue to monitor the investment strategy with Officers and the Committee to ensure that it continues to meet the Fund's objectives.

The Fund has also appointed Hymans Robertson as the Fund's Actuary to provide guidance and advice to the Committee and Officers. Hymans Robertson provides calculations on the funding position and contribution requirements of the Fund which influences the decisions regarding the investment strategy.

The Fund has appointed Northern Trust as Performance Monitoring Advisers to provide performance statistics on the Fund and its various fund managers. The results of the analysis are reported to the Committee at their quarterly meeting.

The Chartered Institute of Public Finance and Accountancy ("CIPFA") also provides guidance to the Council on a range of matters including pensions to assist in complying with the LGPS Regulations.

## **ROLES AND RESPONSIBILITIES**

### **Pension Fund Committee**

The Committee consists of five local Councillors who are appointed by Council annually. The Council is responsible for the overall investment policy, strategy and operation of the Fund and its performance, including taking into account the profile of the Fund's liabilities. The Committee meets at least four times per annum.

#### **Advice**

The Committee obtains and considers advice from the Council's Corporate Director of Resources and from the Fund's Actuary, Investment Managers and independent Investment consultants are required.

#### **Management**

The management of the Pension Fund's investments has been delegated to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

### **Local Pension Board**

The Public Services Pension Act 2013 outlined governance structures for public sector pension schemes, which included the requirement for the Council to establish a Local Pension Board by the 1 April 2015.

The role of the Pension Board covers all aspects of governance and administration of the LGPS, including funding and investments. The Pension Board does not make decisions or carry out duties that are the responsibility of the Administering Authority and those of the Pension Fund Committee.

The Pension Board comprises of two employer representatives, two scheme member representatives and one independent member. No officer or elected member of the Council who is responsible for the discharge of any function under the pension regulations, apart from those of the Local Pension Board and the national Scheme Advisory Board, may be a member of this Council's Local Pension Board.

The Pension Board meets four times a year.

## MYNERS PRINCIPLES OF INVESTMENT PRACTICE

	Description of Principle	Redbridge Position	Further Development Opportunity
1	<p><b>Effective Decision Making</b></p> <p>Administering Authorities should ensure that decisions are taken by persons or organisations with skills, knowledge, advice and resources necessary to take them effectively and monitor their implications</p>	<p><b>Compliant</b></p> <p>Elected members have a fiduciary duty to the Fund, scheme members and local council tax payers in relation to the LGPS. Functions can be delegated to officers but they retain overall responsibility for the management of the fund and its investment strategy and the individual decisions about investments.</p> <p>Under the Council's Constitution investment functions for the Pension Fund has been delegated to the Pension Fund Committee. This Committee act as "quasi trustees". The Committee comprises of five experienced Councillors who are advised by the Corporate Director of Resources.</p> <p>The Fund's Actuary and Investment Adviser also provide advice to the Committee. Training is provided as required on a range of topics to ensure that the Committee members can make informed decisions and to be able to challenge the advice being provided.</p>	<p>Members and Officers have developed a training programme as part of the business plan which seeks to increase the knowledge and skills of all those responsible for pension matters.</p>

	<b>Description of Principle</b>	<b>Redbridge Position</b>	<b>Further Development Opportunity</b>
<b>2</b>	<p><b>Clear Objectives</b></p> <p>An overall investment objective(s) should set out for the scheme that takes account of the scheme's liabilities, the potential impact on local tax-payers, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</p>	<p><b>Compliant</b></p> <p>The Committee receives presentations from the Fund's Actuary on the funding position and changes affecting the Fund's liabilities.</p> <p>The Committee also receives quarterly reports on the performance of the Fund against their respective benchmarks.</p> <p>The Fund's Advisers periodically provide reports to the Committee reviewing the investment strategy to ensure that the strategy continues to achieve the Fund's objectives as well as providing advice on changes to the mix of asset classes.</p>	
<b>3</b>	<p><b>Risks and Liabilities</b></p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax-payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p><b>Compliant</b></p> <p>The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund.</p> <p>The Committee reviews the investment strategy in consultation with the Fund's Actuary, to ensure that the strategy reflects the profile of the Fund's</p>	



	Description of Principle	Redbridge Position	Further Development Opportunity
		<p>liabilities whilst seeking to achieve stable contribution rates for the various participating employers.</p> <p>New Admission Agreements are not granted without the presence of a suitable guarantor.</p>	
4	<p><b>Performance Assessment</b></p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</p> <p>Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<p><b>Compliant</b></p> <p>Periodically reviews are undertaken to determine whether the recommendations of the advisers in respect of the investment strategy have added value to the Fund.</p> <p>The investment advisory contract is periodically reviewed and in 2013 the Fund signed up to the National Framework for Investment Advisory Services to ensure value for money in respect of its contracts.</p> <p>The contract for Actuarial services is subject to a separate tender process through the National Framework Agreement.</p> <p>The performance of the Investment Managers and assets held are monitored on a quarterly basis but with the emphasis is on the long-term investment objective as opposed to short-term market volatility.</p>	<p>Development in line with changes in legislation concerning the governance of pension schemes. These changes seek to strengthen monitoring, decision-making and performance.</p>

	Description of Principle	Redbridge Position	Further Development Opportunity
		<p>A review of the effectiveness of the investment strategy is undertaken as part of the Annual Business Plan to ensure that the strategy continues to meet the Fund's objectives.</p> <p>An Annual Report together with an Annual Review along with other publications provide details to scheme members and employers of the activities of the Pension Fund and the Committee along with the decisions that have been taken throughout the year.</p>	
5	<p><b>Responsible Ownership</b></p> <p>Administering Authorities should:</p> <ul style="list-style-type: none"> <li>• Adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles on the responsibility of shareholders and agents</li> <li>• Include a statement of their policy on responsible ownership should be included in the Statement of Investment Principles</li> </ul>	<p><b>Compliant</b></p> <p>The Committee encourage, rather than insist that the investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles. The Fund Managers, including the LCIV have clear policies with regards to corporate governance which have been reviewed and considered appropriate for the Redbridge Fund.</p>	

	Description of Principle	Redbridge Position	Further Development Opportunity
	<ul style="list-style-type: none"> <li>Report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	<p>The Committee has an approved policy on voting which places responsibility for voting on the Fund Managers in accordance with their policies. Details of the voting activity by the Fund Managers are presented on a quarterly basis to the Pension Committee.</p> <p>All of the Fund's Investment Managers are signatories to the UK Stewardship Code.</p>	
6	<p><b>Transparency and Reporting</b></p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> <li>Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</li> <li>Provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>	<p><b>Compliant</b></p> <p>Redbridge maintains a Communication Policy that sets out how the Fund communicates with all stakeholders in the Fund.</p> <p>All policy statements relating to the Pension Fund are published on the Council's website. The Pension Fund produces an Annual Report which includes the Annual Accounts that is published on the website that provides full details of the activities of the Fund, including details of the various policy statements and the activities of the Committee.</p> <p>The Committee meetings are open to the public and agendas, papers and minutes are available on the Council's website – <a href="http://www.redbridge.gov.uk">www.redbridge.gov.uk</a></p>	

	Description of Principle	Redbridge Position	Further Development Opportunity
		<u>In accordance with Regulations a Local Pension Board has been set up which reviews the administration and management of the Pension Fund. The Local Pension Board consists of equal number of representatives from employees and employers.</u>	

## PENSION FUND RISK AND CONTROLS

The Council evaluates the risks associated with the Pension Fund between the likelihood of the risk occurring versus the impact of the risk and this is rated using the following matrix:

RISK MATRIX						
LIKELIHOOD	LOW TO HIGH	5	4	3	2	1
		5	10	15	20	25
		4	8	12	16	20
		3	6	9	12	15
		2	4	6	8	10
		1	2	3	4	5
		1	2	3	4	5
		IMPACT				
		LOW TO HIGH				

## PENSION FUND – KEY RISKS AND CONTROLS

### C1. TYPES OF RISK

The Council has an active risk management programme in place. This measures that is has in place to control key risks are summarised under the following categories – Financial (investment and operational), Demographic, and Regulatory & Governance.

### C2. INVESTMENT RISK

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
<p>Inappropriate long-term investment strategy.</p> <p>Asset Pooling –Strategic risk (pool does not offer products that matches strategy);</p> <p>Risk of over- capacity (performance deteriorates as manager is less nimble); Risk from transition costs (costs increase as asset transfer to the Pool, including the crystallising of any surplus/deficit); Political risk (such as pressure to invest in specific asset classes).</p>	10	<p>Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.</p> <p>Consider measuring performance and setting managers' target relative to absolute returns or a Liability Benchmark Portfolio and not relative to indices.</p> <p>Maintain a good relationship with the London CIV regarding existing and new investment products.</p> <p>Monitor performance of investment managers on the London CIV platform and review any developments that may affect future performance, such as the retirement of key personnel.</p>	8

		<i>Close working with Investment Advisers to ensure any strategic changes are implemented in a timely manner.</i>	
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Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
Fund assets fail to deliver returns in line with anticipated returns underpinning valuation of liabilities over the long-term.	12	<p>Seek to set anticipated long-term returns on a relatively prudent basis to reduce the risk of under-performance.</p> <p>Analyse each employers' funding position at three yearly valuations.</p> <p>Close working with Fund's Actuary and Investment Advisers to ensure investment strategy will achieve long-term investment objective.</p>	8
Fall in risk-free returns on Government bonds leading to rise in value placed on liabilities. This could have implication to Actuarial valuation results.	12	<p>Seek to undertake inter-valuation monitoring particularly for employers on short-term contracts to reduce risk of accrued deficits at end of contract. This is perhaps more significant for the small employers that would have difficulty in paying large deficits upon cessation.</p> <p>Some investment in bonds helps to mitigate this risk</p>	8



Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
Active investment manager under-performance relative to benchmark over medium term.	9	<p>Short term (quarterly) investment monitoring to analyse market performance and active managers relative to their index benchmark.</p> <p>Maintain good communications with London CIV and Fund Managers to identify cause of under-performance and determine whether Fund Manager has changed its investment philosophy and no longer meets our requirements.</p> <p>Supplement with an analysis of absolute returns against those under-pinning the valuation.</p>	6

### C3. FINANCIAL RISKS - OPERATIONAL

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
Strong reliance on external systems across all sections of Financial Services. Failure of systems could result in significant issues such as inability to make payments, process claims etc.	9	The Council's Business Continuity Procedures are reviewed periodically and aim to put measures in place to minimise the impact of system failure.	6
The Council is unable to recruit or retain experienced or suitably qualified staff to maintain service provision, leading to potential financial, regulatory and reputational issues. Failure to manage the costs of operating the various services provided to the Pension Fund within budget. Lack of adequate or inappropriate professional advice on strategies as well as decisions taken could impact on the level of financial and reputational risk	12	<p>The Council has undertaken a review of the administration team and has regraded the posts to attract suitably experienced staff.</p> <p>The team have now recruited a manager, two experienced LGPS pension administrators as well as a pensions trainee.</p> <p>The Council maintains a relationship with the LPFA to provides assistance on specific projects when required.</p> <p>The Council maintains a policy of segregation of duties to reduce the risk of fraud.</p> <p>Monitor the cost of administering the pension fund and report of any variances to the Pension Fund Committee.</p>	6

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
		The separate contracts for Investment Advice and Actuarial Services ensures the advice given and can subject to challenge.	
Decisions made in respect of Financial Services, Treasury & Pensions can have a major financial impact on the Council and the Pension Fund. Lack of adequate or inappropriate professional advice on strategies as well as decisions taken could impact on the level of financial and reputational risk.	8	<p>Corporate Finance is subject to regular review of its Treasury Management Practices by both internal and external auditors.</p> <p>Corporate Finance operates a policy of segregation of duties to reduce the risk of fraud.</p> <p>The pensioners payroll is managed by the pay and contracts team as opposed to the Pension Admin Team to avoid the risk of fraud.</p>	4
A serious breach of the Data Protection Act could result from a number of possibilities such as computer hacking, carelessness or loss of laptops.	10	<p>IT provides procedures and guidance to ensure employees remain compliant with the IT Policy on Cyber Security. Emailed sensitive data is sent via a secure system. The Council has a contract for the disposal of confidential waste.</p> <p>Ensuring appropriate access control measures are in place and monitoring all data sites and claims handling systems.</p>	6

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
		<p>Continuous monitoring and regular auditing.</p> <p>The Council uses a spam blocking service to minimise cyber disruption.</p> <p>The pension administration team are trained on Data Protection and GDPR.</p>	
Pension Overpayments arising due to the non-notification of death, re-employment or ceasing education.	6	<p>Pension Administration Team work with NFI to identify cases. The Team are also signed up for “Tell Us Once”, so that notifications of death are now no longer reliant just on notification by the next of kin. Timely notifications will reduce the risk of overpayments.</p>	4
Poor administration due to inaccurate data being provided by employers and payroll providers giving rise to financial and reputational risk, actuary setting appropriate contribution rates, inaccurate benefit statements, over-payment of benefits.	16	<p>Work with employers to secure good quality data.</p> <p>Member self-service is in place and being actively promoted to enable members to update their records where appropriate and run their own “what if” calculations.</p> <p>Employers of the Fund need to understand the implications and consequences to the Fund and all the employers in the Fund from inaccurate data.</p> <p>Regular monitoring of data including contributions paid to ensure employers are using the correct contribution rate.</p>	9

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
		Ensure employers are aware of the Administration Policy and seek to enforce the terms of Policy.	
Failure to comply with Auto-Enrolment.	6	Ensure good communication with employers particularly those with Open Schemes.	3

#### C4. FINANCIAL AND DEMOGRAPHIC RISK

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
Pay and price inflation significantly more than anticipated.	4	<p>Focus actuarial valuation process on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Hold some investment in index-linked bonds to help mitigate the risk.</p> <p>Employers pay for their own salary awards and will be advised of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>	3
Insufficient funds to meet liabilities as they fall.	8	<p>Cash-flow is monitored monthly and remains with a net inflow position for the foreseeable future.</p>	3
Effect of possible increase in employer's contribution rate on service delivery and admission / scheduled bodies.	9	<p>Seek feedback from employers during triennial valuation process on scope to absorb short-term contribution rises.</p> <p>Mitigate impact through deficit spreading and phasing in of contribution rates.</p>	6

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
Orphaned employers give rise to added costs for the Fund.	4	The Fund seeks a bond or guarantor to minimise the risk of this happening in the future.  If it occurs, the Actuary calculates the added cost spread pro-rata among all employers.	3
Period of Paying Pensions Lengthening (longevity of pensioners increasing).	12	Seek to set realistic longevity assumptions and consider some allowance for future increases in life expectancy.  Fund Actuary monitors the combined experience of around 50 funds to look for early warnings of changes in longevity for setting assumptions.	9

<p>Maturing Fund – the number of active contributing members declines relative to the number of retired employees.</p> <p>As pensionable pay decreases this has implications to the amounts paid to the Fund towards reducing the deficit.</p> <p>This can have significant implications to the smaller employers in the Fund, particularly as cessation valuations are required once an employer no longer has any active members.</p>	12	<p>Monitor as part of the valuation process.</p> <p>Give consideration to changing employer contributions to include a set of monetary value rather than just a percentage of pensionable pay.</p> <p>Consider inter-valuation reviews of the various employers particularly where active membership is rapidly decreasing.</p> <p>Discuss with Investment Advisers and Actuary regarding possible changes to the investment strategy.</p>	6
Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
<p>An employer in the Fund becomes financially unviable</p>	3	<p>The LGPS Regulations require new employers to the Pension Fund to provide either a bond or guarantee to cover the potential risk of the employer becoming insolvent.</p> <p>A template evaluating the risks associated by each employer will be prepared and monitored regularly.</p>	2



Ill-health retirements significantly more than anticipated	9	Monitoring of each employer's ill-health experience on an on-going basis. The employer may be charged additional contributions if this exceeds the ill-health assumption built in. Monitoring the effect of the change in the Regulations resulting in assessing ill-health retirements tiers. Arrangements are available for employers to take out insurance cover with an external provider.	3
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#### C5. REGULATORY AND GOVERNANCE RISK

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk

Changes to Local Government Pension Scheme Regulations.  Changes in national pension requirements and/or Inland Revenue rules.	12	Consider all consultation papers issued by the Government Departments and respond where appropriate.  Ensure necessary training for the pension team and provide relevant information to employers  Monitor the possible implications for the Fund and report where relevant.  Consult with employers, where appropriate, on implications to changes in the LGPS Regulations.	9
London Borough of Redbridge failing to comply with the code of practice of the Pension Regulator and recommendations by the Scheme Advisory Board.	3	Monitor the Pension Regulator's Code of Practice.  Consider all papers issued by the Scheme Advisory Board. The Local Pension Board has an oversight role in administration matters.	2
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis.	6	Take advice from Fund Actuary on position of Fund prior to valuation and consideration of proposed valuation approach relative to anticipated Section 13 analysis.	3
London Borough of Redbridge is unaware of structural changes in an employer's membership or that the employer is closing to new entrants.	3	Contributions are monitored monthly and therefore any changes in contribution levels can be challenged.	2

Description of Risk	Summary of Control Mechanisms		
	Inherent Risks		Residual Risk
<p>London Borough of Redbridge failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a deficit.</p> <p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p> <p>Actuarial or investment advice is not sought, or is not heeded, or provide to be insufficient in some way.</p>	9	<p>Contributions are monitored monthly and therefore any changes in contribution levels can be challenged.</p> <p>The risk is mitigated by a prudent admissions policy which:</p> <ul style="list-style-type: none"> <li>• Sets out the employer obligations clearly</li> <li>• Seeks a funding guarantee from another scheme employer, external body, or government.</li> <li>• Encourages the employer to take independent actuarial advice.</li> <li>• Requires vetting of financial standing.</li> </ul> <p>Periodically review the value of the bond where appropriate.</p> <p>The Council maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>	6



# LONDON BOROUGH OF REDBRIDGE

## PENSION FUND

### FUNDING STRATEGY STATEMENT

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# 1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for London Borough of Redbridge Pension Fund ('the Fund').

The Fund is administered by London Borough of Redbridge Council, known as the administering authority. London Borough of Redbridge Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for London Borough of Redbridge Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [corporate.accounting@redbridge.gov.uk](mailto:corporate.accounting@redbridge.gov.uk)

## 1.1 What is the London Borough of Redbridge Pension Fund?

The Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

### Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they cannot accrue benefits in another pension scheme, such as another public service pension scheme.

### Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund cannot refuse entry. The employer then decides which employees can join the scheme.

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### **Admission bodies**

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements are not met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms are not defined under current regulations but remain in common use from previous regulations.

#### **1.4 How does the funding strategy link to the investment strategy?**

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at <https://www.redbridge.gov.uk/about-the-council/our-finance-services/>

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund would not be able to pay benefits, so higher contributions would be required from employers.

#### **1.5 Does the funding strategy reflect the investment strategy?**

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

#### **1.6 How is the funding strategy specific to the London Borough of Redbridge Pension Fund?**

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

## 2 How does the Fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. More details can be found in [Appendix D](#). The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The Fund permits the prepayment of employer contributions in specific circumstances. The Fund's policy on prepayments is detailed in the Employer Contribution Prepayments Policy which can be found on the Pension Fund's website or on request from the Fund.

### 2.2 The contribution rate calculation

**Table 2: contribution rate calculation for individual or pooled employers**

Type of employer	Council	Academies	Designating employers	Admission Bodies (TABs/CABs)
<b>Funding target*</b>	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis	Ongoing, but may move to low-risk exit basis, assuming fixed-term contract in the Fund
<b>Minimum likelihood of success</b>	66%	70%	66%	75%
<b>Maximum time horizon</b>	17 years	17 years	15 years or average future working	Contract length, same as letting employer (where applicable) or



Type of employer	Council	Academies	Designating employers	Admission Bodies (TABs/CABs)
				average future working lifetime
<b>Primary rate**</b>	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon			
<b>Secondary rate**</b>	% of payroll	% of payroll	Monetary amount	% of payroll or monetary amount
<b>Stabilised contribution rate?</b>	Yes	No	No	No
<b>Treatment of surplus</b>	Covered by stabilisation arrangement	Reflected in Secondary rate	Contributions kept at primary rate. Reductions may be permitted by the Administering Authority	Reduce contributions by spreading the surplus over the remaining contract term

\*See [Appendix D](#) for further information on funding targets.

~~\*\*Where the Council recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus.~~

### 2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the Council.

**Table 1: current stabilisation approach**

Type of employer	Council
<b>Maximum contribution increase per year</b>	+1% of pay
<b>Maximum contribution decrease per year</b>	-1% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes. On the basis of extensive modelling carried out for the 2022 valuation exercise, the stabilised council contributions will reduce by 3% of payroll for the period from 1 April 2023 ending 31 March 2026.

### 2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy can be found in the Fund's Employer Contribution Review Policy which can be found

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on the Pension Fund's website or on request from the Fund.. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

## **2.5 What is pooling?**

The administering authority operates contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the Fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the Fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates are not disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants are not usually allowed to enter a pool.

If an employer leaves the Fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

## **2.6 What are the current contribution pools?**

- **Schools** – generally pool with London Borough of Redbridge Council, although there may be exceptions for specialist or independent schools.
- **Smaller TABs** – may be pooled with the letting employer.

## **2.7 Administering authority discretion**

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the Fund's Employer Contribution Prepayments Policy which can be found on the Pension Fund's website or on request from the Fund.

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## 3 What additional contributions may be payable?

**3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds** If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees.

### **3.2 Pension costs – early retirement on ill-health grounds**

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

To mitigate this, employers may choose to use external insurance – further information on this external insurance is available on request from the Fund.



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## 4 How does the Fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

Each Fund employer has a notional share of the Fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The Fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

### 4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## 5 What happens when an employer joins the Fund?

### 5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

### 5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

**The Council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They would not be pooled with other employers unless the academy is part of a multi-academy trust (MAT). If they are part of a MAT, the new academy can be combined with the other MAT academies to set contribution rates.**

**The new academy's contribution rate is based on the Council's ongoing rate in payment until the next formal valuation of the Fund, where the academy's rate will be assessed in line with the funding strategy in place at that time.**

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

### 5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.



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Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

#### **5.4 Other new employers**

There may be other circumstances that lead to a new admission body entering the Fund, e.g. set up of a wholly owned subsidiary company by the Council. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

#### **5.5 Risk assessment for new admission bodies**

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.



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## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund would not pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund would not grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

## 7 What happens when an employer leaves the Fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation would not be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer cannot pay the contributions due and the approach is within guarantee terms.

If the Fund cannot recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

Further details will be set out in the Fund's Cessation Policy, which is currently under review and will be consulted on in due course.



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### **7.3 What happens if there is a surplus?**

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much (if any) will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is contained within the Fund's Cessation Policy, which is currently under review and will be consulted on in due course.

### **7.4 How do employers repay cessation debts?**

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a Deferred Spreading Arrangement (DSA)
- if an exiting employer enters into a Deferred Debt Agreement (DDA), it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is contained within the Fund's Cessation Policy, which is currently under review and will be consulted on in due course.

### **7.5 What if an employer has no active members?**

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA or DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. In the event that an employer is not absorbed into another Fund employer's funding pool, the other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will apportion the liabilities as set out in the Fund's Cessation Policy
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund actuary will apportion the remaining assets to the other Fund employers as set out in the Fund's Cessation Policy.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative

factors. Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases do not offer straightforward comparisons.



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# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the Fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “persons the authority considers appropriate”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included issuing a draft version to participating employers in February. Comments were requested within 20 days. Following the end of the consultation period the FSS will be updated where required and published in March 2023.

### A3 How is the FSS published?

The FSS is published as follows:

- publishing on the administering authority's website
- sending copies to each employer
- including the full statement in the Annual Report & Accounts
- sending copies to members of the local pension board
- send a copy to the independent advisers
- making copies freely available on request.

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**A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

**A5 How does the FSS fit into the overall Fund documentation?**

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at <https://www.redbridge.gov.uk/about-the-council/our-finance-services/>

## Appendix B – Roles and responsibilities

### **B1 The administering authority:**

- 1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a Fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the Fund against employer default
- 9 works with the Fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the Fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

### **B2 Individual employers:**

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the Fund.

### **B3 The Fund actuary:**

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 3 advises on Fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the Fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

**B4 Other parties:**

- 1 internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
- 3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## Appendix C – Risks and controls

### **C1 Managing risks**

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available here <https://www.redbridge.gov.uk/pensions/local-pension-board/local-pension-board-terms-of-reference/>.

Details of the key fund-specific risks and controls are set out in Appendix 3 of the Investment Strategy Statement.

### **C2 Financial risks**

### **C3 Demographic risks**

### **C4 Regulatory risks**

### **C5 Governance risks**

### **C6 Employer covenant assessment and monitoring**

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

### **C7 Climate risk and TCFD reporting**

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the Council make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

## Appendix D – Actuarial assumptions

The Fund's **actuary uses a set of assumptions to determine the strategy**, and so assumptions are a fundamental part of the Funding Strategy Statement.

### D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions do not affect the actual benefits the Fund will pay in future.

### D2 What assumptions are used to set the contribution rate?

The Fund does not rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's **Economic Scenario Service (ESS)** to project each **employer's assets**, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

**Table: Summary of assumptions underlying the ESS, 31 March 2022**

		UK Equity	Global Equities (unhedged)	Emerging Markets Equity	Diversified Growth Fund (high equity beta)	Property	Unlisted Infrastructure Equity	Index Linked Gilt (medium)	Inflation (CPI)
<b>10 Years</b>	16 <sup>th</sup> %ile	-0.4%	-0.4%	-2.5%	1.1%	-0.6%	0.7%	-1.9%	1.6%
	50 <sup>th</sup> %ile	5.7%	5.8%	5.8%	5.4%	4.4%	5.9%	0.2%	3.3%
	84 <sup>th</sup> %ile	11.6%	11.9%	14.4%	9.5%	9.5%	11.2%	2.4%	4.9%
<b>20 Years</b>	16 <sup>th</sup> %ile	1.7%	1.8%	0.1%	2.8%	1.4%	2.6%	-1.5%	1.2%
	50 <sup>th</sup> %ile	6.2%	6.3%	6.3%	6.0%	5.0%	6.5%	0.1%	2.7%
	84 <sup>th</sup> %ile	10.6%	11.1%	12.8%	9.4%	8.9%	10.6%	1.9%	4.3%
<b>40 Years</b>	16 <sup>th</sup> %ile	3.2%	3.4%	2.1%	4.0%	2.6%	3.9%	-0.3%	0.9%
	50 <sup>th</sup> %ile	6.7%	6.8%	6.8%	6.6%	5.5%	7.0%	1.2%	2.2%
	84 <sup>th</sup> %ile	10.2%	10.4%	11.7%	9.4%	8.8%	10.3%	3.1%	3.7%
<b>Volatility (5 yr)</b>		18%	18%	26%	13%	15%	15%	7%	3%

### D3 What financial assumptions were used?

#### Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.



The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate. UK Government Bond yields are used in funding as an objective measure of the risk-free rate of return.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
<b>Ongoing basis</b>	All employers except closed admission bodies with no guarantor	2.0%
<b>Low-risk exit basis</b>	Admission bodies with no guarantor	0%

#### Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a whole Fund funding level at the 2022 valuation, a discount rate of 4.3% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the Fund's assets will return future investment returns of 4.3% over the 20 years following the 2022 valuation date.

For certain employers that will cease based on a different discount rate from above, the funding levels have been calculated with reference to the relevant discount rate approach.

#### Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation projected over 20 years from the ESS was 2.7% pa on 31 March 2022.

#### Salary growth

The salary increase assumption at the latest valuation has been set equal to the CPI inflation assumption p.a. plus a promotional salary scale.

#### D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

#### Life expectancy

The longevity assumptions are a set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

#### Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	53% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

#### Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	525.60	894.31	0.00	0.00	0.00	0.00
25	117	0.17	347.18	590.73	0.00	0.00	0.00	0.00
30	131	0.20	246.33	419.07	0.00	0.00	0.00	0.00
35	144	0.24	192.46	327.39	0.10	0.07	0.02	0.01
40	150	0.41	154.95	263.50	0.16	0.12	0.03	0.02
45	157	0.68	145.55	247.46	0.35	0.27	0.07	0.05
50	162	1.09	119.98	203.75	0.90	0.68	0.23	0.17
55	162	1.70	94.48	160.53	3.54	2.65	0.51	0.38
60	162	3.06	84.21	143.02	6.23	4.67	0.44	0.33

#### Females

Incidence per 1000 active members per year								
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Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.10	422.91	467.37	0.00	0.00	0.00	0.00

25	117	0.10	284.56	314.44	0.10	0.07	0.02	0.01
30	131	0.14	238.54	263.54	0.13	0.10	0.03	0.02
35	144	0.24	205.88	227.38	0.26	0.19	0.05	0.04
40	150	0.38	171.35	189.18	0.39	0.29	0.08	0.06
45	157	0.62	159.90	176.51	0.52	0.39	0.10	0.08
50	162	0.90	134.81	148.65	0.97	0.73	0.24	0.18
55	162	1.19	100.59	111.03	3.59	2.69	0.52	0.39
60	162	1.52	81.07	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

#### **D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund? Low-risk exit basis**

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher longterm rate of mortality improvements of 1.75% pa is assumed.

Please note, the funds cessation policy is currently under review and will be consulted on in due course.

## Appendix F – Glossary

<b>Administering Authority</b>	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
<b>Admission Bodies</b>	Employers where there is an Admission Agreement setting out the employer's obligations. For more details (see 2.3).
<b>Covenant</b>	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
<b>Designating Employer</b>	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
<b>Employer</b>	An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding goal</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .
<b>Funding basis</b>	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding goal at the end of the employer's time horizon. The main assumptions will relate to level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding goal, whereas more optimistic assumptions will give a lower funding goal.
<b>Gilt</b>	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
<b>Guarantee / guarantor</b>	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's <b>covenant</b> to be as strong as its guarantor's.
<b>Letting employer</b>	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

<b>LGPS</b>	The Local Government Pension Scheme, a public-sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
<b>Maturity</b>	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
<b>Members</b>	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
<b>Primary contribution rate</b>	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix E for further details.
<b>Profile</b>	The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its <b>maturity</b> also.
<b>Rates and Adjustments Certificate</b>	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
<b>Scheduled Bodies</b>	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public-sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
<b>Secondary contribution rate</b>	The difference between the employer's actual and <b>Primary contribution rates</b> . See <a href="#">Appendix E</a> for further details.
<b>Stabilisation</b>	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

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**Valuation**

A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.