

SECTION – 5

PENSION FUND ACCOUNTS AND NOTES

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SECTION – 5

NOTES TO THE PENSION FUND

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Pension Fund Account

2021/22		2022/23	
£'000		£'000	Note
	Dealings with members, employers and others directly involved in the fund		
(36,368)	Contributions	(38,431)	7
(4,552)	Transfers in from Other Pension Funds	(8,621)	8
(40,920)		(47,052)	
	Benefits payable:		
49,970	Benefits payable	50,853	9
6,842	Payments to and on account of leavers	6,762	10
56,812		57,615	
15,892	Net (Additions)/Withdrawals from dealings with members	10,563	
10,604	Management Expenses	9,070	11
26,496	Net (Additions)/Withdrawals including fund management expenses	19,633	
	Return on investments		
(14,453)	Investment income	(17,878)	12
(6,961)	Profit and losses on disposal of investments and changes in the market value of investments	45,679	13a
(21,414)	Net return on investments	27,801	
5,082	Net (Increase)/Decrease in the net assets available for benefits during the year	47,434	
(1,052,947)	Opening net assets of the scheme	(1,047,865)	
(1,047,865)	Closing net assets of the scheme	(1,000,431)	

Net Assets Statement

2021/22			2022/23	Note
£'000			£'000	
	Investment assets			
150	Long term investments		150	13
1,037,659	Investment assets		995,740	13
	Investment liabilities		(7,665)	13
1,037,809	Total Net investments		988,225	
10,885	Current Assets		26,857	20
(829)	Creditors		(14,651)	21
1,047,865	Net assets of the fund available to fund benefits at the end of the reporting period		1,000,431	

NOTE: the fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at **Note 17a**.

Notes to the Pension Fund

Note 1: Description of the Fund

The London Borough of Waltham Forest Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Waltham Forest, which is the reporting entity for this Pension Fund.

a) General

The scheme is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

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

It is a contributory defined benefit pension scheme established to provide pension and other benefits for pensionable employees of the London Borough of Waltham Forest Council and a range of other scheduled and admitted bodies within the borough. Teachers, police, firefighters and ex-NHS workers (who transferred when Public Health became Local Authority controlled in April 2013) are not included as they come within other national pension schemes. The fund is overseen by the London Borough of Waltham Forest Pension Committee.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the London Borough of Waltham Forest Pension Fund include:

- **Scheduled bodies**, which are automatically entitled to be members of the fund.
- **Admitted bodies**, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Note 1: Description of the Fund (continued)

The following table summarises the membership of the Fund as at 31 March 2022 and 31 March 2023:

31-March-2022		31-March-2023
63	Number of employers with active members	62
	Number of active employees in scheme:	
4,492	London Borough of Waltham Forest	4,676
2,447	Other employers	2,411
6,939	Total active members	7,087
	Number of pensioners:	
6,847	London Borough of Waltham Forest	7,337
1,273	Other employers	1,019
8,120	Total pensioners	8,356
	Number of Deferred members:	
6,505	London Borough of Waltham Forest	7,825
3,737	Other employers	2,824
10,242	Total deferred pensioners	10,649
25,301	Total number of members in the scheme	26,092

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and updated employer contribution rates came into effect from 1 April 2023 onwards. Contribution rates payable over 2022/23 were based on outcomes from 31 March 2019 actuarial valuation.

d) Benefits

Prior to 1 April 2014, pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website below:

www.lgpsmember.org

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS,) as amended for the UK public sector. The accounts are prepared on a going concern basis which has been confirmed by management following a review of:

- Current funding levels
- Medium term and short-term cash flow forecasts
- Liquidity of investment holdings
- Expected timing of future retirements
- Admissions policies and employer covenant reviews.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in Note 18.

Note 3: Summary of Significant Accounting Policies

Fund Account - revenue recognition

a) Contribution income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates linked to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if earlier than the due date
- Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose
- Any contributions due but unpaid will be classed as a current financial asset

Note 3: Summary of Significant Accounting Policies (continued)

b) Transfers to and from other schemes

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

c) Investment income

- Interest income is recognised as it accrues, using the effective interest rate of the financial instrument at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received at the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as a current financial asset.
- Changes in the net market value of investments are recognised in the Fund Account 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 at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Taxation

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

f) Management expenses

The fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses

All direct costs of the pensions administration team are charged as administrative expenses to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

- Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted of quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.
- Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.
- In addition, the fund negotiated with Darwin Leisure Property Fund, Capital Dynamics, Global Infrastructure Partners, IVUK and Invesco an element of their fee be performance related. Where an investment manager's fee note has not been received by year-end, an estimate based on the market value of their mandate at 31 March is used for inclusion in the fund account.
- The cost of a proportion of the time spent by officers on investment management activity is also charged to the fund.

Net Assets Statement

g) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Investment assets are recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account.

Any financial assets not relating to investments are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

h) Foreign currency transactions

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

Note 3: Summary of Significant Accounting Policies (continued)

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

j) Financial assets at amortised cost

A financial liability is recognised in the Net Asset Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at Fair Value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund Account as part of the Change in Value of Investments. Any financial liabilities not relating to investments are classified as liabilities held at amortised cost and are carried in the Net Asset Statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in Administration costs.

k) Financial liabilities

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, see Note 18.

l) Actuarial present value of promised retirement benefits

The London Borough of Waltham Forest Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only, see Note 21.

m) Contingent Assets and Contingent Liabilities

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

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed in the notes.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Funding Arrangements (note 17)

Independent re-valuations by the Fund’s appointed actuary are carried out every three years. These triennial re-valuations are used to set future contribution rates and underpin the fund’s investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return. This valuation is subject to a number of significant financial and demographic assumptions which are discussed and agreed with management and have been summarised in Note 17. The most significant of these assumptions relate to pensioner longevity, changes to pay and pensioners’ benefit entitlements, movements in the CPI and forecast discount rates.

Note 5: Key accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

Items in the Net Asset Statement where there is a significant risk of material adjustment in 2022/23 are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Independent actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none">a 0.5% increase in the discount rate would reduce future pension liabilities by c£107ma 0.25% increase in earnings inflation would increase future pension benefits by c.£5ma one-year increase in assumed life expectancy would increase future pension benefits by c£30m.
Level 3 investments (Note 14)	Valuation techniques based on unobservable price inputs are used to determine the carrying value of pooled investment assets such as property unit trusts, hedge funds, infrastructure and social impact funds.	Changes in the valuation assumptions used could affect the fair value of level 3 investments by up to 7.1% ie an increase or decrease of £9.5m on carrying values of £133m.

Note 6: Events After the Balance Sheet Date

No significant events have occurred between the Balance Sheet date of 31 March 2023 and the date that these financial statements were authorised for issue.

Note 7: Contributions Receivable

By type of employer

2021/22	Authority	2022/23
£'000		£'000
23,806	Administering authority	(22,644)
11,749	Scheduled bodies	(14,799)
813	Admitted bodies	(988)
36,368	Total	(38,431)

By category

2021/22	Category	2022/23
£'000		£'000
(10,372)	Employees' contributions	(11,711)
	<i>Employer's contributions:</i>	
(20,049)	Normal Contributions	(22,997)
(46)	Deficit recovery contributions	(1,391)
(5,902)	Additional Contributions (early retirement)	(2,332)
(25,996)		(26,720)
(36,368)	Total	(38,431)

Note 8: Transfers in from Other Pension Funds

By category

2021/22		2022/23
£'000		£'000
(4,552)	Individual transfers	(8,621)
(4,552)	Total	(8,621)

Note 9: Benefits Payable

By category

2021/22	Category	2022/23
£'000		£'000
40,236	Pensions	41,737
8,234	Commutation and lump sum retirement benefits	7,314
1,500	Lump sum death benefits	1,802
49,970	Total	50,853

By type of employer

2021/22	Authority	2022/23
£'000		£'000
41,940	Administering authority	43,210
6,421	Scheduled bodies	6,054
1,609	Admitted bodies	1,589
49,970	Total	50,853

Note 10: Payments to and on Account of Leavers

2021/22		2022/23
£'000		£'000
555	Refunds to members leaving service	149
6,287	Individual transfers	6,613
6,842	Total	6,762

Note 11: Management Expenses

2021/22		2022/23
£'000		£'000
1,166	Administration Expense	1,553
195	Actuary's fee and expenses	276
16	External audit fees	21
251	Oversight and Governance	476
8,975	Investment management expenses (note 11a)	6,744
10,604	Total	9,070

Note 11a: Investment Management Expenses

2022/23	Transaction costs	Management fees	Performance related fees	Total
	£'000	£'000	£'000	£'000
Equities	197	884		1,081
Pooled equities	222	1,658		1,880
Pooled Fixed Interest	56	75		131
Pooled property		721		721
Pooled infrastructure		772	2,121	1,081
	475	4,110	2,121	6,706
Custody fees	-	-	-	38
Total	475	4,110	2,121	6,744

2021/22	Transaction costs	Management fees	Performance related fees	Total
	£'000	£'000	£'000	£'000
Equities	260	1,223	-	1,483
Pooled equities	481	2,013	-	2,494
	52	105		157
Pooled property	-	670	-	670
Pooled infrastructure	-	1,075	3,056	4,131
	793	5,086	3,056	8,935
Custody fees	-	-	-	38
Total	793	5,086	3,056	8,973

Note 12: Investment Income

2021/22	2021/22 Restated	Authority	2022/23
£'000	£'000		£'000
(9,049)	(8,443)	Equity Dividends	(7,693)
(2,291)	(1,391)	Pooled funds: Property	(1,820)
(4,243)	(4,242)	Pooled funds: Infrastructure	(2,097)
(336)	(336)	Pooled funds: Fixed Interest	(5,542)
(11)	(41)	Interest	(726)
-	-	Other	-
(15,930)	(14,453)	Total	(17,878)

* Analysis of investment income has been restated for 2021/22 to reflect the assets classes held by the pension fund.

Note 13: Top Investments Holdings

The following investments represent over 5% of the net assets of the Fund:

Fund Manager	31 March 2023 Market value £'000	%
LCIV Global Alpha Growth Paris-Aligned Fund	150,862	15
LCIV MAC Fund	105,340	11
LGIM	103,885	11
LCIV Emerging Market Equity Fund	93,939	10
LCIV Global Equity Focus Fund	89,388	9
Darwin Leisure Property Fund	53,442	5
	596,856	60

Note 13a: Reconciliation of Movements in Investment

Movements in Investment Assets 2022/23	31-March-2022	Purchases	Sales	Change in market value	31-March-2023
	£'000	£'000	£'000	£'000	£'000
Equity - London CIV	150				150
Pooled funds:					
Equities	660,375	489,373	(480,400)	(34,402)	634,946
Property	109,568	3,006		(5,414)	107,160
Infrastructure	78,934	359	(36,859)	8,116	50,550
Hedge Funds	-				-
UK Impact Ventures	3,299			(74)	3,225
Pooled vehicle - Fixed interest securities	161,252	5,542	-	(13,905)	152,889
	1,013,578	498,280	(517,259)	(45,679)	948,920
Cash and money market instruments	23,055	-	-	-	38,512
Investment debtors at 31 March	273	-	-	-	6,973
Accrued income	903				1,483
Investment creditors at 31 March	-	-	-	-	(7,665)
Total	1,037,809	498,280	(517,259)	(45,679)	988,223

Movements in Investment Assets 2021/22	31-March-2021	Purchases	Sales	Change in market value	31-March-2022
	£'000	£'000	£'000	£'000	£'000
Equity - London CIV	150	-	-	-	150
Pooled funds:					
Equities	818,899	269,723	(413,472)	(14,775)	660,375
Property	100,283	(702)	(150)	10,137	109,568
Infrastructure	82,143	1,263	(21,352)	16,880	78,934
Hedge Funds	-	-	-		-
UK Impact Ventures	4,439	58	-	(1,197)	3,300
Pooled vehicle - Fixed interest securities	-	165,336		(4,084)	161,252
	1,005,914	435,678	(434,974)	6,961	1,013,579
Cash and money market instruments	37,252	-	-	-	23,055
Investment debtors at 31 March	524	-	-	-	273
Accrued income	798	-	-	-	903
Investment creditors at 31 March	(1,631)	-	-	-	-
Total	1,042,857	435,678	(434,974)	6,961	1,037,810

Note 13b: Investments Analysed by Fund Manager

31-March-2022 Market value £'000	%	Fund Manager	Type of Fund	31-March-2023 Market value £'000	%
		Investments managed by the London CIV			
150	0	CIV 1 Collective Vehicle	Unquoted UK equity	150	0
339,099	33	CIV 2 Global Equities	Global equities - pooled funds	334,189	34
-	-	CIV 2 Global Equities	Global equities - segregated funds	97,478	10
161,252	16	CIV2 Global Fixed Interest	Global fixed interest - pooled funds	152,889	15
500,501	48	Total managed by the London CIV asset pool		584,706	59
		Investments managed outside the London CIV			
		Equities			
217,739	21	AXA Framlington IM	Global equities - segregated funds	1,520	0
		NT Transition Account	UK Equities	102,061	10
217,739	21			103,581	10
		Pooled Investments			
110,438	11	LGIM	Global equities - pooled funds	103,885	11
33,333	3	Capital Dynamics	Pooled infrastructure fund	6,628	1
45,601	4	Global Infrastructure Partners II & III	Pooled infrastructure fund	43,923	4
53,924	5	Darwin Leisure Property Fund	Pooled property fund	53,442	5
33,400	3	UBS Global Asset Management	Pooled property fund	27,767	3
22,244	2	Invesco PRS	Pooled property fund	25,951	3
3,300	0	Impact Ventures UK	Social impact fund	3,225	0
17,329	2	Cash		35,117	4
319,569	31	Total managed outside the London CIV asset pool		299,938	30
1,037,809	100	Total Fund Value		988,225	100

Note 14: Fair Value

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities are classified into three levels, according to the quality and reliability of information used to determine fair values.

Note 14: Fair Value (continued)

- **Level 1** - where values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
- **Level 2** - where quoted market prices are not available estimation techniques are used to determine fair value based on observable data.
- **Level 3** - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting valuation provided
Level 1			
Cash balances, money market funds and other assets and liabilities held at amortised cost	All have an expected maturity date of less than two months, therefore Fair Value represents the carrying value of these assets and liabilities.	Not Required	Not Required
Quoted UK and Global equities (pooled and non-pooled investments)	Published bid price ruling on the final day of the accounting period	Not Required	Not Required
Non-investment current assets and current liabilities (carried at amortised costs)	Given the short term nature of these transaction and the high degree of certainty relating to settlement value, Fair Value represents carrying value at year end date.	Not Required	Not Required
Level 2			
Quoted UK and Global equities (pooled and non-pooled investments)	Not quoted but regularly traded	Evaluated price feeds	Not Required
Pooled property investments	Closing single price (where published)	Evaluated price feeds	Not Required
Level 3			
Pooled property investments and Social Impact Fund	Valued by custodian on a fair value basis each year end using PRAG guidance.	NAV-based pricing set on a forward pricing basis	Estimated acquisition and disposal costs
Pooled property investments	Valued by custodian on a fair value basis each year end using PRAG guidance.	NAV-based pricing set on a forward pricing basis	Valuation could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between audited and unaudited accounts
Unquoted investment in London CIV	This unquoted investment has been carried at cost. Costs in this instance has been determined as the best estimate of Fair Value that no market for this assts currently exists.	Price paid	Estimated acquisition and disposal costs

Note 14a: Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

Asset type	Potential variation in fair value depending on valuation basis adopted £'000	Values at 31 March 2023 £'000	Potential value on increase £'000	Potential value on decrease £'000
Pooled property funds	+ or - 7.1%	79,393	85,030	73,756
Infrastructure	+ or - 7.1%	50,550	54,140	46,961
Social impact funds	+ or - 7.1%	3,225	3,454	2,996
CIV - unquoted UK equity	+ or - 7.1%	150	161	139
Total		133,318	142,785	123,852

Asset type	Potential variation in fair value depending on valuation basis adopted £'000	Values at 31 March 2022 £'000	Potential value on increase £'000	Potential value on decrease £'000
Pooled property funds	+ or - 8.9%	76,168	82,947	69,389
Infrastructure	+ or - 8.9%	78,934	85,959	71,909
Social impact funds	+ or - 8.9%	3,300	3,594	3,006
CIV - unquoted UK equity	+ or - 8.9%	150	163	137
Total		158,552	172,663	144,441

Note 14b: Fair Value Hierarchy

	Values at 31-March-2022				Values at 31-March-2023			
	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£'000	£'000	£'000		£'000	£'000	£'000	
Financial assets at fair value through profit and loss								
Equity - London CIV			150	150			150	150
Pooled funds								
Equalities	660,375			660,375	634,945			634,945
Property		33,400	76,168	109,568		27,767	79,393	107,160
Infrastructure			78,934	78,934			50,550	50,550
Social impact funds			3,300	3,300			3,227	3,227
Fixed Interest	161,252			161,252	152,889			152,889
Cash and money market deposits	23,054			23,054	38,512			38,512
Cast not forming part of investments balances	175			175	24,129			24,129
								-
Amounts receivable from investment sales	273			273	6,973			6,973
								-
Accrues investment income	903			903	1,484			1,484
Debtors	10,710			10,710	2,728			2,728
	856,742	33,400	158,552	1,048,694	861,660	27,767	133,320	1,022,747
Financial assets at fair value through profit and loss								
Payable form investments purchases				-	(7,665)			(7,665)
Creditors	(829)			(829)	(14,651)			(14,651)
Total	855,913	33,400	158,552	1,047,865	839,344	27,767	133,320	1,000,431

Note 14c: Reconciliation of Fair Value Measurements within level 3

Reconciliation of Fair Value Measurements within level 3

2022/23	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property funds	76,168	3,751		(526)		79,393
Infrastructure	78,934	548	(36,859)	132	7,795	50,550
Hedge funds	-					-
Social impact	3,300			(74)		3,226
CIV - unquoted equity	150					150
Total	158,552	4,299	(36,859)	(468)	7,795	133,319

2021/22	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property funds	73,382		(150)	2,952	(16)	76,168
Infrastructure	82,143	1,552	(21,352)	3,834	12,757	78,934
Hedge funds	-					-
Social impact	4,439	58		(1,197)		3,300
CIV - unquoted equity	150					150
Total	160,114	1,610	(21,502)	5,589	12,741	158,552

Note 15a: Classification of Financial Instruments

	Values at 31-March-2022				Values at 31-March-2023			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets								
London CIV	150			150	150			150
Pooled funds								
Equities	660,375			660,375	634,945			634,945
Property	109,568			109,568	107,160			107,160
Infrastructure	78,934			78,934	50,550			50,550
Fixed interest	161,252			161,252	152,889			152,889
UK impact ventures	3,300			3,300	3,225			3,225
Cash and money market deposits		23,054		23,054		38,512		38,512
Cash not forming part of investment balances		175		175		24,129		24,129
Amounts receivable from investments sales		273		273		6,973		6,973
Accrued investment income		903		903		1,484		1,484
Debtors		10,710		10,710		2,728		2,728
Financial assets total	1,013,579	35,115	-	1,048,694	948,920	73,827	-	1,022,747
Financial liabilities								
Amounts payable for investment purchases	-	-	-	-	-	-	(7,665)	(7,665)
Creditors	-	-	(829)	(829)	-	-	(14,651)	(14,651)
Financial liabilities total	-	-	(829)	(829)	-	-	(22,316)	(22,316)
Total	1,013,579	35,115	(829)	1,047,865	948,920	73,827	(22,316)	1,000,431

Note 15b: Gains and Losses on Financial Instruments

2021/22	Investments	2022/23
£'000		£'000
	Financial Assets	
32,244	Gains on assets designated at fair value through profit and loss	14,348
(26,452)	(Losses) on assets designated at fair value through profit and loss	(60,028)
5,792	Total	(45,680)

Note 16: Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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 (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall Pension Fund risk management programme.

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

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities.

To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risks in two ways:

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

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

Note 16: Nature and Extent of Risks Arising from Financial Instruments (continued)

The fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Values at 31-March-2023	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities (pooled and non-pooled)	634,945	13.5	720,405	549,485
Pooled property investments	107,160	4.5	111,998	102,323
Alternatives	53,776	5.9	56,952	50,599
Pooled fixed interest	152,889	5.9	161,949	143,830
Cash, debtors and creditors	59,176	0.8	59,634	58,717
Total assets available to pay benefits	1,007,946		1,110,937	904,955

Asset Type	Values at 31-March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities (pooled and non-pooled)	660,525	13.6	750,224	570,826
Pooled property investments	109,568	5.2	115,309	103,827
Alternatives	82,234	5.3	86,584	77,884
Pooled fixed interest	161,252	5.4	169,960	152,544
Cash, debtors and creditors	34,361	0.9	34,674	34,048
Total assets available to pay benefits Pooled fixed interest	1,047,940		1,156,751	939,129

Interest rate risk

Interest rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy. The fund recognises that interest rates can vary and the fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next. The impact of a 1% change in interest rate yields on cash balances is shown below

	Values at 31-March-2023	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash held with custodian	3,512	3,547	3,477
Money market funds	35,000	35,350	34,653
Cash not forming part of investment balances	24,129	24,371	23,890
Total	62,641	63,267	62,021

Note 16: Nature and Extent of Risks Arising from Financial Instruments (continued)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The fund's currency rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy.

In consultation with the fund's performance advisers, the fund has determined that the following movements in currency risk are reasonably possible for the 2022/23 reporting period, assuming that all other variables, in particular market price risk and interest rates remain the same:

Asset Type	Values at 31-March-2023	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Overseas Equities	535,552	6.3	569,535	501,569
Overseas pooled property investments	38,721	6.3	41,178	36,264
Overseas Alternatives	26,756	6.3	28,454	25,059
Total	601,030		639,168	562,891

Asset Type	Values at 31-March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Overseas Equities	449,537	7.3	482,353	416,721
Overseas pooled property investments	38,716	7.3	41,542	35,890
Overseas Alternatives	37,184	7.3	39,898	34,470
Total	525,437		563,793	487,081

Credit risk

Credit risk represents the risk that the counterparty to a financial transaction 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. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the pension fund invests a percentage of its funds in the money markets to provide liquidity on cash balances. Money market funds chosen are in line with the Council's Treasury Management Strategy and all have a AAA rating from leading ratings agency. The pension fund bank account is also held in line with Council's selection for its main bank account provider.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements as at 31 March 2023 was £3.5 m (31 March 2022 £5.7m).

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at March 2023, the value of liquid assets was £858,953 m, representing 86% of total fund assets (31 March 2022 £845m, representing 81% of total fund assets).

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that carry a refinancing risk as part of its current investment strategy.

Note 17: Funding Arrangements

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026. On the basis of the assumptions adopted, the Fund's assets of £1,048 million represented 81% of the Fund's past service liabilities of £1,293 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £245 million.

The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this. The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 14.6 years for employers in deficit and 16 years for employers in surplus. The total recovery payment (the "Secondary rate" for 2023/26) was, on average, an addition of approximately £16.9m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (including ill-health retirements for certain employers) will be made to the Fund by the employers.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2023.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method. Full yield curves were used in calculating the liabilities. Approximate single equivalent rates for the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

Key demographic assumptions

		31-March-2022	31-March-2019
Retiring today	Males	21.9	22.5
	Females	23.5	25.0
Retiring in 20 years	Males	24.1	24.1
	Females	26.1	26.9

Key financial assumptions - Past Service

	2022	2019
	%	%
Rate of return on investments (discount rate)	4.95% per annum	4.35% per annum
Rate of pay increases (long term)*	4.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	2.4% per annum

Key financial assumptions - Future Service

	2022	2019
	%	%
Rate of return on investments (discount rate)	5.35% per annum	4.9% per annum
Rate of pay increases (long term)*	4.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	2.4% per annum

All investment assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis every year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and net liabilities calculated on an IAS 19 basis differ from the results of the 2019 triennial funding valuation (see Note 17 above) mainly because IAS 19 stipulates a discount rate based on corporate bond yields rather than expected market rates for the assets currently under management.

In order to assess the value of the benefits on this basis, the actuary also has to update the key financial assumptions, as shown below:

2021/22		2022/23
%		%
3.4	Rate of CPI (inflation)	2.7
3.5	Pension increase rate	2.8
4.9*	Salary increase rate	4.2
2.8	Discount rate (investment returns)	4.8

*This is the long-term assumption. An allowance corresponding to that made at the 2019 formal actuarial valuation for short-term public sector pay restraint was also included.

The estimated net present value of pension fund assets and liabilities on an IAS 19 basis is as follows:

2021/22		2022/23
£'000		£'000
(1,952,100)	Rate of CPI (inflation)	(1,440,000)
1,037,809	Pension increase rate	988,225
(914,291)		(451,775)

Note 19: Current Asset

Analysis of debtors outstanding at 31 March 2023:

2021/22		2022/23
£'000		£'000
	Debtors	
367	Contributions due - employees	391
2,077	Contributions due - employers	2,337
2,444		2,728
8,265	Amount due from Waltham Forest	-
175	Cash not forming part of investment balances	24,129
10,884		26,857

Note 20: Current Liabilities

Analysis of creditors outstanding at 31 March 2023:

2021/22		2022/23
£'000		£'000
(210)	Unpaid benefits	(100)
-	Owed to administering authority (LBWF)	(13,750)
(619)	Other entities and individuals	(801)
(829)		(14,651)

Note 21: Additional Voluntary Contributions

	Contributions	Market Value	Contributions	Market Value
	2021/22	31-March-2022	2022/23	31-March-2023
	£'000	£'000	£'000	£'000
Equitable Life	*	*		112
Clerical Medical	26	639	118	559
Phoenix Life	*	*		11
	26	639	118	682

*Not available at this time

Note 22: Related Party Transactions

London Borough of Waltham Forest

The Pension Fund is administered by the London Borough of Waltham Forest, which is also the single largest employing body in the pension fund. The Pension Fund is administered by the Council and was charged £755,111 for staff time and services in 2022/23 (£713,500 in 2021/22).

Governance

One member of the Pension Fund committee who is in receipt of pension benefits from the Waltham Forest Pension Fund (Cllr. T Wheeler). In addition, committee member Cllr. A. Hemsted is a deferred member of the pension fund. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Key management personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee and the Strategic Director Finance and Governance. Total remuneration payable to key management personnel is set out below:

2021/22		2022/23
£'000		£'000
57	Short-term benefits	59
-	Post-employment benefits	-
57		59

Note 22: Contingent Liabilities and Contractual Commitments

The Fund has outstanding commitments in relation to its three infrastructure funds and a Social Impact Fund. As at 31 March 2023 there were £7 m of infrastructure commitments outstanding (£9m as at 31 March 2022). The Social Impact Fund had outstanding commitments of £0.1 m at 31 March 2023 (£0.1 million as at 31 March 2022). These commitments are drawn down in tranches over time as and when fund managers request them and are not included in the Pension Fund accounts up to that point.

Note 23: Further Information

Copies of the Pension Fund Annual Accounts, Annual Report, Investment Strategy Statement, Funding Strategy Statement, Pension Fund Valuation 2019 are published on the Council's website:

<http://www.walthamforest.gov.uk>