London Borough of Enfield Pension Fund

Annual Report 2014/15

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Section 1

Section 2

Section 3

Section 4

Section 5

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1. Chairman’s Foreword – Cllr Toby Simon

It is my pleasure, as Chair of the Pension Board to introduce the London Borough of Enfield Pension Fund Annual Report and Accounts for 2014/15. The Pension Board together with the Investment Sub-committee has responsibility of all aspects of the Pension Fund.

The year started with the introduction of the new LGPS 2014 Scheme on April 1st, a challenge both in terms of communicating the change to scheme members but also in ensuring that the administration systems were able to cope with the regulatory changes, with the final regulations coming so late in the day.

There has been no significant rush for scheme members to move to the new option of 50/50 where they pay 50% of the contributions to build up 50% of the pension, despite increases in contributions for scheme members particularly at the middle to higher end of pay rates.

The Fund has continued to see growth in assets over the year with major equity markets continuing to see gains over the year, particularly in North America, but also bond markets and property posting strong gains. At the end of March 2015, the Fund value had increased by just over 14.65% closing the year at £888 million, building on the growth of the previous 5 years.

The Investment sub-committee continues to closely monitor its investment and asset allocation and has continued to invest in alternative markets protecting the fund from falls in the market and hence permitting more stable returns.

The Fund is committed to the Local Authority Pension Fund Forum (LAPFF) and where possible to implement recommendations provided by the organisation. The Fund is also in the process of considering further ways in which it can play a role as a responsible investor by looking to engage with companies and make changes from within rather than adopting an opt-out approach.

The Fund has worked collaboratively with other London Pension Funds to deliver efficiency improvements to the wider LGPS. The Fund is a key constituent in the development of the London CIV (Collective Investment Vehicle). This is the company that has been established by London Councils with 31 out of the 33 London Funds signing up to participate in the CIV. It is anticipated that FCA approval will be obtained in the summer with the CIV expecting to take assets on board in the autumn. The development of the London CIV has been a key factor in trying to move the wider debate on consolidation in the LGPS, demonstrating that local government is able to provide solutions and bring about greater efficiency without intervention from central government.

Other challenges this year have included the requirement for the establishment of a Pensions Board . Appointments to the new Pensions Board have been made underway with its first meeting due to take place in July.

I would also like to take this opportunity of expressing my personal appreciation for the hard work and commitment to the Pension Fund that the rest of my Board

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2. Investment report

Objectives

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

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

The Strategy

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

Asset Class	Actual Position 31st March 2015 %	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity	43.8	40.0	8-11%	±10%
Bonds	24.3	29.0	4-5%	±10%
Hedge Funds	16.83	15.0	9-11%	±5%
Property (UK)	8.2	10.0	9%	±5%
Infrastructure/PFI	4.7	6.0	9%	±3%
Cash	2.1	-	-	-
Total	**100.0**	**100.0**		

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

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

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

Market returns over last three years

Equities:	2014/15	2013/14	2012/13
UK	6.3%	11.3%	18.0%
North America	24.8%	11.9%	19.0%
Europe	8.8%	15.1%	20.4%
Japan	27.3%	0.5%	15.4%
Pacific (ex Japan)	16.0%	-0.7%	19.2%
Emerging Markets	13.5%	-5.1%	10.5%
Global Pooled inc. UK	18.3%	8.6%	16.2%
Total Equities	**13.7%**	**8.4%**	**17.6%**
Bonds:			
UK Bonds	11.8%	0.4%	10.6%
Overseas Bonds	8.7%	-6.1%	10.0%
Indexed Linked	20.2%	-4.4%	11.2%
Total Bonds	**13.0%**	**-1.6%**	**10.5%**
Cash	**1.8%**	**1.4%**	**2.8%**
Property	**13.2%**	**6.4%**	**13.8%**
Alternatives	**15.8%**	**11.0%**	**9.5%**
Total Assets	**13.2%**	**6.4%**	**13.8%**

Fund Manager Structure

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

Fund manager	Investment objectives
BlackRock Advisers UK Ltd (Passively Managed Global Equity, UK Equity and UK Bond Portfolios)	To perform in line with the prescribed Equity and Bond indices.
Trilogy Global Advisors (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
Lazard (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
MFS (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
RREEF Management (Active UK Property Fund)	*To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK Retail Prices Index over 5 to 10 years.*
Legal & General Investment Management Ltd (Active UK Property Fund)	To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.
Gruss (Events driven)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
York Capital Management (Distressed Debt Fund)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
Davidson Kempner (Events driven)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
Lansdowne Partners (Long/Short UK Equities Hedge Fund)	To generate an absolute return. The benchmark is the FTSE All Share index
Adam Street Partners (Private Equity Portfolio)	To outperform the MSCI World Index.
Western Asset Management (Actively Managed Bond Portfolio)	To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.
Blue Crest Global Macro Hedge Fund	To provide a positive absolute return. There is no explicit benchmark against performance is judged.
Brevan Howard Global Macro Hedge Fund	To provide a positive absolute return. There is no explicit benchmark against performance is judged.
International Public Partnerships Limited *(Private Finance Initiative)*	To achieve a return of at least 4.5% per annum.
M&G Inflation Opportunities Fund	To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.
Insight Bond Fund	3 month LIBOR +4% per annum over rolling three period.
Arcus Infrastructure Partners (European Infrastructure Fund)	To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK RPI over 5 to 10 years.

Brockton –opportunistic property	15% net IRR and 1.5xnet multiple

Fund Value

The Pension Fund has continued to benefit from the recovery in the UK and US markets where the largest proportions of the Fund's assets are held along with a strong performance from equities. The net return on investments during 2014/15 was an increase of £113 million. At the end of March 2015, the market value of the Pension Fund's total assets was £888 million compared to £775 million as at 31st March 2014, showing the ongoing recovery in markets over the year. This represents an increase over the year of 14.6%, reflecting the impact of the continuing recovery and strong cash flows.

The during the year the Fund dismissed Avenue Capital (an events driven manager) and replaced them with two other Event driven managers Davidson Kempner and Gruss. The Pension Board also approved the appointment of a new property manager Brockton, as a means of bring the Fund's property allocation back up to 10%. This was funded by a reduction in our global portfolio.

Fund Value over 10 Years as at 31st March

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
399	501	537	534	442	572	610	647	731	775	888

Performance of Fund

Customised benchmark

The investment strategy and performance of the Fund is reported on a quarterly basis to the Investment sub-committee. The investment performance of the Fund is measured by the WM Company against a customised benchmark. The overall investment performance of the Fund for 2014/15 returned 14.5% underperforming against the customised benchmark of 15.6% by 1.0% The Local Authority average increase for 2014/15 was 13.2%

Fund Returns

	12 months %	3 Years % pa	5 Years %pa	10 Years %pa
Fund	14.6	10.0	8.2	7.5
Benchmark	15.6	9.9	8.5	8.2
Relative Return	-1.0	+0.1	-0.3	-0.7

The L.A. average asset allocation as at 31st March 2015 compared to the Enfield Fund			
	Local Authority Average	Enfield	Difference
	%	%	%
Equities	61.4	43.6	-17.8
Bonds	17.1	20.5	+3.4
Property	8.1	8.2	+0.1
Alternatives	7.9	25.3	+17.4
Multi-Asset	2.8	-	-2.8
Cash	2.7	2.4	-0.3
	100.0	100.0	

Analysis of Enfield Fund assets as at 31 March 2015				
	UK	*Non-UK*	*Global*	*Total*
	£m	*£m*	*£m*	*£m*
Equities & private equity	*44.8*	*321.9*	*45.1*	*411.8*
Bonds	*138.3*	*12.8*	*-*	*151.1*
Property	*72.5*	*-*	*-*	*72.5*
Alternatives	*84.7*	*17.3*	*128.6*	*230.6*
Cash	*18.5*	*0.6*	*-*	*19.1*
	358.8	*352.6*	*173.7*	*885.1*

Analysis of Enfield Fund income accrued during year ended 31 March 2015				
	UK	*Non-UK*	*Global*	*Total*
	£m	*£m*	*£m*	*£m*
Equities	*1.2*	*2.2*	*-*	*3.4*
Bonds	*3.8*	*0.6*	*-*	*4.4*
Property	*1.3*	*-*	*-*	*1.3*
Alternatives	*-*	*-*	*-*	*-*
Cash	*0.2*	*-*	*-*	*0.2*
	6.5	*2.8*	*-*	*9.3*

3. Corporate Governance

Introduction

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

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

The Council has a Pension Board which sets the strategy objective and oversees the management of the Pension Fund. A separate Investment sub-committee considers all investment decisions regarding the Fund. It was recognised that to meet the increasing demands and complexities of the Fund, it would be appropriate to appoint an independent pension advisor to help members 'test' the advice of its investment consultant and to provide support for new areas of investment.

All operational decisions to implement these policies are delegated to the Council's Director of Finance, Resources & Customer Services.

From April 2015 the Pension Board and Investment sub-committee will the cease to operate. They will be replaced by a Local Pension Board (A board by legislation) and a Pension Policy and Investment Committee.

The Role of the Pension Board

The Pension Board consists of seven members appointed by the Full Council who are responsible for the administration of the London Borough of Enfield Pension Fund in accordance with Statutory Regulations. An union and employee representative also sits on the board in a non-voting capacity. The Board meets a minimum of four times a year.

The Board is responsible for: -

- The governance of the London Borough of Enfield Pension Fund in accordance with statutory regulations;
- Appointing the Fund's Actuary;
- Appointing the Investment sub-committee;
- Approving all admissions into the Fund;
- The submission to Full Council of an Annual Report outlining the work of the Board; and
- Overseeing communications with Fund Members
- Corporate Governance issues and matters relating to socially responsible investments
- Overseeing compliance with the Myners report (a report that sets out six principles of good practice within pension schemes)

The Board operates under a framework whereby its investment decisions are delegated to the Investment Sub-committee (ISC).

Governance of the Pension Fund Investments

The ISC considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Pension Board appointed an independent pension fund advisor, Carolan Dobson, to also sit on the ISC (with full voting rights) to give expert advice, support members, and to clarify the many complex technical issues that arise from diversifying the Fund's assets.

The ISC meets quarterly to review investment strategy and to receive reports on investment activity undertaken in the previous period. One of its important tasks is to monitor the performance of the Fund's managers in conjunction with professional advisors and officers. This year has been particularly busy with the ISC appointing four new managers during the year.

The Investment Sub-committee is responsible for:

- Asset Allocation decisions;
- Appointing (and, when necessary, dismissing) Investment Managers;
- Monitoring the performance of Investment Managers and the Investments made;
- Setting and reviewing the overall investment strategy of the fund;
- Appointing (and, when necessary, dismissing) Investment Consultant;
- Reviewing the cost of Investment Management;
- Statement of Investment Principles; and
- Setting performance objectives for the fund.

The Local Pension Board

The London Borough of Enfield, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee and during the current financial year the chart below was the way in which the Fund was governed.

From 1 April 2015, there is now a regulatory requirement for a Pensions Board to sit alongside the Administering Authority, to assist the Authority in compliance with the regulations and to help oversee the work of new Pension Policy & Investment Committee.

Formal approval for the establishment of the Local Pensions Board was given by full Council at its meeting in March 2015 with a Board to be comprised of 4 Employer Representatives and 4 Scheme Member Representatives. The first meeting of the Pensions Board took place in July 2015.

Committee Members Attendance 2014/15

Pension Board	25 Sept	29 Jan			
Cllr T Simon	P	P			
Cllr T Neville	P	P			
Cllr R Hayward	P	A			
Cllr A Stafford	A	A			
Cllr D Levy	P	P			
Cllr D Taylor	P	P			
Cllr H Ulus (resigned)	A	-			
Cllr D Barry (replaced Cllr Ulus)	-	P			
Investment sub committee	**16 July**	**26 Aug**	**12 Nov**	**1 Dec**	**23 Feb**
Cllr T Simon	P	P	P	P	P
Cllr T Neville	P	P	P	A	A
Cllr R Hayward	A	A	A	A	A
Cllr H Ulus (resigned)	A	A	A	-	-
Cllr D Levy	P	P	P	P	P
Cllr D Barry (replaced Cllr Ulus)	-	-		P	P

Overview of the Scheme

The London Borough of Enfield Pension Fund is part of the Local Government Pension Scheme (LGPS) and is governed by Statute. The main regulations governing the operation of the scheme during the year were the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2013. The Local Government Pension Scheme Regulations 2013 introduced the new 2014 LGPS which amongst other things changed the benefits structure from a final salary to career average revalued earning (CARE) scheme. In addition the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 covers the investment aspects of the funds.

The London Borough of Enfield is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place as at 31 March 2016.

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

The Pension Scheme as applying during the financial year 2014/15 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual’s state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.

- Pre-2014 benefits guaranteed with a final salary link for any benefits earnt prior to 1 April 2014.

- Option to pay 50% of the contribution rate to accrue 50% of the benefits.

- Option to convert some pension to lump sum on retirement on a 1:12 ratio.

- Life assurance cover 3x member final pay applicable from the day of joining scheme. Pensions for dependents:- spouses, civil partners and eligible co-habiting partners and eligible children.

- An entitlement to have pension paid early on medical grounds.

- Pensions increase annually in line with the cost of living.

It should be noted that the foregoing is not an exhaustive list and that certain conditions have to be met for an individual to be entitled to the benefits outlined.

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

• A guaranteed pension based on final pay and length of time in the scheme and an
accrual rate of 1/60th per annum.

• Tax free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax free lump sum on post 1 April 2008 service.

• Life assurance cover 3x member final pay applicable from the day of joining scheme.

• Pensions for spouses/civil and co-habiting partners and children.

• An entitlement to have pension paid early on medical grounds.

• Pensions increase annually in line with the CPI.

Who belongs to the Enfield Pension Fund?

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

	Number of contributors	Pensioners	Deferred Members
London Borough of Enfield	**5,989**	**4,337**	**5,466**
Scheduled Bodies			
Capel Manor College	138	35	141
Enfield College	0	39	60
Southgate College	0	93	159
Enfield Academy	233	2	78
Enfield Homes	194	42	71
Enfield Grammar	37	12	16
Hadley Academy	98	3	16
Aylward Academy	30	1	11
Nightingale Academy	32	7	34
Kingsmead Academy	35	3	18
Cuckoo Hall Academy	99	3	2
Enfield Heights Academy	3	0	2
Woodpecker Academy	8	0	0
Kingfisher Academy	4	0	0
Heron Academy	3	0	0
ARK John Keats Academy	12	0	0
Albany School	0	18	38
Broomfield School	0	10	2
Latymer School	58	24	24
St Ignatius School	0	3	1
St Matthews Primary School	0	0	2
Fleecefield Primary School	0	1	5
Wilbury Primary School	0	4	5
Meridian Angel Primary School	1	0	0
Subtotal – Scheduled Bodies	**985**	**300**	**685**
Admitted Bodies			
Enfield Voluntary Groups	7	4	3
Fitzpatrick	0	8	17
NORSE	78	14	55
Churchill	1	0	0
Metropolitan Support Trust	4	1	0
Fusion Lifestyle	12	0	5
Birkin	0	0	1
Kier Group Services	1	0	0
Sodexo	7	0	0
Hughes Gardner	0	0	1
Equion Facilities Management	0	2	0
Outward Housing	6	4	8
Leisure Trust	0	5	26
Millfield House & Theatre	0	0	3
Subtotal – Admitted Bodies	**116**	**38**	**119**
Total Membership	**7,090**	**4,675**	**6,270**

Membership Trends

	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Current Employees	6,154	5,939	6,447	6,868	7,090
Pensioners	3,941	4,097	4,279	4,427	4,675
Deferred Benefits	4,504	5,066	5,452	5,760	6,270
	14,599	**15,102**	**16,178**	**17,055**	**18,035**

Actives Age			
Age	**Female**	**Male**	**Total**
Over 19	24	17	41
20-24	227	116	343
25-29	350	142	492
30-34	393	135	528
35-39	465	170	635
40-44	625	166	791
45-49	972	234	1,206
50-54	1,041	243	1,284
55-59	808	236	1044
60-64	414	141	555
65-69	109	38	147
70-74	13	8	21
75-79	2	1	3
Grand Total	**5465**	**1647**	**7,090**

Pensioner Age			
Age	**Female**	**Male**	**Total**
35-49		1	1
40-44	2	1	3
45-49	8	4	12
50-54	14	12	26
55-59	80	42	122
60-64	489	243	732
65-69	690	396	1,086
70-74	525	259	784
75-79	337	203	540
80-84	215	180	395

85-89	139	111	250
90-94	45	39	84
95-99	13	3	16
100-104	1	2	3
Grand Total	**2,558**	**1,496**	**4,054**

Costs of Fund Administration

	£000's	£ per member
Staff- administration	359	19.91
Payroll charge	102	5.66
Communication	13	0.72
Actuary	46	2.55
External audit	19	1.05
Other running cost	25	1.39
IT Pension costs	89	4.93
Total Cost	**653**	**36.21**

Pension Fund Budget 2014-18						
2013/14		2014/15	2014/15	2015/16	2016/17	2017/18
Actual		Estimate	Actual	Estimate	Estimate	Estimate
£000		£000	£000	£000	£000	£000
9,049	Employee contributions	9,700	9,848	9,900	9,800	9,700
29,554	Employer contributions	30,000	30,604	30,000	29,500	30,000
1,523	Transfers in	1,000	1,072	1,000	1,000	1,000
40,126	**Total Income**	**40,000**	**41,524**	**40,900**	**40,300**	**39,700**
-24,474	Pensions	-25,800	-26,397	-28,900	-31,400	-34,400
-5,693	Retirement/death grants	-6,000	-8,067	-8,000	-8,000	-8,000
-1,268	Transfers out	-2,500	-2,125	-2,000	-2,000	-2,000
-673	Admin costs	-600	-551	-600	-600	-600
-32,108	**Total Expenditure**	**-34,900**	**-37,140**	**-39,500**	**-42,000**	**-45,000**
8,018	**Net Surplus**	**5,100**	**4,384**	**1,400**	**-1,700**	**-5,300**
774,684	**Net Asset Value**	**835,000**	**888,155**	**925,000**	**980,000**	**1,050,000**
20.5%	**Employers contribution**	**20.9%**	**20.9%**	**20.9%**	**20.9%**	**21.9%**

Corporate Governance

The Fund's corporate Governance is set out in the Fund's Statement of Investment Statement and is line with the Combine Code. A detailed statement is shown our website.

Employers Summary

The London Borough of Enfield has the largest share of active members of the fund (88%). For 2014/15 22 employers actively contributed to the fund.

Statue specifies that contributions must be paid into the fund by the 19th day of the following month to that which they relate. The Pension Regulations allows for interest to be levied on contributions that are not paid on time, There were 5 late payments during 2014/15, but were considered as minor breaches so the this power was not exercised.

Payments made by employers into Pension Fund during 2014/15 (including analysis of late payments)												
	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Enfield	2,159	2,117	2,144	2,142	2,110	2,172	2,170	2,164	2,291	2,211	2,229	2,243
Latymer	16	16	16	18	18	16	17	16	17	17	18	17
Capel Manor	31	30	30	33	31	33	34	32	34	34	32	39
Oasis Enfield	43	50	41	46	39	41	44	45	50	46	46	50
Oasis Hadley	16	18	15	17	18	19	18	19	21	20	20	22
Aylward Academy	18	11	13	13	15	13	14	14	17	15	14	15
Nightingale Academy	23	13	16	18	17	14	14	14	14	14	13	13
Enfield Heights	n/a	n/a	n/a	n/a	n/a	1	1	1	1	1	1	1
Kingsmead Academy	17	16	15	15	15	16	17	15	16	15	16	17
Enfield Grammar	10	11	10	10	11	11	11	11	11	10	10	11
Enfield Homes	121	120	117	116	117	116	113	115	119	116	116	116
Ark John Keats	2	1	2	2	2	4	3	3	3	3	4	3
Meridian Angel Primary School	n/a	n/a	n/a	n/a	n/a	4	3	3	1	3	3	4
Heron Hall Academy	1	1	1	1	1	2	2	2	2	2	2	2
Kingfisher Hall	2	2	2	2	2	3	1	2	3	2	2	2
Woodpecker Hall	2	2	2	2	2	2	2	2	2	2	2	2
Cuckoo Hall	15	14	14	16	6	16	15	14	16	15	14	15
Sodexo	1	1	1	1	1	1	1	1	1	1	1	1
Kier	0	1	0	0	0	0	0	0	0	0	0	0
Fusion Lifestyle	5	5	5	5	5	5	5	5	5	4	4	4
OutWard Housing	2	1	1	1	1	**1**	1	**1**	1	1	1	1
Churchill	0	0	0	0	0	0	0	0	0	0	0	0
Metropolitan Support Trust	1	1	1	1	1	1	1	1	1	1	0	0
NORSE	8	9	7	8	9	6	7	8	**7**	7	8	6

Note: red blocks refer to late payments

Risk Management Review

Risk Register

The benefits of successful risk management are clear for the Fund; improved financial performance, better delivery of services, and improved Fund governance and compliance.

There are four general approaches to treating risk: avoid, reduce, transfer or accept:

- Avoidance of risk – not undertaking the activity that is likely to trigger the risk.

- Reducing the risk – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.

- Transferring the risk – handing the risk on elsewhere, either totally or in part – e.g. through insurance.

- Accepting the risk – acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.

The Risk Register for the Pension Fund sets out the nature of the individual risks for the Fund with an assessment of level of risk. Risks fall into the following categories:

- High risk (red) – need for early action intervention where possible;
- Medium risk (amber) – action is required in the near future; and
- Low risk (green) – willing to accept this level of risk or requires action to improve over the longer term.

The Pension Board reviews the Pension Fund Risk Register and the controls in place to determine if there is any need to re-categorise existing risks or to add new, previously unidentified risks.

The key risks identified as being high following the latest review are:
- Increasing longevity
- Regulatory
- Poor investment performance
- Reliance on third party operations
- Counterparty risks

The Board recognises that whilst the above high risks relate primarily to external risk, measures are in place to monitor and manage these risks.

These include:

- Monitoring longevity and ongoing discussions with the Fund Actuary on how best to manage the impact on the Fund from people living longer;

- Monitoring regulatory changes and responding to consultations on future changes;

- Quarterly monitoring of investment performance and regular reviews of asset allocation to ensure that it remains appropriate for the Fund taking into account the appropriate investment advice from the Pension Fund Consultants;

- Contract monitoring and performance reviews; and

- Ensuring counterparties have adequate ratings and internal controls in place.

Within the Statement of Accounts, there is a detailed analysis of the extent of risks arising from financial instruments, quantifying the impact of a range of investment risks, including market risk, interest rate risk and currency risk.

This provides readers of the accounts with an overview of the impact of market movements, including increases and decreases under the scenarios where standard deviations apply.

6. Pension Fund Advisers and Other Service Providers

During 2014/15 the following provided services to the Pension Fund:

Custodial Services
State Street Bank and Trust Company, 20 Churchill Place, Canary Wharf, London, E14 5HJ

Actuarial Services
Aon Hewitt Limited, Prospect House, Abbey View, St Albans, AL1 2QU

Investment Consultancy and Advice Services
Aon Hewitt Limited, Devonshire Place, London

Independent Fund Advisor
Carolann Dobson

Fund Administer
Julie Barker London Borough of Enfield Julie.barker@enfield.gov.uk

Pension Fund Performance Measurement
WM Performance Services (A State Street Company), State Street Investment Analytics
525 Ferry Road, Edinburgh, EH5 2AW

External Auditors
Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

Legal Services
Legal services were provided in-house by the Director of Finance Resources & Customer Services.

AVC Provider
The Prudential Insurance
natalie.read@prudential.co.uk or call on 0845 2680440.

Corporate Governance
Local Authority Pension Forum (LAPF) - Proxy Voting

National Association of Pension Funds (NAPF)

The Fund's Bankers
HSBC PLC
1st Floor, 60 Queen Victoria Street, London, EC4N 4TR

Fund Accountant
Paul Reddaway, London Borough of Enfield paul.reddaway@enfield.gov.uk

If you have any comments on the Annual Report, please call 020 8379 4730, email paul.reddaway@enfield.gov.uk or write to the following address:
Fund Accountant

Section 2: The Financial Statements

PENSION FUND ACCOUNTS

Introduction

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

The main regulations governing the operation of the scheme during the year were the Superannuation Act 1972, the Local Government Pension Scheme (Members, Contributions and Benefits) Regulations 2007, Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transition) Regulations 2008.

In addition the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 covers the investment aspects of the funds.

The introduction of the new LGPS 2014 Scheme on the 1 April 2014 came into effect under the Local Government Pension Scheme Regulations 2013 covering new arrangements for membership, contributions and benefits and the administration of the Scheme.

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

Employee contributions are determined by central government and up until 31 March 2014 were between 5.5% and 7.5% based on pensionable pay. From the 1 April 2014 the employee contribution rates now applying are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund Actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place as at 31 March 2016.

The last such valuation was as at 31 March 2013. Current employer contribution rates can be found in the Statement to the Rates and Adjustments Certificate in the Enfield Fund Annual Report 2014/15. While individual rates were set for each employer, the average rate for the Fund is 20.9%.

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

From the 1 April 2014 the new LGPS 2014 Scheme came into effect. This changed the structure from a defined benefit to a career average revalued earnings scheme and aligns LGPS retirement age with an individual's state pension age. The key benefits of the new scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.

- Pre-2014 benefits guaranteed with a final salary link for any benefits earnt prior to 1 April 2014.

- Option to pay 50% of the contribution rate to accrue 50% of the benefits.

- Option to convert some pension to lump sum on retirement on a 1:12 ratio.

- Life assurance cover 3x member final pay applicable from the day of joining scheme.

- Pensions for dependents:- spouses, civil partners and eligible co-habiting partners and eligible children.

- An entitlement to have pension paid early on medical grounds.

- Pensions increase annually in line with the cost of living.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015	Note	2014/15 £000s	2013/14 £000s
Contributions and benefits			
- Contributions receivable	**2**	40,452	38,603
- Transfers in	**3**	1,072	1,523
		41,524	**40,126**
- Benefits payable	**4**	(34,464)	(30,167)
- Payments to and on account of leavers	**5**	(2,125)	(1,268)
		(36,589)	**(31,435)**
Net additions from dealings with members		**4,935**	**8,691**
Management expenses	**6**	**(2,472)**	**(1,969)**
Returns on investments			
- Investment income	**7**	9,318	8,865
- Taxation	**8**	(74)	331
- Changes in market value	**9**	101,764	27,583
Net returns on investments		**111,008**	**36,779**
Net change in assets available for benefits during the year		113,471	43,501
Opening net assets brought forward at 1 April		774,684	731,183
Net assets carried forward as at 31 March		**888,155**	**774,684**

NET ASSETS STATEMENT AS AT 31 MARCH 2015	Notes	2015 £000s	2014 £000s
Investment assets		881,409	751,163
Investment liabilities		(15,333)	(5,028)
	9	**866,076**	**746,135**
Cash deposits		19,070	37,499
Other investment balances		2,445	(8,539)
	9	**887,591**	**775,095**
Current assets	**14**	731	397
Current liabilities	**15**	(167)	(808)
Net assets available to fund benefits as at 31 March		**888,155**	**774,684**

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Board. They do not take account of obligations to pay pensions and benefits which fall due after the year end of the Fund year.

James Rolfe
Director of Finance,
Resources and Customer Services

Signed ……………………………………..

Date: 23rd September 2015

Cllr Dinah Barry
Chair Pension Board,

……………………………………..

Date: 23rd September 2015

Notes to the Financial Statement –index

1. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme (LGPS) (Benefits, Membership and Contributions) Regulations 2007 and LGPS (Management and Investment of Funds) Regulations 2009.

The financial statements summarise the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements 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 actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 17 of these accounts.

Accounting Policies

a) Contributions income
Normal contributions, both from members and employers, are accounted for on an accruals basis, at the percentage rate recommended by the Fund Actuary, in the payroll period to which they relate.

The cost of early retirement contributions are accounted for in the period in which the liability is incurred.

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, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their Additional Voluntary Contributions to purchase scheme benefits are accounted for on a receipts basis and are included as Transfers in.

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

c) Investment income

i) Interest income
Interest income is recognised in the fund account as it accrues.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as other investment balances.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as other investment balances.

vi) Movement in the net market value of investments
Changes in the net market value of investments are recognised as income or expenses and comprise all realised and unrealised gains/losses during the year.

d) Benefits payable
Pensions and lump benefits payable include all known to be due in respect of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the

country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administrative expenses
All administrative expenses are accounted for on an accruals basis. Relevant officer costs and other overheads are apportioned to the Fund.

g) Investment management expenses
All investment management expenses are accounted for on an accruals basis as follows:

- 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 on either a monthly or quarterly basis.

- The exceptions to this are fees in relation to Private equity funds which are based on amounts committed to each fund.

- Fees in connection with some pooled investments are contained within the unit price, and are not separately disclosed.

- The cost of obtaining investment advice from external consultants is included in investment management charges.

h) Investments
Investments are shown in the Net Assets Statement at fair value as follows:

- **Quoted investments**

Valued by reference to their bid price at the close of business on 31 March 2015. Pooled investment vehicles are stated at the bid price as quoted by the relevant fund managers, which reflect the underlying investments. In the case of single priced pooled investment vehicles, the closing single price is used as the best estimate of fair value.

- **Unquoted investments**

The estimate of fair value after taking the advice of the Fund's investment manager. Unquoted securities are valued by fund managers on the basis of latest dealings, professional valuations and financial information at the year end. In the case of private equity limited company funds, the investments are valued at latest values which are previous quarter (generally end of December) values, updated for new investment and distributions. For private equity direct investments the price taken is that as provided by the Fund Manager, which reflect the prices at the latest round of financing if available, or book cost, unless impaired when this value is reduced. The Fund takes assurance in the audited accounts of the fund manager and there Internal Control Statements.

- **Derivatives contracts**

Futures contracts are valued using relevant exchange prices at the accounting date. Exchange traded options are valued at the relevant exchange price for closing out the option at the accounting date.

- **Forward currency contracts**

The cost rate of the original transaction is compared to the market rate (being taken as the spot rate at the close of business of the day).

- **Investment income**

Dividends and interest have been accounted for on an accruals basis at the amortised cost. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement day.

- **Overseas investments**

Investments held in foreign currencies have been converted into sterling at the rate ruling on 31 March 2015. The dollar exchange rate has been set at 0.674 (0.827 - 2013/14) to £1 and the euro rate set at 0.724 (0.827 - 2013/14) to £1 as at 31 March 2015.

- **Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

- **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 cash balances in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2015.

- **Cash and cash equivalents**

Cash comprises 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.

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 fair value of the liability are recognised by the Fund.

Financial liabilities are recognised on the Net Asset's Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial Assets
Financial assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument.
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- fair value through profit or loss - assets that are held for trading.

Debtors and Creditors
Except where otherwise stated, the Accounts have been prepared on an accruals basis i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The main exception to this is transfers in and out of the fund which are accounted for on a cash basis.

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 Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration 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.

Level 3 investments

Adam Street Partners (ASP)

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Enfield Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The audit of ASP involves tests of internal control to enable the external auditor (KPMG) to issue an unqualified opinion of those financial statements. No auditing or SEC regulatory rules over investment advisors in the United States require any additional work or reporting on internal controls, nor does their audit work performed extend to any time period beyond the date of the audited financial statements. Thus, there is no report from ASP auditors regarding internal control procedures. For funds held with the Enfield portfolio there have been no material changes in internal controls subsequent to the audit date and the procedures performed in valuing the funds' investments have been applied consistently quarter by quarter.

Arcus
Our Infrastructure manager when measuring the value of the assets within the portfolio in the following way:-

- Alpha Trains –Discounted Cash Flow (DCF)
- Angel Trains – Discounted Cash Flow (DCF)
- Brisa – Discounted Cash Flow (DCF)
- Euroports – Discounted Cash Flow (DCF)
- Forth Ports – Discounted Cash Flow (DCF)
- Shere – Earnings Before Interest, taxes Depreciation, and amortization(EBITDA) multiple based on recent market transactions

The methodology used to value investments is set out below. All unlisted investments are categorised as level1 in the fair value hierarchy. The Partnership does not currently prepare an AAF01/06 report, or any similar report in this nature. The General Partner, Acrus European Infrastructure Fund GP LLP, is fully authorised and regulated by the Financial Conduct Authority (FCA) of the UK. As such, they are obligated to operate in accordance with the Senior Management Arrangements, System & Controls" requirements of the FCA, which has a strong investigative powers to ensure compliance. Arcus has operated in full compliance with these requirements without any breaches to date. The General Partner's number is 506441.

Brockton
An appropriate valuation methodology is selected for each underlying investment and common methodologies include:
1. Applying an EBITDA multiple using comparable multiples reflected in the market valuations of quoted companies or
recent transactions used for valuing underlying investments which are operating companies.
2. A capitalisation rate using comparable capitalisation rates from recent property transactions, applied to the net rental
income of the underlying investment for investment properties.
3. Applying either of the above methodologies, as appropriate, to forecast income and a forecast multiple or rate, and then recognising a proportion of the future expected profit using either a

discounted cash flow with an appropriate discount rate or a time-weighted proportion under a variation of the percentage-of-completion method.

As an additional safeguard the Fund limits investment in Level 3 investments to 5% of Fund Value for each manager.

2. Contributions receivable

Summary	2014/15 £000s	2013/14 £000s
Employees' contributions	9,848	9,049
Employers' contributions	30,604	29,554
	40,452	**38,603**

Contributions are further analysed as follows:

Employees' contributions- Analysed by employees' status:

	2014/15 £000s	2013/14 £000s
London Borough of Enfield	8,359	7,825
Scheduled Bodies	1,433	1,160
Admitted Bodies	56	64
	9,848	**9,049**

Employers' contributions **-** Analysed by employers' status:

	2014/15 £000s	2013/14 £000s
London Borough of Enfield	26,791	25,773
Scheduled Bodies	3,629	3,534
Admitted Bodies	184	247
	30,604	**29,554**

Employers' contributions – analysed by types of contributions:

	2014/15 £000s	2013/14 £000s
Employers' normal contributions	23,036	21,064
Employers' deficit contributions	7,131	7,979
Employers' other contributions	437	511
	30,604	**29,554**

Employers' other contributions represent the costs of early retirement, and are recognised fully in the year that the cost is incurred.

Deficit contributions represent amounts in relation to past service accruals as determined by the scheme actuary.

***3.* Transfers from other funds**

The transfers represent the payments received by the Fund in relation to individual members' transfers of benefits into the Fund.

	2014/15 £000s	2013/14 £000s
Individual transfers	1,072	1,523

Bulk transfers	-	-
	1,072	**1,523**

4. Benefits payable

Benefits payable consist of pension payments and lump sums payable upon retirement and death.

By category	2014/15 £000s	2013/14 £000s
Pensions	(26,367)	(24,474)
Lump sum retirement/death benefits	(8,097)	(5,693)
	(34,464)	**(30,167)**

By Employer: Pensions	2014/15 £000s	2013/14 £000s
Enfield	(25,038)	(23,404)
Scheduled	(1,153)	(1,070)
Admitted	(176)	(163)
	(26,367)	**(24,474)**

By Employer: Lump sum retirement/death benefits	2014/15 £000s	2013/14 £000s
Enfield	(7,651)	(5,380)
Scheduled	(349)	(245)
Admitted	(97)	(68)
	(8,097)	**(5,693)**

5. Payments to and on account of leavers

Transfers represent the payments made by the Fund in relation to members' transfers of benefits out of the Fund.

	2014/15 £000s	2013/14 £000s
Transfers to other schemes	(2,053)	(1,264)
Contribution refunds	(72)	(4)
	(2,125)	**(1,268)**

6. Management expenses

	2014/15 £000s	2013/14 £000s
Staff costs – benefits administration	(460)	(522)
Actuary fees	(46)	(87)
Subscriptions, legal fees and other fees	(147)	(64)
	(653)	**(673)**
Investment management expenses – 6a	(1, 819)	(1,296)
	(1, 819)	**(1,296)**
	(2,472)	**(1,969)**

6a. Investment management expenses

	2014/15 £000s	2013/14 £000s
Investment managers'/advisers' fees	(1,526)	(1,165)
Investment transactions costs	(132)	-
Custody charges	(18)	(20)
Oversight & governance costs	(75)	(75)
Other costs	(68)	(36)

	2014/15 £000s	2013/14 £000s
	(1,819)	**(1,296)**

The investment management expenses disclosed above include £132k (13/14: £153k was netted off against net Asset Value) in respect of transaction costs.

7. Investment income

	2014/15 £000s	2013/14 £000s
Fixed interest and index linked securities	4,441	4,157
Equities and unit trusts	3,395	3,283
Property unit trusts	1,256	1,369
Interest on cash and other	226	56
	9,318	**8,865**

8. Taxation

Reciprocal arrangements exist between the UK and many countries for the recovery of varying proportions of locally deducted tax. The timing of the recovery of this ‘withholding tax’ can vary between countries. Certain withholding tax on overseas investment income is not recoverable and is shown as a tax charge.

9. Investment assets

Asset Class	Market value 1 April 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value on investments	Market value 31 March 2014
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Fixed income securities & ILB	**168,565**	19,097	(46,069)	(6,501)	**135,092**
Futures	**(32)**	197	(575)	460	**50**
Forward foreign contracts	**(61)**	299	(528)	253	**(37)**
Equities	**111,485**	52,164	(49,830)	5,496	**119,315**
Equity - unit trusts	**197,183**	-	-	11,845	**209,028**
Property unit trusts	**48,914**	-	-	4,453	**53,367**
Private equity	**33,880**	5,241	(5,301)	2,719	**36,539**
Infrastructure fund	**9,638**	519	(813)	3,160	**12,504**
Alternative investments	**127,016**	60,139	(14,011)	7,133	**180,277**
	696,588	**137,656**	**(117,127)**	**29,018**	**746,135**
Cash and deposits	32,709				**37,499**
Other investment balances	1,669			(1,435)	**(8,539)**
Investment assets	**730,966**			**27,583**	**775,095**

The changes in market value during the year comprise all increases and decreases in the market value of investments held at the year end, including realised gains and losses on sales of investments during the year. Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £153k (2012/13: £162k). In addition to the transaction costs disclosed above, 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.

The change in market value of the private equity investment of £2,671k is from realised gains. The change in market value of the infrastructure fund is all unrealised gains.

Asset Class	Note	Market value 1st April 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value on investments	Market value 31st March 2015
		£000s	£000s	£000s	£000s	£000s
Fixed income securities & ILB	9a	**135,092**	15,663	(11,730)	12,121	**151,146**
Derivatives	9b	**13**	1,361	(884)	(586)	(96)
Equities	9c	**119,315**	48,145	(45,827)	17,764	**139,397**
Equity - unit trusts	9d	**209,028**	-	(20,000)	38,396	**227,424**
Property unit trusts	9e	**53,367**	-	(105)	6,722	**59,984**
Property	9f	**-**	12,548	-	(29)	**12,519**
Private equity	9g	**36,539**	8,551	(8,003)	8,037	**45,124**
Infrastructure fund	9h	**12,504**	171	(711)	5,316	**17,280**
Alternative investments	9i	**180,277**	40,418	(19,256)	11,859	**213,298**
		746,135	**126,857**	**(106,516)**	**99,600**	**866,076**
Cash and deposits	9j	**37,499**				**19,070**
Other investment balances	9k	**(8,539)**			2,164	**2,445**
Investment assets		**775,095**			**101,764**	**887,591**

The changes in market value during the year comprise all increases and decreases in the market value of investments held at the year end, including realised gains and losses on sales of investments during the year. Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £132k (2013/14: £153k). In addition to the transaction costs disclosed above, 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.

The change in market value of the private equity investment of £3,144k (2013/14: £2,671k) is from realised gains. The change in market value of the infrastructure fund is all from unrealised gains.

9a. Total fixed income securities

	2015 £000s	214 £000s
Fixed interest securities	72,239	61,192
Index linked securities	78,907	73,900
	151,146	**135,092**

Fixed interest securities

	2015 £000s	2014 £000s
Government securities – UK	5,552	28
Government securities – overseas	2,414	-
Corporate bonds – UK	64,273	61,164
	72,239	**61,192**

Index linked securities

	2015 £000s	2014 £000s
Government securities – UK	75,541	73,664
Government securities – overseas	3,077	-
Corporate bonds	289	236
	78,907	**73,900**

9b. Derivative contracts

The Pension Board permits the use of derivatives in the Western Asset Management global bond portfolio.

A summary of derivatives held is set out below:

	2015 £000s	2014 £000s
Assets		
Futures	33	-
Forward foreign exchange currency contracts	15,204	5,041
	15,237	**5,041**
Liabilities		
Futures	(120)	(37)
Forward foreign exchange currency contracts	(15,213)	(4,991)
	(15,333)	**(5,028)**
Net assets		
Futures	(87)	(37)
Forward foreign exchange currency contracts	(9)	50
	(96)	**13**

Futures
Futures contracts held at the year-end are detailed further below:

						Values at 31 March 2015
Number of contracts		Notional cost £000s	Expiration date	Asset £000s	Liability £000s	Net asset/ (liability) £000s
Futures long						
36	USA	4,467	June 2015	31	-	31
17	Germany	2,200	June 2015	2	-	2
Total futures long		**6,667**		**33**	**-**	**33**
Futures short						
-51	UK	(6,158)	June 2015	-	(120)	(120)
Total futures short				**-**	**(120)**	**(120)**
Total futures				**33**	**(120)**	**(87)**

Foreign exchange contracts
Foreign Exchange contracts held at the year-end are detailed further below:

					Values at 31 March 2015
Number of contracts	**Amortised cost** £000's	**Currency**	**Asset £000s**	**Liability £000s**	**Net asset £000s**
2	1,457	Euro	1,424	(1457)	(33)
9	11,775	Sterling	11,775	(11,815)	(40)
2	1,945	Dollar	2,005	(1,941)	64
	15,177		**15,204**	**(15,213)**	**(9)**

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

a) Futures
The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency
In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund's bond portfolio uses forward foreign currency contracts.

9c. Equities

	2015 £000s	**2014 £000s**
UK equities	35,410	30,286
Europe	26,060	25,782
Middle East	-	969
North America	64,436	43,003
Japan	9,743	7,654
Pacific (excluding Japan)	3,748	4,154
Emerging markets	-	7,467
	139,397	**119,315**

9d. Equity unit trusts

	2015 £000s	2014 £000s
UK	9,495	8,910
World	208,938	192,102
Emerging markets	8,991	8,016
	227,424	**209,028**

9e. Property unit trusts

	2015 £000s	2014 £000s
Commercial/industrial	57,958	51,426
Venture property	2,025	1,941
	59,983	**53,367**

9f. Property

	2015 £000s	2014 £000s
Opportunistic property	12,519	-
	12,519	**-**

The Fund has made a £20 million commitment to Brockton Property III Fund. £7.5m remains uncommitted.

9g. Private equity

Investments in private equity funds are valued based upon the underlying investments within each fund. It is less easy to trade private equity than quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any difference could be significant.

The Pension Fund has made 12 annual subscriptions into a private equity fund of funds manager. The Fund's total commitment to these funds is $120 million (£81 million) of which $38 million (£26 million) remains uncommitted with $44million (£29.6 million) being already distributed back to the Fund.

9h. Infrastructure fund

In June 2007 the Pension Fund made a €22 million (£16.0 million) investment in the Arcus European Infrastructure Fund.

9i. Alternative Investments

	2015 £000s	2014 £000s
UK equity long short fund	51,183	46,567
Events Driven fund	57,162	33,659
Global macro fund	40,626	41,135
Inflation opportunities	33,515	28,602
Absolute bond fund	30,812	30,314
	213,298	**180,277**

Exchange rate conversions on overseas holdings

The dollar exchange rate has been set at 0.674 (0.8271 - 2013/14) to £1 and the euro rate set at 0.724 (0.827 - 2013/14) to £1 as at 31 March 2015.

9j. Cash

	2015 £000s	2014 £000s
Deposits held by fund managers	19,070	37,499
	19,070	**37,499**

9k. Other investment balances

	2015 £000s	2014 £000s
Debtors		
Dividends and Interest receivable	1,867	1,673
Tax recoverable	550	227
Amounts receivable on pending sales	422	100
	2,839	**2,000**
Creditors		
Amounts due on pending purchases	-	(10,139)
Investment management fees	(252)	(362)
Other payables	(120)	-
Other investment expenses	(22)	(38)
	(394)	**(10,539)**
Total other investment balances	**2,445**	**(8,539)**

10. Investment assets with a market greater than 5% of net investment assets

Individual investment assets with a market value greater than 5% of net investment assets are as follows:

Manager	Mandate	Market Value as at 31 March 2015 £000s	%	Market Value as at 31 March 2014 £000s	%
Trilogy	Global equities	119,931	13.5	97,820	15.1
Blackrock	Aquila world index	100,675	11.3	83,556	12.9
Western Asset	Bonds	84,649	9.5	68,018	10.5
MFS	Global equities	72,183	8.1	60,301	9.3
Blackrock	Index linked bonds	69,875	7.9	67,087	10.4
Lansdowne	Equities long/short	51,183	5.8	46,567	7.2
Adam Street Partners	Private equity	45,124	5.1		
Lazard	Global equities	-		48,245	7.5

11. Investments managers within each class of security (including cash & investment balances)

Manager	Mandate	Market Value as at 31 March 2015 £000s	%	Market Value as at 31 March 2014 £000s	%
Fixed Income & derivatives		**154,524**		**140,012**	
Western Asset	Bonds	84,649	54.8	72,125	51.5
Blackrock	Index Linked Bonds	69,875	45.2	67,887	48.5
Equities		**144,120**		**122,975**	
Trilogy	Global equities	119,931	83.2	101,480	82.5
International Public Partnerships	Direct holding	24,189	16.8	21,495	17.5
Equities unit trusts		**227,458**		**208,242**	
Blackrock	Aquila UK	9,494	4.2	8,090	4.3
Blackrock	Aquila World index	100,675	44.3	83,590	40.0
Blackrock	Aquila Emerging markets	8,991	3.9	8,016	3.8
MFS	Global equities	72,183	31.7	60,301	28.8
Lazard	Global equities	36,116	15.9	48,245	23.1
Property		**74,770**		**54,071**	
RREEF	Property Venture 2	-	-	102	0.2
RREEF	Property Venture 3	4,292	5.7	2,543	4.7
Blackrock	Property	32,289	43.2	29,322	54.2
Brockton	Opportunistic	12,519	16.8	-	-
Legal and General	UK property	25,670	34.3	22,104	40.9
Private equity		**45,124**		**36,539**	
Adam St Partners	Private equity	45,124	100.0	36,539	100.0
Infrastructure		**17,280**		**12,504**	
Arcus	Infrastructure Fund	17,280	100.0	12,504	100.0
Alternatives		**214,298**		**180,277**	
Lansdowne	Equities Long/short	51,183	23.9	46,567	25.8
Avenue	Event driven	1,000	0.5	18,602	10.3
York Capital	Event driven	16,614	7.8	15,057	8.4
Blue Crest	Global macro	22,787	10.6	24,330	13.5
Brevan Howard	Global macro	17,839	8.3	16,805	9.3
M&G	Inflation opportunities	33,515	15.6	28,602	15.9
Insight	Absolute bonds	30,812	14.4	30,314	16.8
Davidson Kempner	Global macro	20,413	9.5	-	
Gruss	Global macro	20,135	9.4	-	-
		10,016		**19,655**	
Enfield	Cash	10,016	100.0	19,655	100.0
		887,591		**775,095**	

12. Analysis of investment assets over UK & overseas assets

2015	UK £000s	Overseas £000's	Total £000's
Fixed income securities & ILB	138,305	12,841	151,146
Derivative contracts	(96)	-	(96)
Equities	35,410	103,987	139,397
Equity - unit trusts	9,495	217,929	227,424
Property	72,503	-	75,503
Private equity	-	45,124	45,124
Infrastructure fund	-	17,280	17,280
Alternative investments	84,698	128,600	213,298
	340,315	**525,761**	**866,076**

2014	UK £000s	Overseas £000's	Total £000's
Fixed income securities & ILB	135,092	-	135,092
Derivative contracts	13	-	13
Equities	30,286	89,029	119,315
Equity - unit trusts	8,910	200,118	209,028
Property unit trusts	53,367	-	53,367
Private equity	-	36,539	36,539
Infrastructure fund	-	12,504	12,504
Alternative investments	75,169	105,108	180,277
	302,837	**443,298**	**746,135**

Note: Investments custodian overseas are shown as overseas assets.

13. Analysis of investment assets quoted & unquoted assets

2015	Quoted assets £000's	Unquoted assets £000's	Total £000's
Fixed income securities & ILB	151,146	-	151,146
Derivative contracts	-	(96)	(96)
Equities	139,397	-	139,397
Equity - unit trusts	227,424	-	227,424
Property	-	72,503	72,503
Private equity	-	45,124	45,124
Infrastructure fund	-	17,280	17,280
Alternative investments	30,812	182,486	213,298
	548,779	**317,297**	**866,076**

2014	Quoted assets £000's	Unquoted assets £000's	Total £000's
Fixed income securities & ILB	135,092	-	135,092
Derivative contracts	-	13	13
Equities	119,315	-	119,315
Equity - unit trusts	209,028	-	209,028
Property unit trusts	53,367	-	53,367
Private equity	-	36,539	36,539
Infrastructure fund	-	12,504	12,504
Alternative investments	-	180,277	180,277
	516,802	**229,333**	**746,135**

14. Current assets

	2015 £000s	2014 £000s
Contributions due from employers	305	265
Contributions due from members	122	98
	427	**363**
Cash balance	304	34
	304	**34**
Total current assets	**731**	**397**

15. Current liabilities

	2015 £000s	2014 £000s
Death benefits	(78)	(139)
London Borough of Enfield	(55)	(607)
Audit fee	(25)	(26)
Other	(9)	(36)
	(167)	**(808)**

16. Debtors & creditors– IFRS format

To comply with International Financial Reporting Standards the creditors and debtors (including investment balances) are summarised as follows:

Debtors	2015 £000s	2014 £000s
External managers		
Other entities and individuals	2,839	2,000
Administering Authority		
Other entities and individuals	427	363
Total Debtors	**3,266**	**2,363**

Creditors	2015 £000s	2014 £000s
External managers		
Other entities and individuals	(394)	(10,539)
Administering Authority		
Other entities and individuals	(112)	(201)
Local authority	(55)	(607)
Total Creditors	**(561)**	**(11,347)**

17. Financial Instruments

a. 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 carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the account period.

	2014/15			2013/14		
Investment type	**Designated at Fair Value £000s**	**Loans & Receivables £000s**	**Financial Liabilities at amortised cost £000s**	**Designated at Fair Value £000s**	**Loans & Receivables £000s**	**Financial Liabilities at amortised cost £000s**
Financial Assets						
Fixed income	151,146			135,092		
Derivative contracts	15,237			5,041		
Equities	139,397			119,315		
Equity - unit trusts	227,424			209,028		
Property	72,503			53,367		
Private equity	45,124			36,539		
Infrastructure fund	17,280			12,504		
Alternatives	213,298			180,277		
	881,409	**-**	**-**	**751,163**	**-**	**-**
Cash		19,070			37,499	
Other investment balances		2,839		2,000		
Debtors		731			397	
Financial Assets	**881,409**	**22,640**	**-**	**753,163**	**37,896**	**-**
Financial Liabilities						
Derivative contracts	(15,333)			(5,028)		
Other investment balances			(394)	(10,177)		(362)
Creditors			(167)			(808)
Financial Liabilities	**(15,333)**	**-**	**(561)**	**(15,205)**	**-**	**(1,170)**
Net Assets	**866,076**	**22,640**	**(561)**	**737,958**	**37,896**	**(1,170)**

b. Net gains and losses on financial instruments

The following table summarises the net gains and losses on financial instruments. As the majority of the financial assets and liabilities are recognised at fair value, these relate to gains or losses on disposal and changes in market value of investments.

	31 March 2015 £000's	**31 March 2014 £000s**
Fair value	99,600	29,018
Loans and receivables	2,164	(1,435)
	101,764	**27,583**

c. Fair value of financial assets and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company. As at year end there was no difference between carrying value and fair value.

	Carrying value and fair value 31 March 2015 £000s	Carrying value and fair value 31 March 2014 £000s
Financial Assets		
Fair value	881,409	753,163
Loans and receivables	22,640	37,896
Total financial assets	**904,049**	**791,059**
Financial liabilities		
Fair value	(15,333)	(15,205)
Financial liabilities measured at amortised cost	(561)	(1,170)
Total financial liabilities	**(15,894)**	**(16,375)**
	888,155	**774,684**

d. Valuation of financial instruments carried at fair value

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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Enfield Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total

Values at 31 March 2015	Level 1 £000s	Level 2 £000s	Level 3 £000s	£000s
Financial assets Fair value	548,779	257,707	74,923	**881,409**
Total financial assets				
Financial Liabilities Fair value		(15,333)		**(15,333)**
Total financial liabilities	**-**	**(15,333)**	**-**	**(15,333)**
Net financial assets	**548,779**	**242,374**	**74,923**	**866,076**

Values at 31 March 2014	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets Fair value Loans and receivables	493,749	208,371	49,043	**751,163**
Total financial assets	**493,749**	**208,371**	**49,043**	**751,163**
Financial Liabilities Fair value Financial liabilities measured at amortised cost		(5,028)	- -	**(5,028)**
Total financial liabilities		**(5,028)**	**-**	**(5,028)**
Net financial assets	**493,749**	**203,343**	**49,043**	**746,135**

18. 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 be insufficient to meet its liabilities to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Statement of Investment Principles (SIP) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently, the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pension Fund Sub-Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Polices and the Risk Register are reviewed by the Pension Board and also on a more frequent basis as required.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 9.

The Fund manages exposure to market risk in the following main areas:

- Regularly reviewing the pension fund investment strategy.
- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

b. Other price risk

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

Price risk is managed by constructing a diversified portfolio of investments traded on various markets. The Pension Board regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class. The breakdown between managers and asset class can be seen in Note 9.

Other price risk – sensitivity analysis
Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations.

Asset Type	Potential market Movements (+/-) 2014/15	Potential market Movements (+/-) 2013/14
Equities	9.2%	11.7%
UK bonds	7.1%	7.3%
Overseas bonds	7.1%	7.3%
Index linked	5.0%	5.7%
Pooled property	5.0%	4.8%
Alternatives*	3.8%	4.2%
Cash and cash equivalents	0.0%	0.0%

*Includes: Hedge funds, Infrastructure funds & Private equity.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset Type Investment portfolio assets:	Balance at 31 March 2015 £000s	Change	Value on increase £000s	Value on decrease £000s
Equities & private equity	411,945	9.2%	+37,899	-37,899
UK bonds	69,826	7.1%	+4,958	-4,958
Overseas bonds	2,414	7.1%	+171	-171
Index linked	78,906	5.0%	+3,945	-3,945
Property	72,503	5.0%	3,625	-3,625
Alternatives & infrastructure	230,578	3.8%	+8,762	-8,762
Cash and cash equivalents	19,070	0.0%	-	-
Other investment balances	2,445	0.0%	-	-
Derivatives (Net)	(96)	0.0%	-	-
Total assets available to pay benefits	**887,591**		**+59,360**	**-59,360**

Asset Type Investment portfolio assets:	Balance at 31 March 2014 £000s	Change	Value on increase £000s	Value on decrease £000s
Equities	328,343	11.7%	+38,416	-38,416
UK bonds	61,192	7.3%	+4,467	-4,467
Overseas bonds	-			
Index linked	73,900	5.7%	+4,212	-4,212
Pooled property	53,367	4.8%	+2,562	-2,562
Alternatives	229,320	4.2%	+9,631	-9,631
Cash and cash equivalents	37,499	0.0%	-	-
Other investment balances	(8,539)	0.0%	-	-
Derivatives (Net)	13	0.0%	-	-
Total assets available to pay benefits	**775,095**		**+59,288**	**-59,288**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.
Private equity is shown as an alternative asset.

c. 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 of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund’s interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund’s risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant bench mark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreement. Pension Fund cash held by the Administering Authority is invested in accordance with the Treasury Management Strategy.

The Fund’s direct exposure to interest rate movement as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2015 £000s	31 March 2014 £000s
Cash deposits	19,070	37,499
Cash balances	304	34
Fixed interest securities	151,146	135,092
Total	**170,520**	**172,625**

d. Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund’s risk management strategy.

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

Asset Type	Carrying amount as at	Change in year in the net assets available to pay benefits

	31 March 2015 £000s	+100 bps £000s	-100 bps £000s
Cash deposits	19,070	+191	-191
Cash balances	304	+3	-3
Fixed interest securities	151,146		
Total	**170,520**	**+194**	**-194**

Asset Type	**Carrying amount as at 31 March 2014 £000s**	**Change in year in the net assets available to pay benefits**	
		+100 bps £000s	**-100 bps £000s**
Cash deposits	37,499	+375	-375
Cash balances	34	-	-
Fixed interest securities	135,092		
Total	**172,625**	**+375**	**-375**

e. Currency risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (£UK). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund's assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling.

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2015 and as at the previous period end (excluding accruals):

Currency Exposure	**Asset Value as at 31 March 2015 £000s**	**Value on 5% increase £000s**	**Value on 5% decrease £000s**
Brazilian Real	10	+1	-1
Danish Krone	985	+49	-49
Euro	59,823	+2,991	-2,991
Hong Kong Dollar	3,335	+167	-167
Japanese Yen	9,855	+493	-493
Mexican peso	385	+19	-19
New Taiwan Dollar	566	+28	-28
Swedish Krona	689	+34	-34
Swiss Franc	6,508	+326	-326
US Dollar	156,753	+7,838	-7,838
Total currency exposure		**+11,946**	**-11,946**

Currency Exposure	**Asset Value**	**Value on 5%**	**Value on 5%**

	as at 31 March 2014 £000s	increase £000s	decrease £000s
Australian Dollar	11	+1	-1
Canadian Dollar	1	-	-
Danish Krone	903	45	-45
Euro	30,824	+1,541	-1,541
Hong Kong Dollar	3,394	+170	-170
Israeli Shekel	29	+1	-1
Japanese Yen	7,654	+383	-383
New Taiwan Dollar	50	+3	-3
Swedish Krona	1,637	+82	-82
Norwegian Krone	15	+1	-1
Czech Koruna	2	-	-
Russia - international	250	+13	-13
Swiss Franc	5,569	+278	-278
Turkish Lira	4	-	-
US Dollar	147,715	+7,386	-7,386
Total currency exposure	**198,058**	**9,903**	**-9,903**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

f. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The market value of investments generally reflects an assessment of credit risk 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 Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers' annual internal control reports to ensure that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Custodian, StateStreet Global Services. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with the HSBC and Goldman Sachs money market fund.

The Pension Board and senior officers monitor this risk by monitoring the credit rating and financial positions of the Custodian and banks the Fund uses.

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure.

Summary	Fitch rating	2015 £000s	2014 £000s
Cash (current Assets)			
HSBC	AA-	304	34
		304	**34**
Cash deposits (Investment assets)			
HSBC	AA-	82	180
Goldman Sachs money market fund	AAAm	10,188	29,819
Blackrock money market fund	AAAm	35	35
Cash held by fund managers and custodian	AA-	8,765	7,465
Investment cash		**19,070**	**37,499**
Total		**19,374**	**37,533**

g. Liquidity risk

Liquidity risk corresponds to the Pension Fund's ability to meet its financial obligations when they fall due with sufficient and readily available cash resources.

The Fund has holdings in private equity, hedge funds infrastructure funds, and property funds which can be considered 'illiquid'. The Fund, however, has sufficient investments that are of listed securities (on major security exchanges) which are considered readily realisable.

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the Custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the Financial Services team of the Council.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pension Board with the Fund's Actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

19. Related party transactions

The Fund is administered by the London Borough of Enfield. The Council is also the single largest employer of members of the pension fund and contributed £26.8 million to the Fund in 2014/15 (£25.8 million in 2013/14). Consequently there is a strong relationship between the Council and the Pension Fund.

At year end the London Borough of Enfield owed the Pension Fund (£55k) ((£607k) in 2013/14).

Scheduled and admitted bodies owed the Fund £427k (£363k in 2013/14) from employer & employee contributions All payments received before 19th April 2015.

The Council incurred administration costs, it also pays for pensioners payments on behalf of the Fund. These costs are consequently reimbursed by the Fund.

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

The Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund. The employee representatives on the Pension Board Pauline Kettless and Paul Bishop are both members of the Pension Fund.

Councillor Taylor a member of the Pension Board, is also a Governor of Capel Manor, a Scheduled body.

Councillor Simon wife is a pensioner within the Fund, and holds a contingent interest in the Fund.

No allowances are paid to Members directly in respect of the Pensions Board. The Chair of the Pension Board however, is paid a special responsibility allowance.

Several employees of the London Borough of Enfield hold key positions in the financial management of the Fund. As at 31 March 2015 these employees time spent on Pension Fund related activities:

Isabel Britain – Assistant Director of Finance (0.1 estimated full- time equivalent- fte)
Julie Barker – Head of Exchequer (0.20 estimated full- time equivalent- fte)
Paul Reddaway - Head of Finance – Treasury (0.75 estimated full- time equivalent fte)

All of these managers are also members of the Pension Fund.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. The disclosures required by Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations 2011 can be found in the main accounts of the l Borough of Enfield. The Director of Finance, Resources & Customer Services fulfils the definition of the key management personnel responsible for the Pension Fund.

20. Actuarial position

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £731.2M) covering 85% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:

- 15.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

  Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2014, amounting to £8.0M in 2014/15, and increasing by 3.9% p.a. thereafter.

In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 28 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

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

Discount rate for periods in service Scheduled and subsumption bodies Orphan bodies	 5.5% p.a. 5.2% p.a.
Discount rate for periods after leaving service Scheduled and subsumption bodies Orphan bodies	 5.5% p.a. 3.9% p.a.
Rate of pay increases	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases to pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

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

The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

The actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.

This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The actuarial valuation report as at 31 March 2013 is available from:

Paul Reddaway
Head of Finance
London Borough of Enfield Civic Centre
PO Box 54
Silver Street
Enfield
EN1 3XF

21. Actuarial position in accordance with International Financial Reporting Standards

IAS 26 requires the "actuarial present value of the promised retirement benefits" to be disclosed, which is the IAS 26 terminology for what IAS 19 refers to as the "defined benefit obligation".

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme. The Fund provides defined benefits, based on members' Final Pensionable Pay.

The results at as 31 March 2013, together with the 2010 figures are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

Actuarial present value of promised retirement benefits

Fair value of assets

	31 March 2013 £m	31 March 2010 £m
Fair value of net assets	**731.2**	**571.9**
Actuarial present value of promised retirement benefits	**(1,050.4)**	**(966.3)**
Deficit in the Fund as measured for IAS26 purposes	**(319.2)**	**(394.4)**

Assumptions

The latest full triennial valuation of the Fund's liabilities was carried out as at 31 March 2013. The principal assumptions used by the Fund's independent qualified actuaries were:

	31 March 2013 (% p.a.)	31 March 2010 (% p.a.)
Discount rate	**4.4**	**5.5**
RPI inflation	**3.4**	**3.9**
CPI inflation	**2.4**	**3.0**
Rate of increase to pensions in payment*	**2.4**	**3.9**
Rate of increase to deferred pensions*	**2.4**	**3.9**
Rate of general increases in salaries**	**3.9**	**5.4**

**In excess of Guaranteed Minimum Pension increases in payment where appropriate*

***In addition, for the same age related promotional salaries scales as used at the actuarial valuation of the Fund, as at the appropriate*.

Principal demographic assumptions

Base table: Males	31 March 2013	31 March 2010
	Standard SAPS normal health light amounts (S1NMA_L)	Standard SAPS normal health light amounts (S1NMA_L)
Scaling to above base table rates **	100%	100%
Allowance for future improvements*	CMI 2012 with a long term rate of improvement of 1.5%	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	24.3	23.7
Future lifetime from age 65 (currently aged 45)	26.4	25.5

Base table: Females	31 March 2013	31 March 2010
	Standard SAPS normal health light amounts (S1NFA_L)	Standard SAPS normal health light amounts (S1NFA_L)
Scaling to above base table rates **	80%	80%
Allowance for future improvements	CMI 2012 with a long term rate of improvement of 1.5%	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	27.5	26.5
Future lifetime from age 65 (currently aged 45)	29.8	28.5

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements. ** The scaling factors shown apply to normal health retirements.

Commutation

31 March 2013	31 March 2010
Each member was assumed to surrender pension on retirement, such that the total cash received including any accrued lump sum from pre 2008 service is 70% of the permitted maximum	Each member is assumed to exchange 30% of the maximum amount permitted, of their past service pension rights on retirement, for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted, of their future service pension rights on retirement, for additional lump sum.

Changes in benefits during the accounting period

There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1 April 2014.

Key risks associated with reporting under IAS 26

Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Scheme are invested in equities. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit. As such, the Administering Authority should ensure that it understands the reasoning behind the assumptions adopted and are comfortable that they are appropriate.

Furthermore, the Administering Authority should bear in mind that, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience from the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculations.

Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the balance sheet position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to key assumptions.

GMP equalisation

The Government intends that GMPs will be equalised in due course. At present it is not appropriate to allow for this in the accounts because the methodology for implementing the equalisation is uncertain. However, once the methodology is clarified, the defined benefit obligation will increase and it is likely that the associated cost will need to be recognised through the profit and loss account. As such, a risk exists as to the magnitude of the impact of equalising GMPs.

22. International Financial Reporting Standards in issue but not yet effective

There are no accounting standards that have been issued but are not yet effective that impact on the Enfield Council Pension Fund.

23. Contingent liability

The London Borough of Enfield has taken legal advice and requested that a claim be made on the Fund for a former employee (now a pensioner) that was found guilty of fraud against the London Borough of Enfield. The Council has made a £489k claim on the fund to recover the funds. The matter is under appeal.

24. Additional voluntary contributions (AVCs)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2009, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

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

	Opening Balance at 01-Apr-14* £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2015 £000s
With profits cash accumulation	**856**	145	(110)	49	**940**
Deposit fund statement	**579**	252	(169)	3	**665**
Discretionary fund	**306**	107	(33)	38	**418**
	1,741	**504**	**(312)**	**90**	**2,023**

* Opening figures reflect revised opening balances from Prudential PLC.

25. Membership

All local government employees (except casual employees and teachers) are automatically entered into the Fund. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Fund or make their own personal arrangements outside the Fund.

Organisations participating in the Enfield Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The Fund consists of the employees of Enfield Council and the following bodies:

Scheduled bodies:
Capel Manor College

Enfield Homes

Hadley Academy

Enfield Academy

Aylward Academy

Cuckoo Hall Academy

Nightingale Academy

Kingsmead Academy

Enfield Grammar School Academy

Enfield Heights Academy

Art John Keats Academy

Meridian Angel Primary School

Heron Hall Academy

Kingfisher Hall Academy

Woodpecker Hall Academy

Admitted bodies:
Sodexo Limited

Churchill

Enfield Voluntary Groups

NORSE

Metropolitan Support Trust

Fusion Lifestyle (previously Enfield Leisure)

Kier Group Services

Outward Housing

Admitted bodies with no active members

Fitzpatrick

Birkin Services

Hughes Gaidner

Equion Facilities Management

As at the 31 March 2015 the Fund Membership was 18,035 compared to 17,055 at March 2014. This is analysed below:

	31 March 2015	31 March 2014
Current Members	7,090	6,868
Retired Members	4,675	4,427
Deferred Members	4,850	4,887
Frozen/Undecided	1,420	873
	18,035	**17,055**

Following the Independent Public Sector Pension Commission, which reported in 2011 and subsequent negotiations on public sector pension reforms, the LGPS is due to see significant changes to the Scheme from 2014 which will impact the benefit structure of the Fund in the future.

A copy of the Pension Fund Annual Council's Statement of Investment Principles (SIP) together with an assessment of Enfield's compliance with the Myner's Report and the Fund's compliance with the Government's compliance statement are all available on the Council's website www.enfield.gov.uk.

Section 3: Statutory Statements

Funding Strategy Statement (FSS)

1. Introduction

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

It has been reviewed by the Administering Authority in collaboration with the Fund's Actuary, Aon Hewitt. This revised version replaces the previous FSS and is effective from 31 March 2014.

1.1 Regulatory Framework

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

This Statement has been prepared in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (the 'Administration Regulations'). The Statement describes London Borough of Enfield's strategy, in its capacity as Administering Authority, for the funding of the London Borough of Enfield Pension Fund.

As required by Administration Regulation 35(3)(a), the Statement has been prepared having regard to guidance published by CIPFA in March 2004 and updated guidance published by CIPFA on 3 October 2012.

In accordance with Administration Regulation 35(3)(b), all employers participating within the London Borough of Enfield Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

In addition, the Administering Authority has had regard to the Fund's Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations).

1.2 Review of FSS

The FSS is reviewed in detail at least every three years ahead of the triennial valuation being completed. The next anticipated full review will fall due to be completed by 31 March 2017. Annex 1 is updated more frequently to reflect any changes to employers.

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

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Paul Reddaway in the first instance at paul.reddaway@enfield.gov.uk or on 020 8379 4730.

2. Purpose

2.1 Purpose of FSS

The Department of Communities & Local Government (DCLG) stated that the purpose of the FSS is to set out the processes by which the Administering Authority:

- *"establishes a **clear and transparent funding strategy, specific to the Fund,** which will identify how employers' pension liabilities are best met going forward;*

- *supports the regulatory framework to maintain **as nearly constant a common rate of contributions as possible**; and*

- *takes a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

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

2.2 Purpose of the Fund

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

- receives contributions, transfers in and investment income; and
- pays scheme benefits, transfers out and administration costs.

Three objectives of a funded scheme are:

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

- not to unnecessarily restrain the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk; and

- to help employers recognise and manage pension liabilities as they accrue, with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.

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

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

2.3 Aims of the Funding Policy

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

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

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position of accrued benefits relative to the Fund's funding target, the "*past service adjustment*". If there is a surplus there may be a contribution reduction. If there is a deficit, there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's Actuary is required by the regulations to report the *Common*

Contribution Rate[1], for all employers collectively at each triennial valuation. There is no universally agreed interpretation of the composition of the Common Rate across Local Government Pension Scheme Funds. For the purpose of publishing a Common Contribution Rate, the aggregate future service rate is used.

The Fund's Actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay.

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

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

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

3.2 Funding Principle

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

3.3 Funding Targets

Risk Based Approach

The Fund utilises a risk based approach to funding strategy.

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

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

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the appropriate levels of contribution payable now and, by

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[1] See Regulation 36(5)
[2] See Regulation 36(7)

extension, the appropriate valuation approach to adopt now. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and Funding Success

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

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

For Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be measured by use of the Projected Unit method of valuation, and using assumptions such that, if the Fund's financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be a chance of at least 80% that the Fund would continue to be 100% funded within a reasonable timeframe. The level of funding implied by this is the Solvency Target. For the purpose of this Statement, the required level of chance (80%) is defined as the Probability of Maintaining Solvency.

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

Probability of Funding Success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers.

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

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

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the triennial actuarial valuation exercise and is not necessarily the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method. The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The Funding Target will be the same as the Solvency Target only when the methods and assumptions used to set the Funding Target are the same as the appropriate funding methods and assumptions used to set the Solvency Target (see above).

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

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

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

Application to different types of body

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

Scheduled Bodies and certain other bodies of sound covenant

The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies and certain other bodies which are long term in nature.

Admission Bodies and certain other bodies whose participation is limited

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

3.4 Full funding

The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficit.

3.5 Ongoing Funding Basis

Demographic assumptions

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds advised by the Fund Actuary.

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

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

Financial assumptions

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

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

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

3.6 Future Service Contribution Rates

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

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

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

3.7 Adjustments for Individual Employers

Notional sub-funds

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

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

Roll-forward of notional sub-funds

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

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.

- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities determined consistent with the Funding Target transferred from one employer to the other unless some other approach has been agreed between the two employers.

- Allowance for lump sum death in service and any other benefits shared across all employers (see earlier).

- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

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

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used.

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, the Fund Actuary will instead use an analysis of gains and losses to roll forward the notional sub-fund. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficit exhibited at the previous valuation. Having established an expected surplus or deficit at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.

- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results, perhaps because of unknown internal transfers.

Fund maturity

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

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

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

Attribution of investment income

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

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

3.8 Stability of Employer Contributions

3.8.1 Recovery and Trajectory Periods

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

Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employers' contribution rates will be adjusted to target restoration of full funding over a period of years (the Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable. As noted earlier, the valuation method, including the components of Funding Target, future service costs and adjustment for surplus or deficiency simply serve to set a level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period.

For simplicity the Trajectory Period for the largest employer (or employer group) in the fund and the Recovery Period are both set to the same period.

The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery and Trajectory Periods and has agreed with the Fund Actuary a limit of [30] years for both, for employers which are assessed by the Administering Authority as being long term secure employers.

The Administering Authority's policy is to agree Recovery Periods with each employer which are as short as possible within this framework. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

3.8.2 *Pooled contributions*

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

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

Best Value Admission Bodies continue to be ineligible for pooling.

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

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

3.8.3 *Stepping*

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

3.8.4 Inter-valuation funding calculations

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

3.9 Special Circumstances related to certain employers

3.9.1 Interim reviews

Regulation 38(4) of the Administration Regulations provides the Administering Authority with a power to carry out valuations in respect of employers which are expected to cease at some point in the future, and for the Fund Actuary to certify revised contribution rates, between triennial valuation dates.

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

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

- Where the date of cessation is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.

- For Transferee Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.

- A material change in circumstances, such as the date of cessation becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.

- For an employer whose participation is due to cease within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 38(4) applies.

3.9.2 Guarantors

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

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.
- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

3.9.3 Bonds and other securitization

Regulation 7(3) of the Administration Regulations creates a requirement for a new admission body to carry out, to the satisfaction of the Administering Authority (and Scheme Employer in the case of a Transferee Admission Body admitted under Regulation 6(2)(a) of the Administration Regulations), an assessment taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the admission body.

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

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

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

- In the case of Transferee Admission Bodies admitted under Regulation 6(2)(a) of the Administration Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond from the Admission Body, if any. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer or Guarantor, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor confirms their agreement to the level of bond cover proposed, the Administering Authority will be happy to supply a separate document (provided by the Fund Actuary) to the Admission Body setting out the level of cover that the Administering Authority and Scheme Employer/Guarantor consider suitable. Again, this should not be construed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and recommends that relevant Scheme Employers review the required cover regularly, at least once a year.

- In the case of Transferee Admission Bodies admitted under Regulation 6(2)(b) of the Administration Regulations or Transferee Admission Bodies admitted under Regulation 6(2)(a) where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant and Community Admission Bodies where there is no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. As such, the Administering Authority will obtain some "standard" calculations from the Fund Actuary to assist them to form a view on what level of bond would be satisfactory. The Administering Authority will be pleased to supply this calculation to the Scheme Employer or Guarantor, where relevant, but this should not be construed as advice to the relevant Scheme Employer or Guarantor on this matter. Once the Scheme Employer or Guarantor, where relevant, confirms their agreement to the level of bond proposed, the Administering Authority will be happy to provide a separate document to the Admission Body setting out the level of cover which the Administering Authority and Scheme Employer/Guarantor, where relevant, consider suitable, but this should not be constructed as advice relevant to the Admission Body on this matter. The Administering Authority notes that levels of required bond cover can fluctuate and will require the relevant Scheme Employer or Guarantor, where relevant, to jointly review the required cover with it regularly, at least once a year.

3.9.4 Subsumed liabilities

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

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

3.10.5 Orphan liabilities

Where an employer is ceasing participation in the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any cessation valuation, carried out in accordance with Administration Regulation 38, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

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

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

3.9.6 Cessation of participation

Where an employer ceases participation, a cessation valuation will be carried out in accordance with Administration Regulation 38. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target in the cessation valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the cessation valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in the cessation valuation (which will take into account other circumstances peculiar to that employer). In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of a cessation payment being required.

3.10 Early Retirement Costs

3.10.1 Non Ill-Health retirements

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

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

4. Links to investment strategy

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

4.1 Investment strategy

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

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

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

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

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

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

4.2 Consistency with funding bases

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

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

The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will deliver funding success (as defined earlier in this document). Where the Probability of Funding Success is less than 65% the Administering Authority will not adopt assumptions which lead to a reduction in the aggregate employer contribution rate to the Fund.

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

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

4.3 Balance between risk and reward

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

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

4.4 Intervaluation Monitoring of Funding Position

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

5. Key Risks & Controls

5.1 Types of Risk

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

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

5.2 Investment Risk

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

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Commission regular funding updates for the Fund as a whole, on an approximate basis.* *Analyse progress at three yearly valuations for all employers.* *Inter-valuation roll-forward of liabilities between formal valuations.*
Systematic risk with the possibility of interlinked and simultaneous financial market volatility	
Insufficient funds to meet liabilities as they fall due	
Inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon	
Counterparty failure	
Inappropriate long-term investment strategy	*Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.* *Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.*
Fall in risk-free returns on	*Inter-valuation monitoring, as above.*

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

5.3 Employer Risk

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

5.4 Liquidity and maturity Risk

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

5.5 Liability Risk

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

5.6 Regulatory and compliance risk

Risk	Summary of Control Mechanisms
The risks relate to changes to both general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules. The LGPS is also going through major structural changes.	*The Administering Authority will keep abreast of all proposed changes and prepare for LGPS 2014. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.*

5.7 Recovery Period

Risk	Summary of Control Mechanisms
Permitting surpluses or deficits to be eliminated over a Recovery Period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements.	*The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the Recovery Period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.*

5.8 Stepping

Risk	Summary of Control Mechanisms
Permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process.	*The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.*

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

Their key responsibilities are set out below.

The Administering Authority should:

- operate the pension fund
- collect investment income and other amounts due to the Fund as set out in the Administration Regulations including employer and employee contributions;
- pay from the Fund the relevant entitlements as set out by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (the Benefits Regulations).
- invest surplus monies in accordance with the Investment Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against consequences of employer default
- manage the valuation process in consultation with the Fund's Actuary;
- prepare and maintain a FSS and a Statement of Investment Principles (SIP), both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP as appropriate; and
- effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.

The Individual Employers should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the Fund Actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;

- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding; and

- note and if desired respond to any consultation regarding the Funding Strategy Statement, the Statement of Investment Principles or other policies.

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

- funding strategy and the preparation of the Funding Strategy Statement and will prepare actuarial valuations including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the FSS

- bulk transfers, individual benefit-related matters and cessation valuations.

- valuations on the cessation of admission agreements or when an employer ceases to employ active members.

- bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.

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

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

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

Section 3: Statutory Statements

Statement of Investment Principles (SIP)

London Borough of Enfield Pension Fund ("the Fund")
Statement of Investment Principles

Introduction

Enfield Council is the designated body responsible for administering the London Borough of Enfield Pension Fund (the Fund). The Fund covers the employees of the Council (except teachers for whom separate pension arrangements exist) and a number of smaller bodies who have been admitted to the Fund.

Contributions to the Fund are invested until required to pay pensions. Management of the investments are overseen by the Pension Board and its Investment Sub-Committee. Our investment responsibilities are prescribed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Regulations) and any amendments thereto.

A requirement of the Regulations is for an administering authority to prepare, maintain and publish a Statement of Investment Principles (SIP), which set out the principles governing the investment and management of the Fund's investments.

Before adopting the Statement, consideration has been given to professional advice from our investment consultants.

Investment Objective

We aim to invest the assets of the Fund to minimise the long-term cost to Council Taxpayers of ensuring that the benefits promised to scheme members are provided. In setting the investment and asset allocation strategy we aim to achieve a significantly higher return than a lowest-risk strategy while maintaining a prudent approach to meeting the Fund's liabilities and to maintaining or enhancing its capital.

Strategy

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

Asset Class	Target Weighting %	Control Range
Option A		
Equities (including Private Equity)	40.0	±10%
Bonds	29.0	±10%
Hedge Funds	15.0	±5%
Property (UK)	10.0	±5%
Infrastructure/PFI	6.0	±3%
Cash	-	-

The asset allocation strategy has been determined with regard to the actuarial characteristics of the Fund, in particular the funding position and the liability profile. We have made the assumptions that:

- Other asset classes will outperform bonds over the long term
- Bond capital values are at high risk when yields recover to historic values
- Active fund management can be expected to add value
- Returns from other asset classes will be more volatile than bond returns when considered relative to the Fund's liabilities; but this can be mitigated by diversifying across a wide range of asset classes.

In setting this target asset allocation strategy we have considered advice from our investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Investment sub-Committee will monitor on a regular basis the extent to which the asset allocation at a given point in time has deviated away from the planned strategy. The allocation may be rebalanced should the existing asset allocation lead to a significant change in the risk and return characteristics of the Fund. This may require realisation of holdings in an asset class that is overweight or an investment in an asset class that is underweight with respect to the target asset allocation strategy. From time to time, the Committee may take the decision to deviate from the target asset allocation, within its control range, based on written advice from its investment advisors.

Risk

We recognise that the key risk is that the Fund has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). We have identified a number of risks which have the potential to cause a deterioration in the Fund's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). We and our advisers considered this mismatching risk when setting the investment strategy

- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). We and our advisers will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed for valuation purposes ("manager risk"). We and our advisors consider this risk both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). We and our advisers considered this risk when setting the Fund's investment strategy.
- The failure of investment markets to achieve the rate of investment return assumed ("market risk"). We and our advisors consider this risk when setting the Fund's investment strategy and on an ongoing basis.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). We seek to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, we consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (at least triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

In order to monitor these risks the Investment Sub-Committee receives quarterly reports showing:

- Performance versus the Fund investment objective as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by us.

Separately, it receives reports showing the estimated funding level versus the Fund specific funding objective on a regular basis.

Fund manager structure

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

Fund manager	Investment objectives
BlackRock Advisers UK Ltd (Passively Managed Global Equity, UK Equity and UK Bond Portfolios)	To perform in line with the prescribed Equity and Bond indices.
Trilogy Global Advisors (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
Lazard (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
MFS (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
RREEF Management (Active UK Property Fund)	*To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK Retail Prices Index over 5 to 10 years.*
Legal & General Investment Management Ltd (Active UK Property Fund)	To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.
Gruss (Events driven)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
York Capital Management (Distressed Debt Fund)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
Davidson Kempner (Events driven)	To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)
Lansdowne Partners (Long/Short UK Equities Hedge Fund)	To generate an absolute return. The benchmark is the FTSE All Share index
Adam Street Partners (Private Equity Portfolio)	To outperform the MSCI World Index.
Western Asset Management (Actively Managed Bond Portfolio)	To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.
Blue Crest Global Macro Hedge Fund	To provide a positive absolute return. There is no explicit benchmark against performance is judged.
Brevan Howard Global Macro Hedge Fund	To provide a positive absolute return. There is no explicit benchmark against performance is judged.
International Public Partnerships Limited *(Private Finance Initiative)*	To achieve a return of at least 4.5% per annum.

M&G Inflation Opportunities Fund	To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.
Insight Bond Fund	3 month LIBOR +4% per annum over rolling three period.
Arcus Infrastructure Partners (European Infrastructure Fund)	To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK RPI over 5 to 10 years.
Brockton –opportunistic property	15% net IRR and 1.5xnet multiple

Social, Environmental and Ethical Considerations

On behalf of the Council we recognise that our duty is to act in the best financial interests of the Fund's beneficiaries and of the long-term interests of Council taxpayers.

There are long-term risks to shareholders from companies that fail to conduct business in a socially responsible manner. We have asked our fund managers to take these issues into account, where possible, as long as the investment objectives and performance target of the fund are not compromised.

We expect fund managers to take account of these issues when they exercise their proxy voting rights and in any discussions with companies in which the Fund holds investments. We have instructed Fund Managers of designated holdings to vote in accordance with the 'The UK Corporate Governance Code' –The Code.

Exercise of Rights

We are active shareholders and will exercise our voting rights in line with the Code to promote and support good corporate governance principles which in turn will feed through into good investment performance. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which promotes good corporate governance practice.

Voting Policy

Our voting policy is based upon the best practice guidelines from the National Association of Pension Funds Voting Issues Service and from the LAPFF and takes into account the statutory obligations on boards of directors under the Companies Act and Combined Code appended to the Listing Rules.

As such, we will tend to vote in favour of company management except in cases judged by our fund managers to be in breach of the Code or when our fund managers feel that companies are not acting in the best interests of shareholders. In these cases we will either abstain or vote against resolutions. A more detailed policy is set out in Appendix 1 attached.

Governance

We are responsible for the investment of the Fund's assets. The Board takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, we have taken into account whether we have the appropriate training and expert advice in order to take an informed decision. We have retained an independent investment expert to help us consider advice received from the Investment Adviser. The Board has established the following decision making structure:

Board • Monitor actual returns versus Fund investment objective. • Set structures and processes for carrying out its role. • Select and monitor planned asset allocation strategy. •	**Investment Sub-Committee** • Selection of investment advisers and fund managers. • Implementation of investment strategy. • Monitor investment advisers and fund managers. •
Investment Adviser • Advise on all aspects of the investment of the Fund assets, including implementation. • Advise on this statement. • Provide required training.	**Fund Managers** • Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Advise Board on suitability of the indices in its benchmark.

Aon Hewitt are our investment advisers. Their duty is to ensure that we are fully briefed to take decisions and to monitor those we delegate. Aon Hewitt is paid on a per project fee basis for its investment advisory services.

We expect fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The level of remuneration paid to fund managers is reviewed annually by the Board against market rates to ensure the fund managers' interests are aligned with those of the Fund.

This SIP will be kept up to date to reflect the Fund's latest managers and investment policy.

Appendix 1

CORPORATE GOVERNANCE AND PROXY VOTING POLICY

Introduction

This document is designed to set out the policy which directs our proxy voting; to deal with the implementation of the policy; and to outline the benefits which accrue to the Fund by the policy's application.

Principle

The right of a shareholder to vote at company meetings is a fundamental link in the chain that binds the owners of the company to those who make the investment decision. The exercise of that vote in an informed way lies at the heart of the regulation and promotion of good corporate governance.

To this end, our Fund managers will be asked to vote shares in companies in accordance with The UK Corporate Governance Code. The Board will retain a commitment to pragmatic and flexible voting and we would instruct our fund managers to contact us on any matters of corporate governance that might be considered to be contentious.

Policy

Our policy is based on the principles of best practice of corporate governance as laid out in the Combined Code. As such, we will tend to vote in favour of company management except in cases judged by our fund managers to be in breach of the code or when our fund managers feel that companies are not acting in the best interests of shareholders. In these cases we will either abstain or vote against resolutions.

In order to avoid the simple box ticking which robs the proxy vote of much of its strength, we ask our fund managers to assess each resolution on a case by case basis and implement our policy in a flexible manner. We consider this to be especially important in the arena of smaller company voting where standards of proxy voting may be less developed than in larger UK companies. This practical and pragmatic approach allows us to use our voting power to maximum effect.

Directors

Directors are the stewards of shareholders' capital and should be properly accountable for their actions. Sufficient information should be disclosed in the report and accounts to allow shareholders to judge the success of boards in leading and controlling their company.
We will normally vote against:

- Combined roles of chairman and chief executive where not publicly justified; and
- The election of executive directors with positions on either remuneration or audit committees.

We are supportive of initiatives to ensure that all non-executive and executive directors stand for re-election at least once every three years.

Appointment of non-executive directors

The election of a powerful constituency of non-executive directors as a counter-balance to executive management is one of the most effective ways of ensuring that the wider interests of shareholders are heard in the boardroom.

We will normally vote in favour of:
- A sufficiency of non-executive directors on a board (the Code recommends one third as a minimum); and
- A majority within the non-executives of those the Fund Manager considers being independent of the company.

Executive remuneration

One of the most contentious and closely examined areas of corporate governance is that of executive remuneration, comprising directors' service contracts and long-term incentive plans.

Whilst we do not consider it appropriate to comment on the quantum of a director's pay, we believe it is important to ensure that remuneration is linked appropriately to results.

Service contracts
The length of directors' service contracts forms a central part of the Combined Code. The Code recommends that existing contracts or notice periods be reduced to terms of 12 months rolling or less, and that new contracts should either be established on the same terms or fixed for an initial period and subsequently reduced.

The basic principle of the Code is to contain the length of directors' service contracts whilst tying directors into the long-term future of the company by offering incentives for good performance. From the shareholders' point of view, 'reward for results' clearly remunerates directors who enhance the value of their company. At the opposite end of the scale, the reduction in the rolling elements of the contract ensures that shareholders in a company whose management is underperforming do not have to suffer the double penalty to having to overpay for the management's removal.

We will normally vote in favour of:
- Rolling contracts of one year's term;
- Two year rolling contracts where justified by the remuneration committee; and
- Fixed contracts up to two years in length with subsequent reductions to 12 month rolling periods.

We will normally vote against:
- Contracts whose terms lie outside any of the above.

Long-term incentive plans

We realise that the corollary of shorter service contracts is that those directors be rewarded for exceptional company performance via long-term incentive plans.

We will support long-term incentive plans which:

- Directly align the interests of directors with those of shareholders;
- Establish challenging performance criteria for the plans to vest - performance at or below the median should not be rewarded;
- Measure performance by total shareholder return in relation to the market for a range of comparable companies rather than growth in earnings per share;
- Are long-term in nature (the Code recommends a minimum of three years); and
- Encourage long-term ownership of the shares once awarded.

We would ask our Fund Managers to enter into dialogue with companies to try to amend the terms of an incentive plan rather than simply to cast a vote against.

Political donations

We normally consider any political donations to be a mis-use of shareholders' funds and will ***vote against resolutions proposing them***.

Implementation

We intend our voting policy to be implemented across the Fund's equity investments. Our research on voting matters is supplemented by the Local Authority Pension Fund Forum (LAPFF), and we will ask our fund managers to contact the Company Secretary for further information on resolutions deemed to be contentious, if necessary.

The process of casting votes is delegated to our fund managers.

We ask our fund managers to keep a record of all votes recorded, and that the content of the resolutions and directions of the votes cast are reported to us on a quarterly basis including the reasons for any abstentions or votes against resolutions.

The exercise of a proxy vote is a somewhat blunt tool with which to improve standards of corporate governance, but it is not the only way in which we can influence corporate behaviour. Our fund managers meet, on a one to one basis, the senior management of many UK Plcs each year. Although the primary purpose of such meetings is to give management the opportunity to discuss matters of strategic importance, the highly interactive nature of these meetings means that this is a natural forum in which to raise matters such as corporate governance.

Benefits

We believe that the use of these meetings in conjunction with the disciplined and consistent voting policy detailed above contributes to higher standards of corporate governance in the UK. Linking the remuneration of directors to the fortunes of their companies, whilst reducing the rolling elements of contracts, is a clear way of aligning the interest of directors with those of shareholders. The establishment of challenging performance criteria, which must be met for incentive plans to vest, reinforces this objective. Importantly, these performance targets can often give an insight into companies' aims and ambitions which can otherwise remain obscure, and it is in this way that the right to vote on resolutions becomes supplementary to the investment process; not just a duty but a benefit.

Appendix 2

MYNERS INVESTMENT PRINCIPLES – COMPLIANCE STATEMENT

Introduction

This document contains the Code of Myners' Principles Adherence for the London Borough of Enfield Pension Fund ("the Fund"). It is maintained by the Director of Resources on behalf of the Pension Board ("the Board") of Enfield Council.

The document gives details of the extent to which the Fund complies with the revised six principles as set out in the Myners' Report, which came into force on 3 October 2008. These six principles are set out below:

- Effective Decision-making;
- Clear Objectives;
- Risk and Liabilities;
- Performance assessment;
- Responsible ownership; and
- Transparency and reporting.

The Myners Report was prepared primarily with the governance structure of private sector pension funds in mind. As the Fund does not have Trustees, all references to Trustees have been assumed to refer to the Board.

The practices described within this document form the basis for investment decision making by the Board.

If your require any further details please contact Paul Reddaway on 020 8379 4730 or e-mail: paul.reddaway@enfield.gov.uk

The London Borough of Enfield’s level of compliance with the Myners' report six Principles of Investment

Myners’ Report Principle	Best practice guidance	**Enfield Pension Fund Current Position against the six Pension principles set out by The Myners’ Report**
1. Myners' Effective Decision-Making – Full Compliance		
Administering authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resource necessary to make them effectively and monitor their implementation; and	• The Board has appropriate skills for, and is run in a way that facilitates, effective decision making.	• Fund has a clear scheme of delegation and arrangements for provision of management and advice involving a wide range of technical experts and consultants. • The Pension Board’s knowledge and skills are met through training days and presentations at quarterly meetings from the investment adviser.
• those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	• There are sufficient internal resources and access to external resources for the Board to make effective decisions.	• In-house team of professional investment and support staff is provided.
• the Myners’ Report proposes members of investment sub-committee have their skills and experience developed.	• It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.	• An Investment Sub-Committee is in place. It meets at least quarterly
• the Myners’ Report proposes members of Investment Sub-Committee have their skills and experience developed	• There is an investment business plan and progress is regularly evaluated.	• Strategy papers setting out plans for the next year are produced.
	• Consider remuneration of Board members.	• Members’ Allowances Scheme operates.
	• Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).	• The Board currently employs Aon Hewitt and an independent individual as investment advisers. Aon Hewitt also advises on actuarial matters. Both appointments are monitored on an ongoing basis.
2. Clear Objectives – Full Compliance		
An overall investment objective should be set out for the fund that takes account of the scheme’s liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority and scheme employers, and these should be clearly communicated to	• Benchmarks and objectives are in place for the funding and investment of the Fund.	• These matters are carefully considered when managers are appointed or briefs changed. They are linked to the Fund’s strategic objectives and benchmark. They are regularly reviewed with managers and overall on an annual basis.

advisors and investment managers.		
	• Fund managers have clear written mandates covering the Fund's expectations, which include clear time horizons for performance measurement and evaluation.	• The Fund's investment managers have clear written mandates. Each investment manager has clear investment objectives, and the overall investment objective and risk level of the fund is continuously monitored by the investment adviser. • All mandates are driven by Fund's strategic objectives; they are reviewed regularly by Council officers and the Investment Adviser.
	• The Board considers as appropriate, given the size of Fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.	• In formulating its strategy, the Board considered a full range of asset classes and has adopted a combination of active and passive management in the implementation of its strategy. • All significant investment opportunities are considered and taken where appropriate. • The Board continues to monitor the attractiveness (or otherwise) of a range of asset classes, through its Investment Sub-Committee.
3. Risk and Liabilities – Full Compliance		
In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	• The Board has a clear policy on willingness to accept underperformance due to market conditions.	The Board does not have a separate written policy on their willingness to accept underperformance due to market conditions. However, the actions of Board members to date have demonstrated that it does tolerate periods of underperformance provided that satisfactory explanations can be provided which are in line with their manager's stated investment process. The Board recognises that typically the most appropriate timescale for judging a manager's success is three to five years.
	• The Board takes into account the risks associated with its liabilities valuation and management. • The Board analyses factors affecting long term performance and receives advice on how these impact on the Fund and its liabilities.	The Fund has its own investment benchmark derived from its specific liability profile. The benchmark is reviewed at least every three years. Major review is undertaken at least every three years, and the appropriateness of the allocation is considered at least quarterly by the investment consultant. Quarterly reporting and annual performance monitoring covering short to long term investment performance of managers, and performance of the Fund relative to the liabilities are considered by the Investment Sub-

		Committee.
	The Board has a legal requirement to establish and operate internal controls.	The Board has a number of arrangements and procedures in place relating to the administration and management of the Fund's investments. Controls for the investment managers to follow are set out in the Investment Management Agreements and the Board monitors the manager's capabilities in relation to risk management, systems and monitoring that administration. Arrangements and procedures are in place for the safe custody and security of the Fund.
4. Performance Assessment – Full Compliance		
Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report this to scheme members.	• There is a formal policy and process for assessing individual performance of Board members and managers.	• The Board monitors investment manager performance through a regular annual review report based upon the performance measurement service supplied by WM Company.
	• Administering authorities can demonstrate an effective contribution and commitment to the role (for examples measured by participation at meetings). • The Chairman addresses the results of the performance evaluation.	The Board members have varied backgrounds which mean that different skill sets and knowledge areas are brought to the Fund and recognised and utilised where possible. The Board carries out an annual review of their own performance via a self assessment exercise to identify any training needs.
	• When selecting external advisers, take into account relevant factors, including past performance and price.	Appointments of advisers are kept under regular review. The Board considers a number of factors when reviewing their advisers.
5. Responsible Ownership – Full compliance		
Administering authorities should: • Adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents; • Include a statement of their policy on responsible ownership in the statement of investment	• Administering authorities consider the potential for engagement to add value when formulating investment strategy and selecting investment managers. • Administering authorities ensure that investment managers have an explicit strategy, setting out the circumstances in which they	• The Board is aware of the issues surrounding shareholder engagement and the best practice guidance surrounding this area. • The Board receives regular reports about their equity manager's voting actions.

principles; and • Report periodically to scheme members on the discharge of such responsibilities.	will intervene in a company. • Administering authorities ensure that investment consultants adopt the Investment Sub-Committee's Statement of Practice relating to consultants.	
	• Policies regarding responsible ownership are disclosed to Fund members in the annual report and accounts or in the Statement of Investment Principles.	• The Statement of Investment Principles (SIP) sets out the Board's policies on social, environment and ethical considerations, corporate governance and voting. • The Board's approach is to co-ordinate its governance strategy and management as a separate activity from the investment managers general activities. This gives a co-ordinated approach and a clear focus that is open and accountable. This does not prevent or limit managers' ability to deal with special cases or action in specific issues or concerns that impact on a company's financial position.

6. Transparency and Reporting – Full compliance

Administering authorities should: • 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. • Provide regular communication to scheme members in the form considered most appropriate.	• Reporting ensures that the Fund operates transparently and enhances accountability to Fund members.	• Information on the Fund is published in the Annual Report and Pension Board meetings will be published on the Council website.
	• Best practice provides a basis for the continuing improvement of governance standards.	• The Board, where applicable, will review its policies against best practice on a regular basis or as revised guidance is issued.

Section 3: Statutory Statements

Governance Policy Statement

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

Legal Framework

The terms of the Local Government Pension Scheme are contained in the Local Government Pension Scheme Regulations 1997 (as amended) and apply to employees of local authorities. Other specified bodies providing public services are included by statute or may apply for admission.

Responsibility

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

Terms of Reference

The Pension Board and Finance Director are responsible for the functions set out in the following regulations:

- Local Government Pension Scheme Regulations 2007.
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

In May 2006 the Council established a Pension Board, which sets the strategy objective and oversees the management of the Pension Fund. A separate investment sub-committee was set up to consider all investment decisions regarding the Fund. It was recognised that to meet the increasing demands and complexities of the Fund it would be appropriate to appoint an independent pension advisor to help members test the advice of its investment consultant and to provide support for new areas of investment.

The Role of the Pension Board

The Pension Board consists of seven Council members appointed by the Full Council and an independent professional advisor who are responsible for the administration of the London Borough of Enfield Pension Fund in accordance with Statutory Regulations. The eight board members are:

- Cllr Dinah Barry*
- Cllr Robert Hayward*
- Cllr Derek Levy* (Vice Chair)
- Cllr Terence Neville OBE JP*
- Cllr Toby Simon JP (Vice Chair)*
- Cllr Andrew Stafford
- Carolan Dobson (Professional advisor)*

An union and an employee representative also sit on the board in a non-voting capacity.

* Indicates membership of the Investment Sub-Committee.

The Board meets a minimum of four times a year.

The Board is responsible for:

- The governance of the London Borough of Enfield Pension Fund in accordance with statutory regulations;
- Appointment of the Fund's Actuary;
- Appointing the Investment Sub-Committee;
- Approving all admissions into the Fund;
- The submission to Full Council of an Annual Report outlining the work of the Board;
- Overseeing communications with Fund Members;
- Corporate Governance issues and issues relating to social responsible investments;
- Overseeing compliance with the Myners report (a report that sets out principles of good practice in pension schemes). The Board operates under a framework whereby its investment decisions are delegated to the Investment Sub-Committee (ISC).
- Approval and review of: Communication Strategy Statement

Governance of the Pension Fund Investments

The ISC considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Pension Board appointed an independent pension fund advisor - Carolan Dobson, to also sit on the ISC (with full voting rights) to give expert advice, support members and to clarify the many complex technical issues that arise from diversifying the Fund's assets.

The ISC is responsible for:

- Asset Allocation decisions;
- Appointing (and, when necessary, dismissing) Investment Managers;
- Monitoring the performance of Investment Managers and the Investments made;
- Setting and reviewing the overall investment strategy of the fund;
- Appointing (and, when necessary, dismissing) Investment Consultant;
- Reviewing the cost of Investment Management;
- Statement of Investment Principles; and
- Setting performance objectives for the fund.

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

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

Section 3 : Statutory Statements

Communication Policy Statement

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

The London Borough of Enfield Local Government Pension Scheme currently has 20 admitted/scheduled employers and approximately 14,600 scheme members. This statement sets out the communication methods with each group.

Employers

Communication with the employers in the Fund takes several forms:

• **Regular Update Letters**
All employers receive regular updates as and when issues arise e.g. changes to scheme regulations.

• **Annual Report and Accounts**
A copy of the document is sent to all employers.
• **Investment reports and minutes**
These are available on request to any employers who wish to see them.
• **Advice and help**
Enfield staff are available to give advice on the telephone or by e-mail.

Scheme Members

The methods of communicating with scheme members are:

• **Telephone helpline**
A telephone helpline for all enquiries from scheme members on any aspect of their pension arrangements.
• **Annual Benefit Statements**
All active and deferred scheme members receive an annual benefit statement setting out what level of benefits have already been built up, along with a forecast of benefits at retirement.
• **Internet**
The scheme's website provides information about any updates to the Pension Fund.
• **Information letters**
Information about changes in regulations is provided to employees via their employers by e-mail or letter.
• **Payslips**
All pensioners receive at least 1 payslip every year and messages are included whenever there is new information to be communicated.

Prospective Scheme Members

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

- **Job Advertisements**
  Employers advertise the benefits of the Fund in their job advertisements.

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

Section 3 : Statutory Statements

Governance Compliance Statement

1. Introduction

This is the governance compliance statement of the London Borough of Enfield Pension Fund which is part of the Local Government Pension Scheme and administered by London Borough of Enfield (the Council).

The statement has been prepared as required by the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007.

2. Governance Arrangements

Under the terms of the Council's Constitution, the functions of the Council as Administering Authority of the Pension Fund are delegated to the Pension Board. This is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).

The Pension Board meets a minimum of four times a year and its members act in a quasi-trustee capacity.

Under the Constitution, the Board is responsible for administering, investing and managing the Pension Funds and it appoints an Investment Sub-committee (ISC).

The ISC is a committee making recommendations on all matters relating to the investment of the Pension Fund. Meetings are held quarterly (additional meetings will be called where required).

The terms of reference of the Pension Board and the number of voting members are determined by the Council at its Annual meeting. The terms of reference of the ISC and the number of voting members are determined by the Pension Board.

3. Functions and Responsibilities

The Pension Board separately approves the Pension Fund's Funding Strategy Statement (FSS), the Statement of Investment Principles (SIP) and the Communications Strategy Statement.

The Funding Strategy Statement sets out the aims and purpose of the Pension Fund and the responsibilities of the Administering Authority as regards funding the Fund. Funding is the making of advance provision to meet the cost of accruing benefit promises and the long-term objective is to achieve, and then maintain, assets equal to 100% of projected accrued liabilities. These responsibilities are delegated to the Pension Board, advised by the ISC.

The SIP sets out more detailed responsibilities relating to the overall investment strategy of the funds including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also covers the Fund’s policy on Pension Board training and states the Fund’s approach to socially responsible investment and corporate governance issues. These responsibilities are delegated to the ISC.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the pension funds. The stakeholders identified are:

- the Pension Board
- current and prospective scheme members
- scheme employers
- administration staff

Responsibility for the communications strategy is held with the Pension Board.

4. Representation

The Pension Board has eight members, seven of whom are Enfield Councillors and the other post for a professional adviser. The political make up of the Committee is in line with the current council. All members have full voting rights. The Board also includes an observer from UNISON.

The ISC also has five members consisting of the following representatives:

- Councillors (5)
- Independent advisor (1)

All members on the ISC have voting rights.

5. Stakeholder Engagement

A number of other initiatives to involve stakeholders are currently in place including:

- the annual report for the Pension Fund; and
- newsletters for all members.

6. Review and Compliance with Best Practice

This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the pension funds.

The regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This guidance contains a number of best practice principles and these are shown below with the assessment of compliance.

Ref.	Principles	
	Structure	
a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully compliant**
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Partially compliant**
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Fully compliant**
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.	**Fully compliant**
	Representation	
a.	That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Partially compliant**
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.	**Fully compliant**
	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.	**Fully compliant**
	Voting	
a.	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.	**Fully compliant**
	Training/facility time/expenses	
a.	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.	**Fully compliant**
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully compliant**

	Meetings (frequency/quorum)	
a.	That an administering authority's main committee or committees meet at least quarterly.	**Fully compliant**
b.	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.	**Fully compliant**
c.	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.	**Fully compliant**
	Access	
a.	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.	**Fully compliant**
	Scope	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Fully compliant**
	Publicity	
a.	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.	**Fully compliant**

Section 3 : Statutory Statements

Actuarial Position

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund’s assets at that date (of £731.2M) covering 85% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:

- 15.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

  Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2014, amounting to £8.0M in 2014/15, and increasing by 3.9% p.a. thereafter.

In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 28 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

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

Discount rate for periods in service Scheduled and subsumption bodies Orphan bodies	 5.5% p.a. 5.2% p.a.
Discount rate for periods after leaving service Scheduled and subsumption bodies Orphan bodies	 5.5% p.a. 3.9% p.a.
Rate of pay increases	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases to pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

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

The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

The actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.

This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The actuarial valuation report as at 31 March 2013 is available from the Fund's website.

Section 4:

Glossary

Actuary	A person who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.
Admitted bodies	These are employers who have been allowed into the Fund at the Council's discretion.
Alternative investments	These are less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.
AVCs	Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Fund's AVC provider (Prudential).
Benchmark asset allocation	The allocation of the Fund's investments to the different investment sectors; this is expected to enable the Fund to meet its long-term liabilities with the minimum of disruption to employers' contributions.
Bulk transfer	A transfer of a group of members agreed by, and taking place between, two pension schemes.
Commutation	The conversion of an annual pension entitlement into a lump sum on retirement.
Contingent liability	A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain.
Cross subsidies	Amounts of money by which organisations subsidise each other.
Discretionary	Allowable but not compulsory under law.
Dividends	Income to the Fund on its holdings of UK and overseas equities.
Emerging markets	The financial markets of developing economies.
Equities	Shares in UK and overseas companies.
Ethical fund	A portfolio invested in UK and overseas companies that promote environmental improvements; the conservation of natural resources; safe products and services; and good staff and customer relations.

FT	Financial Times – publishers of the FTSE-100, and other indices. The FTSE-100 covers the 100 largest stocks in the UK stock market.
Gilt-edged securities (or Gilts)	Fixed-interest stocks issued by the UK Government.
Global custodian	A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.
Hedge fund	A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.
Income yield	Annual income on an investment divided by its price and expressed as a percentage.
Index	A measure of the value of a stock market based on a representative sample of stocks.
Index return	A measure of the gain or loss achieved in a year based on a representative sample of stocks and expressed as a percentage. It includes both income received and gains and losses in value.
LGPS	The Local Government Pension Scheme is a nationwide scheme for employees working in local government or working for other employers participating in the scheme and for some councillors.
LIBOR	London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments.
Mandatory	Compulsory by force of law.
Myners	Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001.
Negative screening	Explicitly excluding company stocks from the Fund's investment portfolio.
Private equity	Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (ie, not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Projected unit actuarial method	One of the common methods used by actuaries to calculate a contribution rate to the Scheme, which is usually expressed as a percentage of the members' pensionable pay.
Recovery period	Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated.
Rolling three-year periods	Successive periods of three years, such as years one to three, followed by years two to four. Performance is often measured over longer periods than a single year to eliminate the short-term effects of volatile changes in stock markets.
Rule of 85	Contributors whose age in years and LGPS service total at least 85 years (eg, age 55 with 30 years' service).
Scheduled bodies	These are organisations that have a right to be in the Fund.
SETS	Stock Exchange Trading Service – a service provided by the Stock Exchange, enabling shares to be bought and sold electronically.
Soft commission	A soft commission arrangement is when an investment manager agrees to do a minimum amount of business with a broker in exchange for free research and information services. The Fund has no soft commission arrangements with any of its managers.
Smoothing adjustment	An adjustment to the Fund's market value of assets to level out market fluctuations over a certain period of time up to the valuation date.
Statutory	Controlled by the law.
Strength of covenant	Strength of the promise made by the employing organisations to fund the Scheme.
Transferee admitted body	A method by which employees who have been transferred to an employer outside of the LGPS are permitted to remain as active members in the Scheme (that is, when a local authority outsources services to a private sector company).
Transfer value	A cash sum representing the value of a member's pension rights.
With-profits	With-profits funds are investments that give a return in the form of annual bonuses and usually a final or terminal bonus.

Section 5:

Independent Auditor's Report to the members of London Borough of Enfield Pension Fund

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

Grant Thornton UK LLP

Grant Thornton House,
Melton Street
Euston Square
London NW1 2 EP

23 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF ENFIELD

We have audited the pension fund financial statements of London Borough of Enfield for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Members of London Borough of Enfield, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Resources and Customer Services and Auditor

As explained more fully in the Statement of the Director of Finance, Resources and Customer Services' Responsibilities, the Director of Finance, Resources and Customer Services is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Resources and Customer Services; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to the accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword to the accounts for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

S. M. Exton

Susan M Exton

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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30 September 2015