



Annual Report

London Borough of Enfield Pension Fund 2016/17

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1. Chair's Foreword—Cllr Toby Simon



It is my pleasure, as Chair of the Pension Policy & Investment Committee (PP&IC) to introduce the London Borough of Enfield Pension Fund Annual Report and Accounts for 2016/17. The Committee has policy responsibility for all aspects of the Pension Fund. The Fund also benefits from the support of the Local Pension Board which brings together employee and employer representatives.

During the year, the value of the Fund increased by £162 million; as at 31 March 2017 the Fund value is now in excess of a billion pounds, at £1,078 million. The Committee continues to monitor the Fund closely at every meeting and challenges the investment advisers and Fund managers to ensure the Fund's investments are being managed effectively.

During 2016/17 the triennial revaluation of the Pension Fund was carried out by the Fund actuaries, Aon Hewitt, using data as at 31 March 2016. The actuaries reported that the Fund has a funding level of 87% (an improvement of 2% from the 2013 valuation (an overall deficit of £137m). The Committee decided prudently to reduce the recovery period from twenty years to nineteen years. The actuarial position has improved over the year, given the strong gains in financial markets, to an estimated funding level of 96%.

The Fund has been positioned during year to be protected from a fall in financial markets. This strategy served the Fund well during 2015/16 making it the 4th best performing Local Government Pension Scheme (LGPS) Fund. The somewhat unexpected economic reactions to the UK's referendum result and to the American election result lead to very strong global equity market gains. Enfield's relatively low exposure to equities has meant the Fund has lagged the LGPS average in 2016/17. Nevertheless, the Fund's longer term performance continues to be strong. We are convinced this strategy continues to give the Enfield Fund a long-term edge over the traditional LGPS fund. However, we are currently reviewing our strategy, following the outcome of the 2016 valuation, to ensure that it is still appropriate.

The Fund is committed to the Local Authority Pension Fund Forum (LAPFF) and its role in good corporate governance and we implement its recommendations if relevant to us. We seek to be responsible investors by looking to engage with companies and make changes from within rather than adopting an opt-out approach; but as most of our holdings are in pooled funds we have limited scope for direct action. I have represented LAPFF at a number of company Annual General Meetings where I raised issues including climate change, directors' remuneration and diversity.

The Fund has been active in the transfer of equity investment management into the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. The Fund has also benefitted from lower fees negotiated by the LCIV on Blackrock passive equities. Preparatory work has been undertaken to transfer further assets into LCIV during 2017/18. I hope to report further progress next year.

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2. Investment report

Objectives

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

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

The Strategy

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

Asset Class	Actual Position 31 March 2017 %	Target Weighting %	Expected Return (per annum)	Control Range
Equities (including Private Equity)	47	40	8-11%	±10%
Bonds	26	29	4-5%	±10%
Hedge Funds	13	15	9-11%	±5%
Property (UK)	7	10	9%	±5%
Infrastructure/PFI	3	6	9%	±3%
Cash	4	-	-	-
Total	100	100		

Source: Annual Accounts 16/17 & ISS

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

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

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

Market returns in 2016/17 & Longer term returns%

	2016/17 %	3yrs % p.a.	5yrs %p.a.	10yrs %p.a.	20yrs %p.a.
Equities:					
UK	21.4	7.5	10.3	6.0	n/a
Non UK	32.9	15.7	14.1	9.1	n/a
North America	34.3	20.0	18.2	11.5	n/a
Europe	27.3	10.4	13.3	6.7	n/a
Japan	35.3	18.4	14.0	6.4	n/a
Pacific (ex Japan)	35.0	13.5	10.1	10.0	n/a
Emerging Markets	33.2	11.7	7.9	7.9	n/a
Global	30.5	15.0	13.9	8.3	n/a
Total Equities	28.9	12.8	12.8	7.8	7.6
Bonds:					
UK bonds	10.8	7.5	6.7	6.7	n/a
Overseas bonds	14.8	9.1	6.1	7.1	n/a
UK Indexed Linked	18.2	13.2	9.0	9.2	n/a
Absolute Return	5.1	-	-	-	n/a
Total Bonds	11.3	8.1	6.5	7.1	7.1
Alternatives	16.0	12.1	10.2	6.4	9.5
Private Equity	19.6	16.5	13.2	9.9	n/a
Hedge Funds	10.0	6.1	5.9	3.3	n/a
Infrastructure	17.7	12.4	9.8	5.1	n/a
Property	6.2	10.7	9.3	2.7	8.1
Diversified Growth	7.2	4.5	5.5	n/a	n/a
Cash	0.2	0.9	1.3	2.1	3.5
Total Assets	21.4	11.2	10.7	7.0	7.4

Source: PIRC – 2016/17 Annual Review

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

Brockton Opportunistic property	<i>15% net IRR and 1.5xnet multiple</i>
CFM-Stratus Muti asset strategy	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Markham Rae Global marco	<i>Absolute return (no loss of capital)</i>
Antin European Infrastructure Fund	<i>15% gross IRR with a gross yield target of 5% p.a.</i>

Fund Value

The Pension Fund has continued to benefit from its strategy of having a diversified investment strategy which is less dependent on the world equity markets than the average local authority pension fund. The Enfield Fund increased by 17.6%

The during the year the Fund sold out of Arcus an European infrastructure Fund and was replaced in December 2016 with Antin a European infrastructure Fund. The Fund also appointed a global economic manager Markham Rae following the removal of Brevan Howard.

Fund Value over 10 Years as at 31st March

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
537	534	442	572	610	647	731	775	888	916	1,078

Source: Annual Accounts

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

Latest year return

The Fund returned 17.6% in the latest year. This ranked it in the 83rd percentile.

- Asset allocation dominated the outcome for fund rankings
- The best performers were heavily invested in growth assets
- The lowest returns were delivered by funds with more defensive allocations

Asset Allocation

The Fund has a different asset strategy from the average LGPS fund

- The key differences are the high commitment to bonds and alternatives and underweighting to equities.
- In the latest year this was detrimental as equities significantly outperformed all other asset classes and Enfield held a lower than average weighting to equities.

Longer Term Returns

- The Fund has performed in the middle half of returns over all longer term time periods.
- The Fund ranked 39th percentile over the last three years, 73rd over the last five and 72nd over the last ten.
- Over the last 20 years the Fund return of 7.2% pa ranked in the 41st percentile.
- Over all periods the Fund has comfortably outperformed both inflation and actuarial assumptions

Risk & Return

- Funds have typically been rewarded for additional volatility i.e. higher exposure to equity - more so nearer-term
- Over the last ten years, the Fund has delivered a lower than average return but at lower than average of volatility.
- Over the last five years, likewise, the Fund return was below average, reflecting the relatively low level of risk taken.

The L.A. average asset allocation as at 31st March 2017 compared to the Enfield Fund

	Local Authority Average	Enfield	Difference
	%	%	%
Equities	62	50	-12
Bonds	15	26	+11
Property	8	7	-1
Alternatives	10	13	+3
Diversified Growth	3	-	-3
Cash	2	4	+2
	100	100	

Source PIRC

Analysis of Enfield Fund assets as at 31 March 2017

	UK	Non-UK	Total
	£m	£m	£m
Equities & private equity	52.4	487.0	539.4
Bonds	128.0	39.7	167.7
Property	76.4	-	76.4
Alternatives	93.2	145.8	239.0
Cash & accruals	56.0	-	56.0
	406.0	672.5	1,078.5

Source: Annual Accounts 16/17

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 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 overleaf sets out the way in which the Fund was governed.

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

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

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

The Role of the Pension Policy & Investment Committee

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

Governance of the Pension Fund Investments

The Committee considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Committee appointed an independent pension fund advisor, Carolan Dobson, to also sit on the Committee to give expert advice, support members, and to clarify the many complex technical issues that arise from such a diversified fund. The Committee meets quarterly to review investment strategy and to receive reports on investment activity undertaken in the previous period. One of its important tasks is to monitor the performance of the Fund's managers in conjunction with our professional advisors Aon Hewitt, independent advisor and officers.

The Committee is responsible for: -

- The governance of the London Borough of Enfield Pension Fund in accordance with statutory regulations
- Appointing the Fund's Actuary
- Approving all admissions into the Fund
- The submission to Full Council of an Annual Report outlining the work of the Committee
- 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)
- |z
- 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
- Approving and reviewing the cost of Investment Management
- Maintaining the Investment Strategy Statement; and
- Setting performance objectives for the fund

Committee Members Attendance Pension Policy & Investment Committee 2016/17

Pension Policy & Investment Committee	2 June 2016	26 July 2016	25 Aug 2016	29 Nov 2016	23 Feb 2017
CLlr J Jemal (Resigned)	P	P	P	P	A
CLlr D Levy (Vice Chair)	P	A	P	P	P
CLlr T Neville	A	P	P	P	P
CLlr D Pearce	A	A	A	A	A
CLlr T Simon (Chair)	P	P	P	P	P
CLlr D Taylor	P	P	A	P	P
Carolan Dobson (independent advisor)	P	P	A	P	P

Note: P: Present, A: - Absence.

Membership Report

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 2019.

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 2016/17 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.
- Pre-2014 benefits guaranteed with a final salary link for any benefits earned prior to 1 April 2014.
- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance cover 3x member final pay applicable from the day of joining scheme. Pensions for dependents:- spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living.

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

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

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

Who belongs to the Enfield Pension Fund?

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

	Number of contributors	Pensioners	Deferred Members	Frozen /Undecided
London Borough of Enfield	5,852	4,950	4,334	2,574
Scheduled Bodies				
Capel Manor College	166	43	113	118
Hadley Academy	160	5	30	66
Enfield Academy	205	6	74	128
Aylward Academy	52	4	8	15
Cuckoo Hall Academy	124	8	1	27
Nightingale Academy	38	8	21	26
Kingsmead Academy	53	5	15	11
Enfield Grammar Academy	51	4	5	9
Enfield Heights Academy	11	0	2	12
ARK John Keats Academy	42	0	0	11
Meridian Angel Primary School	14	0	0	3
Heron Academy	9	0	0	2
Kingfisher Academy	19	0	1	5
Woodpecker Academy	20	1	0	5
Southgate College	52	104	135	26
Enfield College	4	40	49	10
Edmonton County Academy	79	1	0	0
Enfield Learning Trust	161	1	1	3
Independence & Wellbeing	131	3	0	1
Subtotal – Scheduled Bodies	1,391	233	455	478
Admitted Bodies				
Enfield Voluntary Groups	6	4	2	1
Fitzpatrick	0	9	14	2
NORSE	54	29	43	18
Churchill	0	0	1	0
Metropolitan Support Trust	1	1	1	2
Fusion Lifestyle	9	1	7	0
Birkin	0	0	1	0
Kier Group Services	0	0	1	0
Sodexo	6	0	0	1
Hughes Gardner	0	0	1	0
Equion Facilities Management	0	2	0	0
Outward Housing	2	6	1	11
Leisure Trust	0	6	24	1
Millfield House & Theatre	0	0	3	0

Elior UK	9	0	0	0
REED Momena	5	0	0	1
Birkin - Winchmore	2	0	1	0
BDI Securities UK Ltd	1	0	0	0
Subtotal – Admitted Bodies	95	58	100	37
Total Membership	7,338	5,241	4,889	3,089

Membership Trends

	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Current Employees	6,447	6,868	7,090	7,312	7,447
Pensioners	4,279	4,427	4,675	4,964	5,265
Deferred Benefits*	5,452	5,760	6,598	6,598	7,978
	16,178	17,055	18,363	18,874	20,690

Actives Age

Age	Female	Male	Total
Under 20	41	22	63
20-24	159	67	226
25-29	370	172	542
30-34	400	152	552
35-39	584	164	748
40-44	595	158	753
45-49	868	191	1059
50-54	1,172	288	1460
55-59	929	207	1136
60-64	513	174	687
65-69	114	56	170
70-74	33	12	45
75- 85	4	2	6
Grand Total	5,782	1,665	7,447

Pensioner Age			
Age	Female	Male	Total
Up to 39	26	24	50
40-44	2	2	4
45-49	7	10	17
50-54	22	15	37
55-59	124	51	175
60-64	493	223	716
65-69	806	394	1,200
70-74	806	387	1,139
75-79	511	245	756
80-84	381	190	571
85-89	230	153	383
90-94	126	63	189
95-99	36	10	46
100-105	6	0	6
Grand Total	3,498	1,767	5,265

Costs of Fund Administration		
	£000's	£ per member
Pension administration	438	21.17
Payroll costs	131	6.33
Communication	12	0.58
Actuary	89	4.30
Other costs	3	0.15
Total Cost	673	32.53

Pension Fund Budget - 2016-2017

2016/17		2017/18	2018/19	2019/20
Actual		Estimate	Estimate	Estimate
£000		£000	£000	£000
9,614	Employee contributions	8,800	9,000	9,200
29,703	Employer contributions	30,000	30,800	31,300
1,364	Early retirements	500	500	500
181	Transfers in	2,000	1,000	1,000
40,862	Total Income	41,300	41,300	42,000
(30,239)	Pensions	(32,200)	(33,400)	(34,500)
(9,830)	Retirement/death grants	(5,000)	(5,000)	(5,000)
(1,038)	Transfers out	(2,000)	(1,000)	(1,000)
(673)	Admin costs	(750)	(760)	(770)
(344)	Oversight & Governance	(190)	(180)	(240)
(42,124)	Total Expenditure	(40,140)	(40,340)	(41,510)
(1,262)	Net Surplus/(Deficit)	160	960	490
20.9%	Employers contribution %	23.9%	24.5%	24.8%

Corporate Governance

The Fund's Corporate Governance is set out in the Fund's Investment Strategy Statement and is line with the Combined Code. This publication is available through Paul Reddaway email paul.reddaway@enfield.gov.uk.

Employers Summary

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 2 late payments during 2016/17, but were considered as minor breaches & payments were received within the month, so this power was not exercised.

Payments made by employers into the Pension Fund during 2016/17 (including analysis of late payments)												
£000's	April	May	June	July	August	September	October	November	December	January	February	March
Enfield	2,264	2,189	2,236	2,209	2,204	2,054	2,035	2,045	2,019	2,063	2,021	3,403
Latymer	18	18	19	19	19	18	20	23	20	19	19	19
Capel Manor	40	41	41	45	42	41	41	42	43	43	43	43
Oasis Enfield	43	44	45	42	42	53	46	44	45	46	44	32
Oasis Hadley	20	21	21	22	22	25	20	21	22	21	21	19
Aylward Academy	16	12	14	15	15	14	14	14	14	14	14	14
Nightingale Academy	12	11	11	12	11	11	11	11	10	9	10	31
Kingsmead Academy	16	16	17	17	16	16	17	17	17	16	16	17
Enfield Grammar Academy	11	11	12	11	12	12	11	10	12	15	12	30
Edmonton County Academy	n/a	n/a	n/a	n/a	n/a	27	28	27	27	29	29	98
Southgate School	20	19	18	20	18	17	18	19	16	18	17	112
Enfield Heights Academy	1	1	1	1	3	2	2	2	1	1	1	2
Enfield Learning Trust	n/a	n/a	n/a	n/a	n/a	53	53	54	54	55	54	170
Ark John Keats Academy	8	7	7	8	5	10	10	11	11	11	9	10
Meridian Angel Primary School	3	3	3	2	2	2	2	3	2	3	3	3
Heron Hall Academy	3	3	3	3	3	3	3	4	4	4	4	3
Kingfisher Hall Academy	3	3	3	3	3	3	3	3	3	3	3	3
Woodpecker Hall Academy	3	3	2	2	3	3	3	4	3	3	3	3
Cuckoo Hall Academy	15	16	17	15	18	18	16	19	19	20	19	24
Kier	1	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sodexo	1	1	0	1	1	1	1	0	1	1	1	0
Fusion Lifestyle	4	4	4	4	3	2	2	3	3	3	3	3
OutWard Housing	1	1	0	1	1	1	1	0	0	0	0	0
Independence & Wellbeing	n/a	n/a	n/a	n/a	n/a	56	58	58	57	56	58	54
Voluntary Bodies	3	3	3	3	3	3	3	3	3	3	3	2
BDI	n/a	n/a	n/a	n/a	n/a	0	1	0	0	1	0	1
Birkin Cleaning	12	0	1	0	0	1	0	0	0	1	0	1
NORSE	7	6	6	7	6	6	7	5	5	6	5	5
Metropolitan Support Trust	0	0	1	0	0	0	0	1	0	0	0	0

Note: red blocks refer to late payments. Strain costs added into Enfield March payment

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, note 17 provides 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 2016/17 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, 25, Marsh Street, Bristol, BS1 4AQ

Investment Consultancy and Advice Services

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

Independent Fund Advisor

Carolann Dobson

Fund Administrator

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

Pension Fund Performance Measurement

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

External Auditors

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

Legal Services

Legal services were provided in-house by the Enfield Council

AVC Provider

Prudential

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

Corporate Governance

Local Authority Pension Forum (LAPF) - Proxy Voting
Pensions Lifetime Savings Association (PLSA)

The Fund's Bankers

HSBC PLC

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

Fund Accountant

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:

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

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Section 2: Financial Statements

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017			
	Note	2016/17 £000s	2015/16 £000s
Contributions and benefits			
- Contributions receivable	3	40,681	43,338
- Transfers in	4	181	1,038
		40,862	44,376
- Benefits payable	5	(40,069)	(36,184)
- Payments to and on account of leavers	6	(1,038)	(612)
		(41,107)	(36,796)
Net additions from dealings with members		(245)	7,580
Management expenses	7	(8,144)	(9,391)
Returns on investments			
- Investment income	8	9,852	9,582
- Taxation	9	(321)	(186)
- Changes in market value	10	161,032	20,571
Net returns on investments		170,563	29,967
Net change in assets available for benefits during the year		162,174	28,156
Opening net assets brought forward at 1 April		916,311	888,155
Net assets carried forward as at 31 March		1,078,485	916,311

NET ASSETS STATEMENT AS AT 31 MARCH 2017			
	Notes	2016/17 £000s	2015/16 £000s
Investment assets		1,022,550	893,553
Investment liabilities		(21)	(14,585)
	10	1,022,529	878,968
Cash deposits		54,406	36,781
Other investment balances		1,414	1,758
	10	1,078,349	917,507
Current assets	15	499	446
Current liabilities	16	(363)	(1,642)
Net assets available to fund benefits as at 31 March		1,078,485	916,311

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

Signed



James Rolfe
Executive Director of Finance,
Resources and Customer Services

Date:

28th September 2017

Signed



Mary Maguire
Chair of Audit Committee

Date:

28th September 2017

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1. Description of the London Borough of Enfield Pension Fund

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

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

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

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

a) General

b) Funding

The Fund is financed by contributions from employees, the Council, the scheduled and admitted bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund.

Since 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 2019.

Employers also pay contributions into the Fund based in triennial funding valuations for the 2016/17 the employer contribution rates are based on the 2013 valuation.

The last valuation was as at 31 March 2016 and comes into effect on 1st April 2017. Current employer contribution rates can be found in the Statement to the Rates and Adjustments Certificate in the Enfield Fund Annual Report 2016/17.

c) Benefits

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 final salary 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
- 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.

d) Governance

The Council has delegated management of the Fund to the Pension Policy & Investment Committee who decide on the investment policy most suitable to meet the liabilities of the Fund and have the ultimate responsibility for investment policy. The Committee is made up of five members of the Council each of whom has voting rights. An independent financial adviser also sits on the Committee.

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

Investment Principles

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Committee approved a Statement of Investment Principles. The Committee has delegated the management of the Fund's investments of external investment managers appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

The LGPS (Management and Investment of Funds) Regulation 2016 effective from 1st December 2016 required local authorities to prepare and publish by 31 March 2017 an Investment Strategy Statement (ISS). Superseding the Statement of Investment Principles. The Committee approved the ISS on 23rd February 2017.

2. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013 and LGPS (Management and Investment of Funds) Regulations 2016.

The financial statements summarise the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* 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 21 of these accounts.

Accounting Policies – revenue recognition

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.

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

Employers augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in-year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, 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 (AVC) 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, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

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

Realised profit/losses are recognised upon the sale of investments during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump benefits payable include all known to be due in respect of the financial year. Pension payments and retirement grants are recognised once the retiree has made their decision about how they want their retirement benefit to be provided and they come into payment.

e) Taxation

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

f) Management expenses

Management Expenses are disclosed in accordance with the CIPFA guidance: Accounting for LGPS Management Expenses.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. Relevant officer costs and other overheads are apportioned to the Fund. Costs include relevant staff costs and associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight & governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs associated with governance and oversight are charged to the Fund. The cost of obtaining investment advice from external advisors and performance monitoring including subscriptions to professional bodies and training costs.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

- Fees of the external investment managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management on either a monthly or quarterly basis.
- Where an investment manager's fee note has not been received by the balance sheet date, an estimate based on market value of their mandate as at year end is used for inclusion in the Fund account.
- 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, management fees are separately disclosed.
- The cost of obtaining investment advice from external consultants is included in investment management charges.
- Where actual costs have not been received by balance sheet date, to Fund level an estimation process has been applied. A similar procedure is used for custodian fees
- Where management costs are only held by the manager at fund level an estimation has been made based on the Fund's proportion of the total investment.

Net Asset Statement

• Investments

Investments are shown in the Net Assets Statement at fair value as at the reporting date. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

• Market -quoted investments

Valued by reference to their bid price at the close of business on 31 March 2017. 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 their Internal Control Statements.

• Derivatives contracts

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivatives contract assets are measured at fair value through bid prices and liabilities at fair value through offer prices. Changes in the fair value of derivative contracts and included in any change in the market value.

- **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 2017.

- **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 2017.

- **Private equity fund of funds**

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.

- **Limited Partnerships**

An appropriate valuation methodology is selected for each underlying investment and common methodologies include:

- 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.
- A capitalisation rate using comparable capitalisation rates from recent property transactions, applied to the net rental income of the underlying investment for investment properties.
- 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.

- **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.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £182m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £8m, a 0.2% increase in pension increases would increase the liability by about £70m and a one year increase in life expectancy would increase the liability by about £62m.

3. Contributions receivable

Summary	2016/17 £000s	2015/16 £000s
Employees' contributions	9,614	10,009
Employers' contributions	31,067	33,329
	40,681	43,338

3a. Contributions are further analysed as follows:

Employees' contributions- Analysed by employees' status:	2016/17 £000s	2015/16 £000s
Administering Authority	8,128	8,886
Scheduled Bodies	1,326	1,072
Admitted Bodies	160	51
	9,614	10,009

Employers' contributions - Analysed by employers' status:	2016/17 £000s	2015/16 £000s
Administering Authority	26,973	30,777
Scheduled Bodies	3,516	2,364
Admitted Bodies	578	188
	31,067	33,329

Employers' contributions – analysed by types of contributions:	2016/17	2015/16
	£000s	£000s
Employers' normal contributions	22,833	23,493
Employers' deficit contributions	6,870	7,184
Employers' augmented contributions	1,364	2,652
	31,067	33,329

Employers' augmented 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.

4. Transfers from other funds

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

	2016/17	2015/16
	£000s	£000s
Individual transfers	181	1,038
Bulk transfers	-	-
	181	1,038

5. Benefits payable

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

Summary	2016/17	2015/16
	£000s	£000s
Pensions	(30,239)	(27,967)
Retirement grants	(8,390)	(7,653)
Death benefits	(1,440)	(564)
	(40,069)	(36,184)

Pensions by employer:	2016/17	2015/16
	£000s	£000s
Administering Authority	(28,876)	(26,557)
Scheduled	(1,189)	(1,223)
Admitted	(174)	(187)
	(30,239)	(27,967)

Retirement grant by employer:	2016/17	2015/16
	£000s	£000s
Administering Authority	(7,472)	(7,653)
Scheduled	(600)	-
Admitted	(318)	-
	(8,390)	(7,653)

Death benefits by employer:	2016/17	2015/16
	£000s	£000s
Administering Authority	(1,439)	(564)
Scheduled	-	-
Admitted	(1)	-
	(1,440)	(564)

6. 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.

	2016/17 £000s	2015/16 £000s
Transfers to other schemes	(909)	(511)
Contribution refunds	(129)	(101)
	(1,038)	(612)

7. Management expenses

	2016/17 £000s	2015/16 £000s
Administration expenses	(673)	(788)
Oversight and governance	(344)	(326)
Investment management expense see note 7a	(7,127)	(8,277)
	(8,144)	(9,391)

7a. Investment management expenses

	2016/17 £000s	2015/16 £000s
Management fees invoiced	(1,691)	(1,261)
Management fees & transaction cost within unit price	(5,069)	(6,706)
Custody fees	(73)	(18)
Transaction expenses	(162)	(147)
Other costs	(132)	(145)
	(7,127)	(8,277)

8. Investment income

	2016/17 £000s	2015/16 £000s
Fixed interest and index linked securities	3,569	4,577
Equities and unit trusts	4,379	3,541
Property unit trusts	1,186	1,125
Interest on cash and other	718	339
	9,852	9,582

9. 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.

10. Investment assets and liabilities

Asset Class	Note	Market value 1 st April 2016	Purchases at cost and derivative payments	Sales proceeds & derivative receipts	Fees & Charges deducted from Market value	Change in market value on investments	Market value 31 st March 2017
		£000s	£000s	£000s	£000s	£000s	£000s
Fixed income securities & ILB	10a	151,642	100,467	(98,775)	-	14,066	167,400
Derivatives	10b	(200)	61,011	(59,434)	-	(1,136)	241
Equities	10c	142,357	65,735	(65,093)	-	39,278	182,277
Equity - unit trusts	10d	226,490	41,000	(41,387)	(683)	73,256	298,676
Property unit trusts	10e	64,758	0	-	(480)	1,258	65,535
Property	10f	6,924	2,000	-	(173)	2,071	10,822
Private equity	10g	47,079	6,965	(9,030)	(867)	14,344	58,492
Infrastructure fund	10h	17,673	0	(16,260)	(125)	(1,288)	-
Other pooled unit trusts	10i	222,245	10,853	(8,440)	(2,741)	17,169	239,086
		878,968	288,031	-298,419	(5,069)	159,018	1,022,529
Cash and deposits	10j	36,781				2,014	54,406
Other investment balances	10k	1,758					1,414
Investment assets		917,507				161,032	1,078,349

10. Investment assets and liabilities (continued)

Asset Class	Note	Market value 1 st April 2015	Purchases at cost and derivative payments	Sales proceeds & derivative receipts	Fees & Charges deducted from Market value	Change in market value on investments	Market value 31 st March 2016
		£000s	£000s	£000s	£000s	£000s	£000s
Fixed income securities & ILB	10a	151,146	11,329	(7,086)	-	(3,747)	151,642
Derivatives	10b	(96)	130,178	(129,700)		(582)	(200)
Equities	10c	139,397	57,060	(50,025)	-	(4,075)	142,357
Equity - unit trusts	10d	227,424	-	-	(621)	(313)	226,490
Property unit trusts	10e	59,984	-	-	(347)	5,121	64,758
Property	10f	12,519	-	(6,547)	(150)	1,102	6,924
Private equity	10g	45,124	6,137	(8,893)	(745)	5,456	47,079
Infrastructure fund	10h	17,280	70	(6,519)	(171)	7,013	17,673
Other unit trusts	10i	213,298	27,000	(23,620)	(4,672)	10,239	222,245
		866,076	231,774	(232,390)	(6,706)	20,214	878,968
Cash and deposits	10j	19,070				357	36,781
Other investment balances	10k	2,445					1,758
Investment assets		887,591				20,571	917,507

10a. Total fixed income securities

	2017 £000s	2016 £000s
Fixed interest securities	80,870	72,258
Index linked securities	86,530	79,384
	167,400	151,642

Fixed interest securities

	2017 £000s	2016 £000s
Government securities – UK	6,258	2,525
Government securities – overseas	3,589	6,727
Corporate bonds – UK	34,963	60,636
Corporate bonds – overseas	36,060	2,370
	80,870	72,258

Index linked securities

	2017 £000s	2016 £000s
Government securities – UK	-	76,884
Government securities – overseas	-	2,276
Corporate bonds	-	224
	-	79,384

Index linked securities pooled funds

	2017 £000s	2016 £000s
Government securities – UK	86,530	-
	86,530	-

10b. 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:

	2017 £000s	2016 £000s
Assets		
Futures	168	13
Forward foreign exchange currency contracts	94	14,372
	262	14,385
Liabilities		
Futures	(9)	(5)
Forward foreign exchange currency contracts	(12)	(14,580)
	(21)	(14,585)
Net assets		
Futures	159	8
Forward foreign exchange currency contracts	82	(208)
	241	(200)

Futures

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

Values at 31 March 2017					
	Economic Exposure	Expiration date	Asset	Liability	Net asset/(liability)
	£000s		£000s	£000s	£000s
Assets					
UK Fixed income futures	10,717	Less than a year	160		160
Overseas fixed income futures	3,839	Less than a year	8		8
Liabilities					
Overseas fixed income futures	(1,413)	Less than a year		(9)	(9)
Total futures			168	(9)	159

Values at 31 March 2016			
	Asset	Liability	Net asset/(liability)
	£000s	£000s	£000s
Total futures	13	(5)	8

Forward foreign exchange currency contracts

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

Values at 31 March 2017						
Settlements	Currency bought	Local value	Currency sold	Local value	Asset	Liability
					£000s	£000s
1 to 6 months	JPY	132,430	USD	(1,161)	24	-
1 to 6 months	GBP	2,415	USD	(3,010)	15	(5)
1 to 6 months	GBP	2,357	EUR	(2,727)	22	-
1 to 6 months	USD	790	GBP	(638)	-	(7)
1 to 6 months	GBP	953	JPY	(132,202)	4	-
1 to 6 months	GBP	1,643	SEK	(18,010)	29	-
Total forward foreign exchange currency contracts					94	(12)

Values at 31 March 2016		
	Asset	Liability
Total forward foreign exchange currency contracts	14,372	(14,580)

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.

10c. Equities

	2017 £000s	2016 £000s
UK equities	41,247	42,861
Europe	26,703	20,224
North America	76,552	54,077
Japan	18,045	9,228
Pacific (excluding Japan)	-	9,960
Emerging markets	19,730	6,007
	182,277	142,357

10d. Equity unit trusts

	2017 £000s	2016 £000s
UK	11,143	9,130
World	276,550	209,205
Emerging markets	10,983	8,155
	298,676	226,490

10e. Property unit trusts

	2017 £000s	2016 £000s
Commercial/industrial	63,689	62,529
Venture property	1,846	2,229
	65,535	64,758

10f. Property

	2017 £000s	2016 £000s
Opportunistic property	10,822	6,924
	10,822	6,924

The Fund has made a £20 million commitment to Brockton Property III Fund. £12 million remains uncommitted.

10g. 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 13 annual subscriptions into a private equity fund of funds manager. The Fund's total commitment to these funds is \$140 million (£112 million) of which \$40 million (£33 million) remains uncommitted with \$69 million (£55 million) being already distributed back to the Fund.

	2017 £000s	2016 £000s
Private equity	58,492	47,079
	58,492	47,079

10h. Infrastructure fund

A 25 euro million commitment has been made to the Antin III European infrastructure fund in December 2016. No purchases have been made but \$250k has been drawn down for working capital. The Arcus Fund was sold in August 201 and therefore the balance at 31 March 2017 is nil.

10i. Other pooled unit trusts

	2017 £000s	2016 £000s
Developed markets equity long short fund	52,478	55,915
Events driven fund	69,439	55,958
Global macro fund	17,844	16,817
Inflation opportunities	40,739	35,497
Absolute bond fund	32,651	30,789
Multi-strategy	25,935	27,269
	239,086	222,245

10j. Cash & cash equivalents

	2017 £000s	2016 £000s
Cash held by fund manager	9,625	5,158
Cash held by custodian	23,274	3,616
Cash held with money market funds	21,507	27,964
Cash held in bank	-	43
	54,406	36,781

10k. Other investment balances

	2017 £000s	2016 £000s
Debtors		
Dividends and interest receivable	1,590	1,987
Tax recoverable	464	464
Amounts receivable on pending sales	256	362
Receivable for foreign exchange	-	49
	2,310	2,862
Creditors		
Amounts due on pending purchases	(165)	(715)
Investment management fees	(671)	(325)
Payables for foreign exchange	-	(49)
Other investment expenses	(60)	(15)
	(896)	(1,104)
Total other investment balances	1,414	1,758

11. Investment assets with a market value 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 2017 £000s	%	Market Value as at 31 March 2016 £000s	%
Trilogy	Global equities	156,092	14.5	116,708	12.7
Blackrock	Aquila world index	135,502	12.6	101,462	11.1
MFS	Global equities	95,485	8.9	73,099	8.0
Blackrock	Index linked bonds	86,530	8.0	70,476	7.7
Western Asset	Corporate bonds	84,976	7.9	84,444	9.2
Adam Street Partners	Private equity	58,492	5.4	47,079	5.1
Lansdowne	Equities long/short	52,478	4.9	55,915	6.1

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

Manager	Mandate	Market Value as at 31 March 2017		Market Value as at 31 March 2016	
		£000s	%	£000s	%
Fixed Income & derivatives		171,505		154,919	
Western Asset	Bonds	84,975	49.5%	84,443	54.5%
Blackrock	Index Linked Bonds	86,530	50.5%	70,476	45.5%
Equities		189,757		146,419	
Trilogy	Global equities	156,092	82.3%	116,708	79.7%
International Public Partnerships	Direct holding	33,665	17.7%	29,711	20.3%
Equities unit trusts		298,740		226,525	
Blackrock	Aquila UK	11,144	3.7%	9,130	4.0%
Blackrock	Aquila World index	135,537	45.4%	101,499	44.8%
Blackrock	Aquila Emerging markets	10,983	3.7%	8,155	3.6%
MFS	Global equities	95,485	32.0%	73,099	32.3%
LCIV Baillie Gifford	Global equities	45,591			
Lazard	Global equities	-	-	34,642	15.3%
Property		76,357		74,988	
RREEF	Property Venture 3	1,846	2.4%	5,534	7.4%
Blackrock	Property	34,218	44.8%	34,203	45.6%
Brockton	Opportunistic	10,822	14.2%	6,924	9.2%
Legal and General	UK property	29,471	38.6%	28,327	37.8%
Private equity		58,492		47,079	
Adam St Partners	Private equity	58,492	100.0%	47,079	100.0%
Infrastructure		91		17,673	
Arcus	Infrastructure Fund	-	-	17,673	100.0%
Antin	Infrastructure Fund	91			-
Other pooled unit trusts		239,086		222,245	
Lansdowne	Equities Long/short	52,478	21.9%	55,915	25.2%
York Capital	Event driven	18,827	7.9%	14,842	6.7%
Brevan Howard	Global macro	8,466	3.5%	16,817	7.6%
M&G	Inflation opportunities	40,739	17.0%	35,497	16.0%
Insight	Absolute bonds	32,651	13.7%	30,789	13.9%
Davidson Kempner	Global macro	26,683	11.2%	21,317	9.6%
Gruss	Global macro	23,929	10.0%	19,799	8.9%
CFM	Multi-strategy	25,935	10.8%	27,269	12.3%
Markham Rae	Global macro	9,378	3.9%		
		44,322		27,659	
Enfield	Cash	44,321	100.0%	27,659	100.0%
		1,078,349		917,507	

13. Analysis of net investment assets and liabilities over UK & overseas assets

2017	UK £000s	Overseas £000's	Total £000's
Fixed income securities & ILB	127,751	39,649	167,400
Derivative contracts	241	-	241
Equities	41,247	141,030	182,277
Equities - unit trusts	11,144	287,532	298,676
Property	76,357	-	76,357
Private equity	-	58,492	58,492
Infrastructure fund	-	-	-
Other pooled unit trusts	93,217	145,869	239,086
	349,957	672,572	1,022,529

2016	UK £000s	Overseas £000's	Total £000's
Fixed income securities & ILB	142,259	9,383	151,642
Derivative contracts	(200)	-	(200)
Equities	42,861	99,496	142,357
Equities - unit trusts	9,130	217,360	226,490
Property	71,682	-	71,682
Private equity	-	47,079	47,079
Infrastructure fund	-	17,673	17,673
Other pooled unit trusts	91,412	130,833	222,245
	357,144	521,824	878,968

Note: Where Investments are held by a non UK custodian, assets are categorised as overseas.

14. Analysis of net investment assets and liabilities for quoted & unquoted assets

2017	Quoted assets	Unquoted assets	Total
	£000's	£000's	£000's
Fixed income securities & ILB	167,400	-	167,400
Derivative contracts	241	-	241
Equities	182,277	-	182,277
Equity - unit trusts	298,676	-	298,676
Property	-	76,357	76,357
Private equity	-	58,492	58,492
Infrastructure fund	-	-	-
Other pooled unit trusts	-	239,086	239,086
	648,594	373,935	1,022,529

2016	Quoted assets	Unquoted assets	Total
	£000's	£000's	£000's
Fixed income securities & ILB	151,642	-	151,642
Derivative contracts	(200)	-	(200)
Equities	142,357	-	142,357
Equity - unit trusts	226,490	-	226,490
Property	--	71,682	71,682
Private equity	-	47,079	47,079
Infrastructure fund	-	17,673	17,673
Other pooled unit trusts	86,704	135,541	222,245
	606,993	271,975	878,968

15. Current assets

	2017 £000s	2016 £000s
Contributions due from employers	264	175
Contributions due from members	84	79
Pension strain costs	51	-
Payment of retirement grant in advance	70	130
	469	384
Cash balance	30	62
	30	62
Total current assets	499	446

16. Current liabilities

	2017 £000s	2016 £000s
Death benefits	(110)	(88)
London Borough of Enfield	(215)	(1,518)
Audit fee	(25)	(25)
Other	(13)	(11)
	(363)	(1,642)

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.

Investment type	2016/17			2015/16		
	Designated at Fair Value	Loans & Receivables	Financial Liabilities at amortised cost	Designate d at Fair Value	Loans & Receivab les	Financial Liabilities at amortised cost
	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets						
Fixed income	167,400			151,642		
Derivative contracts	262			14,385		
Equities	182,277			142,357		
Equity - unit trusts	298,676			226,490		
Property	76,357			71,682		
Private equity	58,492			47,079		
Infrastructure	-			17,673		
Other unit trusts	239,086			222,245		
	1,022,550	-	-	893,553	-	-
Cash		54,406			36,843	
Investment balances		1,846			2,862	
Debtors		499			384	
Financial Assets	1,022,550	56,751	-	893,553	40,089	-
Financial Liabilities						
Derivative contracts	(21)			(14,585)		
Investment balances			(896)			(640)
Creditors			(363)			(1,642)
Financial Liabilities	(21)	-	(1,259)	(14,585)	-	(2,282)
Net Assets	1,022,529	56,751	(1,259)	878,968	40,089	(2,282)

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 2017 £000's	31 March 2016 £000s
Fair value	159,018	20,214
Loans and receivables	2,014	357
	161,032	20,571

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 2017 £000s	Carrying value and fair value 31 March 2016 £000s
Financial Assets		
Fair value	1,022,550	893,553
Loans and receivables	56,751	40,089
Total financial assets	1,079,301	933,642
Financial liabilities		
Fair value	(21)	(14,585)
Financial liabilities measured at amortised cost	(1,259)	(2,746)
Total financial liabilities	(1,280)	(17,331)
	1,078,021	916,311

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.

Values at 31 March 2017	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	263,147	690,089	69,314	1,022,550
Total financial assets	263,147	690,069	69,314	1,022,550
Financial Liabilities				
Fair value		(21)		(21)
Total financial liabilities	-	(21)	-	(21)
Net financial assets	263,147	690,068	69,314	1,022,529

Values at 31 March 2016	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	293,999	545,551	54,003	893,553
Total financial assets	293,999	545,551	54,003	893,553
Financial Liabilities				
Fair value	-	(14,585)	-	(14,585)
Total financial liabilities	-	(14,585)	-	(14,585)
Net financial assets	293,999	530,966	54,003	878,968

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset type	Value as at 31 st March 2017 £000s	Assessed valuation range	Value on increase £000s	Value on decrease £000s
Private equity- fund of funds	58,492	5%	+2,924	-2,924
Property -closed ended fund	10,822	2%	+216	-216
Total assets	69,314		+3,140	-3,140

Reconciliation of fair value measurements within Level 3

Asset type	Value as at 31 st March 2016 £000s	Purchases during year £000s	Sales during year £000s	Unrealised gains* £000s	Realised gains £000s	Value as at 31st March 2017
Private equity- fund of funds	47,079	6,965	(9,030)	7,102	6,376	58,492
Property -closed ended fund	6,924	2,000	-		-	10,822
Total	54,003	8,965	(9,030)	7,102	6,376	69,314

*Net of management fees £867k

There has been no transfer between hierarchy levels.

The basis of valuation hierarchy of assets	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – not exchange traded closed ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – hedge funds	Level 2	Closing bid price where bid and offer prices are Published. Closing single price where single price published	NAV based pricing set on a forward pricing basis.	Not required
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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, Policy & Investment 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. Policies 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 10.

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 10.

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 (+/-) 2016/17	Potential market Movements (+/-) 2015/16
Equities	9%	6%
UK bonds	4%	4%
Overseas bonds	4%	4%
Index linked	4%	4%
Pooled property	5%	5%
Other pooled unit trusts*	4%	4%
Cash and cash equivalents	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	Balance at 31 March 2017 £000s	Change	Value on increase £000s	Value on decrease £000s
Investment portfolio assets:				
Equities & private equity	539,445	9%	+48,550	-48,550
UK bonds	39,413	4%	+1,577	-1,577
Overseas bonds	41,457	4%	+1,658	-1,658
Index linked	86,530	4%	+3,461	-3,461
Property	76,357	5%	+3,818	-3,818
Other pooled u/t & infrastructure	239,086	4%	+9,563	-9,563
Cash and cash equivalents	54,406	0%	-	-
Other investment balances	1,414	0%	-	-
Derivatives (Net)	241	0%	-	-
Total assets available to pay benefits	1,078,349		+68,627	-68,627

Asset Type	Balance at 31 March 2016 £000s	Change	Value on increase £000s	Value on decrease £000s
Investment portfolio assets:				
Equities & private equity	415,674	6%	+37,433	-37,433
UK bonds	63,161	4%	+2,435	-2,435
Overseas bonds	9,097	5%	+455	-455
Index linked	79,384	4%	+3,175	-3,175
Property	71,480	5%	+3,584	-3,584
Other pooled u/t & infrastructure	239,918	4%	+9,597	-9,597
Cash and cash equivalents	36,781	0%	-	-
Other investment balances	1,757	0%	-	-
Derivatives (Net)	(200)	0%	-	-
Total assets available to pay benefits	917,052		+56,679	-56,679

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.

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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2017 £000s	31 March 2016 £000s
Cash deposits	54,406	36,781
Cash balances	30	62
Fixed interest securities	167,400	151,642
Total	221,836	188,485

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 31 March 2017 £000s	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
		£000s	£000s
Cash deposits	54,406	+544	-544
Cash balances	30	+3	-3
Fixed interest securities	167,400	-	-
Total	221,836	+547	-547

Asset Type	Carrying amount as at 31 March 2016 £000s	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
		£000s	£000s
Cash deposits	36,781	+368	-368
Cash balances	62	+6	-6
Fixed interest securities	151,642	-	-
Total	188,485	+374	-374

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 2017 and as at the previous period end.

Currency Exposure	Asset Value as at 31 March 2017 £000s	Value on 5% increase £000s	Value on 5% decrease £000s
Australian Dollar	979	+49	-49
Brazilian Real	2,473	+124	-124
China Renminbi	2,508	+125	-125
Danish Krone	713	+36	-36
Euro	53,850	+2,693	-2,693
Hong Kong Dollar	1,972	+99	-99
Indian Rupee	4,467	+223	-223
Japanese Yen	18,078	+904	-904
Mexican Peso	665	+33	-33
Norwegian Krone	767	+38	-38
Russian Rouble	840	+42	-42
Singapore Dollar	1,117	+56	-56
South Korean Won	6,457	+323	-323
Swedish Krona	1,846	+92	-92
Swiss Franc	2,210	+111	-111
Taiwan Dollar	1,939	+97	-97
US Dollar	225,462	+11,272	-11,272
Total currency exposure	326,343	+16,317	-16,317

Currency Exposure	Asset Value as at 31 March 2016 £000s	Value on 5% increase £000s	Value on 5% decrease £000s
Brazilian Real	2,496	+125	-125
Canadian Dollar	1,417	+71	-71
China Renminbi	3,145	+157	-157
Danish Krone	1,024	+51	-51
Euro	38,435	+1,922	-1,922
Hong Kong Dollar	1,981	+99	-99
Indian Rupee	3,078	+154	-154
Japanese Yen	9,228	+461	-461
New Taiwan Dollar	1,484	+74	-74
Norwegian Krone	637	+32	-32
Russian Rouble	762	+38	-38
South Korean Won	3,487	+174	-174
Swedish Krona	2,557	+128	-128
Swiss Franc	2,941	+147	-147
US Dollar	166,000	+8,300	-8,300
Total currency exposure	238,672	+11,933	-11,933

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, Northern Trust 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 Policy & Investment Committee 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	2017 £000s	2016 £000s
Cash (current Assets)			
HSBC	AA-	30	62
		30	62
Cash deposits (Investment assets)			
HSBC	AA-	-	43
Goldman Sachs money market fund	AAAm	21,472	27,929
Blackrock money market fund	AAAm	35	35
Cash held by fund managers and custodian	AA-	32,899	8,774
Investment cash		54,406	36,781
Total		54,436	36,843

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 £27 million to the Fund in 2016/17 (£30.9 million in 2015/16). Consequently there is a strong relationship between the Council and the Pension Fund.

At year end the Pension Fund owed the London Borough of Enfield £215k (£1,518k in 2015/16).

Scheduled and admitted bodies owed the Fund £400k (£254k in 2015/16) from employer & employee contributions. All payments received before 19th April 2017.

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. Councillor Taylor, a member of the Pension Policy & Investment Committee, is also a Governor of Capel Manor, a Scheduled body. Councillor Simon's wife is a pensioner within the Fund and is a trustee with the ELT academy. No allowances are paid to Members directly in respect of the Pension Policy & Investment Committee. The Chair of the Pension Policy & Investment Committee however, is paid a special responsibility allowance.

The key management personnel of the fund are: the Pensions manager, Head of Finance and Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2016/17 the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year.

	2017 £000s	2016 £000s
Short- term benefits	62	61
Post-employment benefits- increase/decrease in IAS19	192	(27)
	254	34

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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

• Actuarial Position

- The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £916.3M) covering 87% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

- The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
- 17.7% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)
- 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 19 years from 1 April 2017 (the secondary rate), equivalent to 5.1% of pensionable pay (or £7.8M in 2017/18, and increasing by 3.5% p.a. thereafter).
- In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 27 March 2017 (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 or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, was agreed with the Administering Authority reflecting the employers' circumstances.
- 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 body funding target *	4.5% p.a.
• Orphan body funding target	4.1% p.a.
Discount rate for periods after leaving service	
• Scheduled body funding target *	4.5% p.a.
• Orphan body funding target	2.5% p.a.
• Rate of inflationary pay increases (additional allowance made for promotional increases)	3.5% p.a.
• Rate of increase to pension accounts	2.0% p.a.
• Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

- The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.
- In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.
- The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

	Men	Women
• Current pensioners aged 65 at the valuation date	24.3	26.9
• Future pensioners aged 45 at the valuation date	26.3	29.2

- 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 2016. 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 2017 to 31 March 2020 were signed on 27 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 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 2016. 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.

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 2016, together with the 2013 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 2016 £m	31 March 2013 £m
Fair value of net assets	916.3	731.2
Actuarial present value of promised retirement benefits	(1,229.3)	(1,050.4)
Deficit in the Fund as measured for IAS26 purposes	(313.0)	(319.2)

Assumptions

The latest full triennial valuation of the Fund's liabilities was carried out as at 31 March 2016. The principal assumptions used by the Fund's independent qualified actuaries were:

	31 March 2016 (% p.a.)	31 March 2013 (% p.a.)
Discount rate	3.4	4.4
RPI inflation	2.9	3.4
CPI inflation (pension increases)*	1.8	2.4
Rate of general increases in salaries**	3.3	3.9

**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

Males	31 March 2016	31 March 2013
Base table	Standard SAPS S2P Light amounts (S2PMA_L)	Standard SAPS normal health light amounts (S1NMA_L)
Rating to be above base table (years)*	0	0
Scaling to above base table rates **	95%	100%
Allowance for future improvements*	CMI 2014 with a long term rate of improvement of 1.5%	CMI 2012 with a long term rate of improvement of 1.5%
Future lifetime from age 65 (currently aged 65)	24.3	24.3
Future lifetime from age 65 (currently aged 45)	26.3	26.4

Females	31 March 2016	31 March 2013
Base table:	Standard SAPS S2P Light amounts (S2PFA_L)	Standard SAPS normal health light amounts (S1NFA_L)
Rating to above table (years)*	0	0
Scaling to above base table rates **	80%	80%
Allowance for future improvements	CMI 2014 with a long term rate of improvement of 1.5%	CMI 2012 with a long term rate of improvement of 1.5%
Future lifetime from age 65 (currently aged 65)	26.9	27.5
Future lifetime from age 65 (currently aged 45)	29.2	29.8

* 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 2016	31 March 2013
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 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

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.

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 equalizing.

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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 2016, are not accounted for within the financial

statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

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

	Opening Balance at 1 st April 16 £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2017 £000s
With profits cash accumulation	1,059	333	(229)	-	1,163
Deposit fund statement	760	369	(322)	-	807
Discretionary fund	442	130	(67)	122	627
	2,261	832	(618)	122	2,597

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
Hadley Academy
Enfield Academy
Aylward Academy
Cuckoo Hall Academy
Nightingale Academy
Kingsmead Academy
Enfield Grammar School Academy
Enfield Heights Academy
Ark John Keats Academy
Meridian Angel Primary School
Heron Hall Academy
Kingfisher Hall Academy
Woodpecker Hall Academy
Edmonton County Academy
Southgate School Academy
Enfield Learning Trust
Independence & Wellbeing Ltd

Admitted bodies:

Sodexo Limited
Enfield Voluntary Groups
NORSE
Metropolitan Support Trust
Fusion Lifestyle (previously Enfield Leisure)
Outward Housing
Birkin Services
BDI Securities UK Ltd

Admitted bodies with no active members

Fitzpatrick
Kier Group Services
Churchill
Hughes Gaidner
Equion Facilities Management

As at the 31 March 2017 the Fund Membership was 20,690 compared to 18,874 at 31 March 2016. This is analysed below:

	31 March 2017	31 March 2016
Current Members	7,447	7,312
Retired Members	5,265	4,964
Deferred Members	4,889	4,786
Frozen/Undecided	3,089	1,812
	20,690	18,874

The current members total includes Fund members where they have multiple jobs. Each employment is shown as a separate member.

A copy of the Pension Fund Annual Council's Statement of Investment Strategy Statement (ISS) and the Fund's compliance with the Government's compliance statement are all available on the Council's website www.enfield.gov.uk.

26. Critical judgements in applying accounting policies

In applying the accounting policies, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines and is in accordance with IAS 19. The estimated liability is subject to significant variance were there to be changes to the underlying assumptions. The assumptions used have been agreed with the actuary and are summarised in Note 21. The actuarial valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

27. 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1.0% decrease in the discount rate assumption would result in an increase in the pension liability of 300m. A 1.0% increase in the real pensionable pay increase would increase the value of liabilities by approximately £50m, and a three-year increase in assumed life expectancy would approximately increase the liability by £90m. Other private equity and infrastructure
Other private equity	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Total private equity and infrastructure investments at fair value in the financial statements are £58m. There is a risk that this investment may be under or overstated in the accounts.

28. Accounting standards that have been issued but yet adopted.

The following new or amended Accounting Standards have been issued and are expected to be adopted in subsequent versions of the Code:-

- IFRS9 – Financial Instruments
- Amendment to the reporting of pension fund scheme transaction costs

29. External audit costs

The fees paid and payable to BDO LLP in respect of their audit of the Statement of Accounts,

	Audit for FY 16/17 £000s	Audit for FY 15/16 £000s
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	(25)	(25)
	(25)	(25)

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 2017.

1.1 Regulatory Framework

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

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

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

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

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

1.2 Review of FSS

The FSS is reviewed in detail at least every three years ahead of the triennial valuation being completed. The next anticipated full review will fall due to be completed by 31 March 2020. 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 fund-specific funding strategy**, that will identify how employers’ pension liabilities are best met going forward;*
- *supports desirability of maintaining as nearly constant a **primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013;***
- *ensures that the regulatory requirements to set contributions so as to ensure the **solvency and long-term cost efficiency** of the Fund are met;*
- *takes a **prudent longer-term view** of funding those liabilities.”*

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

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

2.2 Purpose of the Fund

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

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

Three objectives of a funded scheme are:

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

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

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex 1.

2.3 Aims of the Funding Policy

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

- to comply with regulation 62 of the LGPS Regulations, and specifically:
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure the long-term solvency and long term cost efficiency of the Fund as a whole and the solvency of each of the sub-funds notionally allocated to individual employers, which should be assessed in light of the risk profile of the Fund and Employers;
- to minimise the degree of short-term change in the level of employers' contributions where the Administering Authority considers it reasonable to do so;

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employees, to the extent that this is practical and cost effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

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

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

The Fund’s Actuary is also required to adjust the Primary Contribution Rate for circumstances which are deemed “peculiar” to an individual employer². It is the adjusted contribution rate which employers are actually required to pay, and this is referred to as the Secondary employer contribution requirement.

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

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

Employers’ contributions are expressed as minima, with employers able to pay

¹ See Regulation 62(5)

² See Regulation 62(7)

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

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and Funding Success

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

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

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

For Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, 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 exit, the required Probability of Maintaining Solvency will typically be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

Probability of Funding Success

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

Consistent with the aim of enabling employers' total contribution levels to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the 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).

The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is just below a 70% chance that the Fund would reach or exceed its Solvency Target after 25 years.

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

- Primary contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.
- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

Application to different types of body

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

Scheduled Bodies and certain other bodies of sound covenant

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

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

- the type/group of the employer
- the business plans of the employer;

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

Admission Bodies and certain other bodies whose participation is limited

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

3.4 Full funding

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

3.5 Ongoing Funding Basis

Demographic assumptions

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

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

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

Financial assumptions

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts. There is, however, no guarantee that the assets

will out-perform gilts or even match the return on gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

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

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

3.6 Primary or Future Service Contribution Rates

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

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

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

3.7 Adjustments for Individual Employers

Notional sub-funds

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

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

Roll-forward of notional sub-funds

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

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the 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 over the longer term. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will monitor payrolls and where evidence is revealed of payrolls not increasing at the anticipated rate as used in the calculations, the Administering Authority will consider requiring defined streams of capital contributions rather than percentages of payroll.

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

Attribution of investment income

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

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

3.8 Stability of Employer Contributions

3.8.1 *Recovery and Trajectory Periods*

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

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

In the event of a surplus the Administering Authority may at its discretion opt to retain that surplus in the employer's sub-fund (i.e. base that employer's contribution on the primary contribution rate alone without any deduction to reflect surplus) or

may determine the deduction for surplus so as to target a funding level of higher than 100% at the end of the Recovery Period. At the 2016 valuation the policy adopted by the Administering Authority for employers in surplus is to target a funding level of 105% at the end of the Recovery Period.

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

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery 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 normally to set Recovery Periods for each employer which are as short as possible within this framework, whilst attempting to maintain stability of contribution levels where possible. An exception applies for academies – see subsection 3.9.7. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

3.8.2 *Grouped contributions*

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

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

employers whose participation is for a fixed period grouping is unlikely to be permitted.

Best Value Admission Bodies continue to be ineligible for grouping.

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

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

3.8.4 *Long-term cost efficiency*

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

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

3.8.5 Inter-valuation funding calculations

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

3.9 Special Circumstances related to certain employers

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

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

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

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For 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 exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to cease within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

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

3.9.2 Guarantors

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

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

3.9.3 Bonds and other securitisation

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

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

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

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

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

3.9.5 Orphan liabilities

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

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

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

3.9.6 Cessation of participation

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

In particular, the exit valuation 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 exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit 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 exit 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 an exit payment being required.

3.9.7 Academies

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

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

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

The Administering Authority will review the above approach if the London Borough of Enfield's sub-fund is found to be in surplus at a subsequent valuation.

For academies which have already converted and whose sub-fund at a subsequent valuation is in deficit (where the London Borough of Enfield's sub-fund is also in deficit at that valuation), the contribution levels for the academy will normally be set in line with the London Borough of Enfield's rate provided this leads to a Recovery Period not longer than the relevant period for the London Borough of Enfield (in which case the Recovery Period will be set to coincide with the Recovery Period for the London Borough of Enfield).

3.9.8 Admission Bodies with 10 members or fewer

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

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

3.10 Early Retirement Costs

3.10.1 Non Ill-Health retirements

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

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

4. Links to investment strategy

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

4.1 Investment strategy

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

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

The investment strategy of lowest risk would be one which provides cashflows

which replicate the expected benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.

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

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

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

4.2 Consistency with funding bases

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

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

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

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

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

4.3 Balance between risk and reward

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

potential future solvency levels and contribution rates.

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

4.4 Intervaluation Monitoring of Funding Position

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

5. Key Risks & Controls

5.1 Types of Risk

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

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

5.2 Investment Risk

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

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<i>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</i> <i>Commission regular funding updates for the Fund as a whole, on an approximate basis.</i> <i>Analyse progress at three yearly valuations for all employers.</i> <i>Inter-valuation roll-forward of liabilities</i>

	<i>between formal valuations.</i>
Systematic risk with the possibility of interlinked and simultaneous financial market volatility	<i>Regular review of investments and appropriateness of asset classes</i>
Insufficient funds to meet liabilities as they fall due	<i>Regular review of cash flows with 3 year forecast based on best cases estimates</i>
Inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon	<i>Commission regular funding updates for the Fund as a whole, on an approximate basis. Comparison with other LGPS . Use of GAD section 13 report</i>
Counterparty failure	<i>Regular review of managers to ensure they are meeting investment benchmarks</i>
Inappropriate long-term investment strategy	<i>Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consider measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.</i>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	<i>Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.</i>
Active investment manager under-performance relative to benchmark	<i>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</i>
Pay and price inflation significantly more than anticipated	<i>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</i>
Effect of possible increase in employers' contribution rate on service delivery and admission/scheduled bodies	<i>Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.</i>

5.3 Employer Risk

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

5.4 Liquidity and maturity Risk

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

5.5 Liability Risk

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.	<p><i>The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.</i></p> <p><i>If significant liability changes become apparent between valuations, the Administering Authority will notify all employers of the anticipated impact on costs that will emerge at the next valuation and will review the bonds that are in place for Transferee Admission Bodies.</i></p>

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.	<p><i>The Administering Authority will keep abreast of all proposed changes. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.</i></p>

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, and/ or that the objective of long-term cost efficiency is not met.	<i>The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the Recovery Period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.</i>

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, and/or that the objective of long-term cost efficiency is not met.	<i>The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.</i>

Annex 1 – Responsibilities of Key Parties

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

Their key responsibilities are set out below.

The Administering Authority should:

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

The Individual Employers should:

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

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

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

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

INVESTMENT STRATEGY STATEMENT

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Enfield Pension Fund adopted by Enfield Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.

1.2 The Council has delegated to its Pension Policy & Investment Committee (“the Committee”) “all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer.”

1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Strategy with each of its employers and the Pension Board. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

2. Statutory background

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

3. Directions by the Secretary of State

3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.

3.2 The Secretary of State’s power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

4. Advisers

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

- Aon Hewitt Ltd – investment consultancy
- Independent consultant member with Fund management experience

- .Actuarial advice, which can have implications for the investment strategy, is provided by Aon Hewitt Ltd.

5. Objective of the Fund

5.1 The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

5.2 The target investment strategy is designed to have an expected return in excess of the discount rate while achieving a level of risk the Committee considers to be appropriate. The aim is to ensure contribution rates are set at a level to attain 100% funding within the timescale agreed with the Fund Actuary and set out in the Funding Strategy Statement.

6 Investment beliefs

6.1 The Fund's fundamental investment beliefs which inform its strategy and guide its decision making are:

- The Fund has a paramount duty to seek to obtain the best possible return on its investments taking into account a properly considered level of risk
- A well-governed and well-managed pension fund will be rewarded by good investment performance in the long term
- Strategic asset allocation is the most significant factor in investment returns and risk; risk is only taken when the Fund believes a commensurate long term reward will be realised
- Asset allocation structure should be strongly influenced by the quantum and nature of the Fund's liabilities and the Funding Strategy Statement
- Since the lifetime of the liabilities is very long the time horizon of the investment strategy should be similarly long term
- Risk of underperformance by active equity managers is mitigated by allocating a significant portion of the Fund's assets to other asset classes
- Long-term financial performance of companies in which the Fund invests is likely to be enhanced if they follow good practice in their environmental, social and governance policies
- Costs need to be properly managed and transparent

7 The suitability of particular investments and types of investments

7.1 The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.

7.2 The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility, risk and the nature of the Fund's liabilities.

7.3 The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members) and the liabilities arising therefrom, together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Fund's projected cash flow requirements.

7.4 Following the triennial valuation in 2013 the Panel, as advised by Aon Hewitt, considered its investment strategy alongside its funding objective and agreed the following structure:

Asset Class	Management Approach	Target Weight %	Control Range %
Equities (including Private Equity)	Active/Passive	40	± 10%
Bonds	Active/Passive	29	± 10%
Commercial Property	Active	10	± 5%
Hedge Funds	Active	15	± 5%
Infrastructure	Active	6	± 3%
Overall Fund		100	

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

7.6 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability and diversification given the Fund’s level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

7.7 The Committee also monitors the Fund’s actual allocation on a regular basis to ensure it does not deviate from within the target range. If such a deviation occurs, a rebalancing exercise is carried out to ensure that the allocation remains within the range set.

7.8 It is intended that the Fund’s investment strategy will be reviewed at least every three years, following actuarial valuations of the Fund. The investment strategy review will typically involve the Panel, in conjunction with its advisers, undertaking an in-depth Asset Liability Modelling exercise to understand the risks within the Fund’s current investment strategy and establish other potentially suitable investment strategies for the Fund in the future. This approach was adopted following the 2013 triennial valuation.

7.9 The results of the 2016 valuation showed a 87% funding level which has since improved to 96%. The intention is for an Asset Liability Modelling exercise to be undertaken and the strategy reviewed over the final quarter of 2017. Investment Strategy Statement will subsequently be updated to reflect the outcome of this strategy review and to include the expected return and volatility of the investment strategy.

8 Asset classes

8.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index linked and corporate bonds, hedge funds, infrastructure and property either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

8.2 In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007"

8.3 With investment returns included, the Fund has a positive cash flow that enables investment in illiquid asset classes e.g. property. The majority of the Fund's assets are highly liquid i.e. can be readily converted into cash, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. However, as a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

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

9 Fund Managers

9.1 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

9.2 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management.

9.3 The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.

9.4 The investment management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets.

9.5 As at the date of this ISS the details of the managers appointed by the Committee are set out in Appendix 1

9.6 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.

9.7 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser and the independent advisory member. In addition, the Committee requires all managers to attend a separate manager day meeting twice a year, and officers meet each of the managers in the “alternate quarters” (i.e. when there is no “manager day” meeting) to review and scrutinise performance.

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

10 Stock lending

10.1 The Panel's current policy is not to engage in stock lending.

11 Approach to risk

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

11.2 Funding risks

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

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

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

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

11.3 Manager risks

The Committee monitors the managers' performance on a quarterly basis, and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Committee also examines the risk being run by each of the investment managers. In particular, the performance reporting reviewed by the Committee considers the achieved variation in returns between each manager's portfolio and its

benchmark and compares the level of active manager risk and excess return of each manager against a universe of similar mandates and the benchmark.

11.4 Liquidity risk

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

11.5 Concentration risk

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

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

11.6 Market risk

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

11.7 Operational risk

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

12 Approach to pooling

12.1 The Fund is a participating member in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

12.2 The Fund has already transitioned assets into the London CIV with a value of £42 million or 4.2% (as at 31 December 2016) of the assets and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund. The Fund also holds passive funds held with Blackrock life Funds which cannot be held in the CIV) which the CIV has negotiated lower fees for CIV members. Other assets will be transferred into the LCIV once appropriate funds are available.

12.3 The Fund holds £96 million (as at 31 December 2016) in illiquid assets in (infrastructure, private equity and property) these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund.

13 Social, environmental and governance considerations

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

13.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

13.3 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.

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

13.5 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

13.6 The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

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

14.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

14.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

14.3 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as

practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

15 Stewardship

15.1 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the Principles of the Stewardship Code.

15.2 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

15.3 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests. In addition, the Fund gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund's interest.

16 Compliance with “Myners” Principles

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

Fund Manager Structure (This prescribed in the ISS regulations)

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

Fund manager	Investment objectives
Equities & Private Equity	
BlackRock Advisers UK Ltd (Passively Managed Global Equity, UK Equity and emerging Portfolios)	<i>To perform in line with the prescribed Equity and Bond indices.</i>
MFS (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.</i>
Trilogy Global Advisors (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.</i>
London CIV – Baillie Gifford (Actively Managed Global Equity Portfolio)	<i>To outperform the MSCI World Index by 2% pa gross of fees over rolling three-year periods.</i>
Adam Street Partners (Private Equity Portfolio)	<i>To outperform the MSCI World Index.</i>
Bonds	
BlackRock Advisers UK Ltd (Passively Managed Bond & Index linked Portfolios)	<i>To perform in line with the prescribed Bond indices.</i>
Insight Bond Fund Absolute bond return	<i>3 month LIBOR +4% per annum over rolling three period.</i>
M&G Inflation Opportunities Fund	<i>To outperform the Retail Price Index by 2.5% per annum on a rolling five year basis.</i>
Western Asset Management (Actively Managed corporate Bond Portfolio)	<i>To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.</i>
Property	
Brockton Opportunistic property	<i>15% net IRR and 1.5xnet multiple</i>
BlackRock Advisers UK Ltd (Actively UK Property Fund)Equity and emerging Portfolios)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods..</i>
Legal & General Investment Management Ltd (Active UK Property Fund)	<i>To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.</i>

RREEF Management (Active UK Property Fund)	<i>To achieve a return of at least 4.5% per annum, net of all fees and costs, above the UK Retail Prices Index over 5 to 10 years.</i>
Infrastructure	
Antin	<i>15% Gross IRR with a gross target of 5% p.a.</i>
International Public Partnerships Limited (Private Finance Initiative)	<i>To achieve a return of at least 4.5% per annum.</i>
Hedge Funds	
CFM-Stratus Muti asset strategy	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Davidson Kempner (Events driven)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Gruss (Events driven)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>
Lansdowne Partners (Long/Short UK Equities Hedge Fund)	<i>To generate an absolute return. The benchmark is the FTSE All Share index</i>
Markham Rae (Global Marco)	<i>HFRI Marco Thematic Index; Risk Free Citigroup 3-month T- Bill)</i>
York Capital Management (Distressed Debt Fund)	<i>To provide a positive absolute return of 14%-16% per annum. (There is no explicit benchmark against which performance is judged.)</i>

Compliance with “Myners” Principles”

Principle 1: Effective Decision Making

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

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

Principle 2: Clear Objectives

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

Principle 3: Risk and Liabilities

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

Principle 4: Performance Assessment

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

Principle 5: Responsible Ownership

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

Principle 6: Transparency and Reporting

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

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

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

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

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

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 the Pension Policy & Investment Committee whose terms of reference are agreed annually by Council.

Terms of Reference

The Pension Policy & Investment Committee are responsible for the functions set out in the following regulations:

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

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

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.

The Pension Policy & Investment Committee

Cllr T Simon JP (Chair)
Cllr D Levy (Deputy Chair)
Cllr T. Neville OBE JP
Cllr D Pearce
Cllr A Sitkin
Cllr D Taylor
Carolan Dobson (Professional Advisor)

Governance of the Pension Fund Investments

The Committee considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Pension Policy & Investment Committee (PP&IC) appointed an independent pension fund advisor - Carolan Dobson, to also sit on the PP&IC to give expert advice, support members and to clarify the many complex technical issues that arise from diversifying the Fund's assets.

The PP&IC 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;
- Investment Strategy Statement;
- Setting performance objectives for the fund
- 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).
- Approval and review of the Communication Strategy Statement

The Committee meets quarterly to review the 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.

The Committee considers the Fund's investment strategy and asset allocation of the Fund's portfolio. The Committee appointed an independent pension fund advisor - Carolan Dobson, to also sit on the PP&IC (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.

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

Pension Board

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

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

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

The eight board members are:

Employer Side:

- Cllr Dinah Barry (Chair) – resigned in January 2017
- Cllr Don McGowan (Chair) Since January 2017
- Cllr Robert Hayward
- Cllr Andrew Stafford
- Eileen Carberry

Employee Side

- Paul Bishop (Vice Chair)
- Pauline Kettless
- Rob Ayling
- Martin Keenan

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 32 admitted/scheduled employers and approximately 21,000 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 Policy & Investment Committee (PP&IC) meets a minimum of four times a year and its members act in a quasi-trustee capacity.

The PP&IC 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 PP&IC and the number of voting members are determined by the Council at its Annual meeting.

3. Functions and Responsibilities

The PP&IC separately approves the Pension Fund's Funding Strategy Statement (FSS), the Investment Strategy Statement (ISS) 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 PP&IC.

The ISS 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 PP&IC training and states the Fund's approach to socially responsible investment and corporate governance issues.

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

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

Responsibility for the communications strategy is held with the PP&IC.

4. Representation

The Pension Policy & Investment Committee has 7 members, 6 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.

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.	Non compliant
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Non 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.	Non complaint
a	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.	Non 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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

- **Actuarial Position**

- The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £916.3M) covering 87% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was 17.7% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate).
- 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 19 years from 1 April 2017 (the secondary rate), equivalent to 5.1% of pensionable pay (or £7.8M in 2017/18, and increasing by 3.5% p.a. thereafter).
- In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 27 March 2017 (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 or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, was agreed with the Administering Authority reflecting the employers' circumstances.
- 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 <ul style="list-style-type: none"> Scheduled body funding target Orphan body funding target 	4.5% p.a. 4.1% p.a.
Discount rate for periods after leaving service <ul style="list-style-type: none"> Scheduled body funding target Orphan body funding target 	4.5% p.a. 2.5% p.a.
<ul style="list-style-type: none"> Rate of inflationary pay increases (additional allowance made for promotional increases) 	3.5% p.a.
<ul style="list-style-type: none"> Rate of increase to pension accounts 	2.0% p.a.
<ul style="list-style-type: none"> Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) 	2.0% p.a.

- The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.
- In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.
- The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

	Men	Women
<ul style="list-style-type: none"> Current pensioners aged 65 at the valuation date 	24.3	26.9
<ul style="list-style-type: none"> Future pensioners aged 45 at the valuation date 	26.3	29.2

- 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 2016. 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 2017 to 31 March 2020 were signed on 27 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

- 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 2016. 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.

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 (Other Pooled Funds)	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).
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.
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.
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.

FTSE	Financial Times – publishers of the FTSE-100, and other indices.
Gilt-edged securities (or Gilts)	Fixed-interest stocks issued by the UK Government.
Hedge fund	A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.
Index	A measure of the value of a stock market based on a representative sample of stocks.
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.
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.
Scheduled bodies	These are organisations that have a right to be in the Fund.
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.
Yield	Annual income on an investment divided by its price and expressed as a percentage.

Section 5:

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

Independent auditor's report to the members of the London Borough of Enfield on the pension fund financial statements

We have examined the pension fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Executive Director of Finance, Resources and Customer Services and the auditor

As explained more fully in the Statement of the Executive Director of Finance, Resources and Customer Services' Responsibilities, the Executive Director of Finance, Resources and Customer Services is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of the London Borough of Enfield, and their compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Chair's Foreword, Investment Report, Corporate Governance, Membership Report, The Risk Register, Funding Strategy Statement, Investment Strategy Statement, Governance Policy Statement, Communication Policy Statement, Governance Compliance Statement and the Actuarial Position.

We conducted our work in accordance with Auditor Guidance Note 07 Auditor Reporting issued by the National Audit Office. Our report on the London Borough of Enfield's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of the London Borough of Enfield for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (24 October 2017) and the date of this report.

David Eagles
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

1 December 2017