

**PENSION FUND**

## Pension Fund Account for the year ended 31 March 2015

<b>Restated 2013/14 £000</b>		<b>Note</b>	<b>2014/15 £000</b>
<b>Contributions and benefits</b>			
45,007	Contributions	7	35,704
2,258	Transfers in from other pension funds	8	1,573
<b>47,265</b>			<b>37,277</b>
(32,387)	Benefits	9	(33,499)
(1,129)	Payments to and on account of leavers	10	(1,506)
(2,985)	Management expenses*	11	(3,334)
<b>(36,501)</b>			<b>(38,339)</b>
<b>10,764</b>	<b>Net (withdrawals) / additions from dealings with members</b>		<b>(1,062)</b>
<b>Returns on investments</b>			
9,279	Investment income	13	6,651
25,401	Profit and losses on disposal of investments and changes in the market value of investments*	15	63,061
<b>34,680</b>	<b>Net returns on investments</b>		<b>69,712</b>
<b>45,444</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>68,650</b>
460,575	Net assets of the Fund at start of year		506,019
<b>506,019</b>	<b>Net assets of the Fund at end of year</b>		<b>574,669</b>

**Net Asset Statement as at 31 March**

<b>2014 £000</b>		<b>Note</b>	<b>2015 £000</b>
501,812	Investment Assets	15	567,992
(1,036)	Investment Liabilities	15	(903)
7,854	Current Assets	21	8,339
(2,611)	Current Liabilities	22	(759)
<b>506,019</b>	<b>Net assets of the Fund available to fund benefits at end of the year</b>		<b>574,669</b>

\*2013/14 figures have been restated to reflect the treatment of management and investment expenses as per CIPFA LGPS management costs guidance

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 20 of these accounts.

## Notes to the Pension Fund

### 1 Description of the Fund

The Havering Pension Fund is part of the Local Government Pension Scheme and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Group Director Communities and Resources.

The following description of the scheme is a summary only. For more details on the operation of the Pension Fund, reference should be made to the Havering Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The Pension Fund is a contributory defined benefits scheme which provides benefits for employees (excluding teachers) which include retirement pensions, spouse, civil partners and children's pensions, death grants and other lump sum payments.

A new LGPS came into force from 1 April 2014 which will see retirement benefits based on a Career Average Revalued Earnings (CARE) scheme. Members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is uprated annually in line with Consumer Price Index.

The Fund is financed by contributions from employees, employers and from profits, interest and dividends on its investments. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2015. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2013. Employer contribution rates range from 17.3% to 28.7% of pensionable pay.

#### Employers in the Fund

Organisations participating in the 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.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non community schools.

There are 35 employer organisations within the Havering Pension Fund including the Authority. During 2014/15 four primary schools converted to Academies and a new College became new employers to the Fund.

In addition to the London Borough of Havering, the other employers in the Pension Fund are as follows:

#### Scheduled Bodies:

Havering College of Further Education

Havering Sixth Form College

*NEW:* ELUTECH College of Design and Engineering (joined 1 September 2014)

**Secondary Schools:**

Drapers' Academy (Academy from 1 September 2010)  
 Abbs Cross academy and Arts College (Academy from 1 April 2011)  
 The Brittons Academy Trust (Academy from 1 April 2011)  
 Coopers' Company & Coborn School (Academy from 1 April 11)  
 The Albany School (Academy from 1 August 2011)  
 The Champion School (Academy from 1 August 2011)  
 Hall Mead School (Academy from 1 August 2011)  
 Sacred Heart of Mary Girl's School (Academy from 1 August 2011)  
 St Edwards Church of England School & Sixth Form (Academy from 1 August 2011)  
 Emerson Park Academy (Academy from 1 September 2011)  
 Redden Court School (Academy from 1 September 2011)  
 The Frances Bardsley Academy for Girls (Academy from 1 July 2012)  
 Bower Park Academy (Academy from 1 February 2013)  
 The Chafford School (Academy from 1 November 2013)

**Primary School:**

Upminster Junior Academy (Academy from 1 November 2012)  
 Upminster Infant School (Academy from 1 November 2012)  
 Langtons Junior Academy (Academy from 1 April 2013)  
 Oasis Academy Pinewood (Academy from 1 October 2013)  
 NEW – Drapers' Brookside Junior School (Academy from 1 June 2014)  
 NEW - Rise Park Infant School (Academy from 1 September 2014)  
 NEW – Rise Park Junior School (Academy from 1 September 2014)  
 NEW – Pyrgo Priory Primary School (Academy from 1 February 2015)

**Admitted Bodies:**

Havering Citizens' Advice Bureau  
 Mears (ceased 1 Sept 2014)  
 Sports and Leisure Management Ltd – Fitness and Health  
 Sports and Leisure Management Ltd – Charitable Trust  
 Sports and Leisure Management Ltd – Food & Beverage  
 KGB Cleaners  
 Volker (ceased 31 March 2014)  
 Family Mosaic (joined 1 November 2012)  
 Sodexo Catering (joined 1 January 2014 – pending legal agreement)  
 Breyer Group Repairs (joined 1 March 2014 - pending legal agreement)  
 Breyer Group Voids (joined 1 June 2014 – pending legal agreement)

**The Havering Pension Fund also has the following bodies:**

**Designated Bodies:**

***Trust Schools***

Corbets Tey Special School

***Foundation Schools:***

Marshall Park School (Foundation from 1 September 2011)  
 The Royal Liberty School  
 Sanders School  
 The Mawney School

***Voluntary Aided Schools:***

St Alban's Catholic Primary  
 St Edwards Church of England Voluntary Aided Primary School

St Joseph's Catholic Primary School  
 St Mary's Catholic Primary School  
 St Patrick's Catholic Primary School  
 St Peter's Catholic Primary School  
 St Ursula's Catholic Junior School  
 St Ursula's Catholic Infant School  
 La Salette Catholic Primary School

## Membership

The membership of the Pension Fund is as follows:

31 March 2014		31 March 2015
	<b>Number of employees in scheme</b>	
4,756	Havering	4,897
1,301	Scheduled bodies	1,468
149	Admitted bodies	119
<b>6,206</b>	<b>Total</b>	<b>6,484</b>
	<b>Number of pensioners and dependants</b>	
5,347	Havering	5,432
237	Scheduled bodies	280
57	Admitted bodies	67
<b>5,641</b>	<b>Total</b>	<b>5,779</b>
	<b>Deferred pensioners</b>	
4272	Havering	4,465
557	Scheduled bodies	700
45	Admitted bodies	59
<b>4,874</b>	<b>Total</b>	<b>5,224</b>
<b>16,721</b>		<b>17,487</b>

## 2 Basis of Preparation

The Financial Statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

### 3 Summary of Significant Accounting Policies

#### Fund Account - Income

##### (a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. This is then broken down to show the amount allocated for the deficit funding (past service costs).

Pension strain contributions (augmentation) are accounted for in the period in which the liability arises.

##### (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 (see notes 8 and 10)

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

##### (c) Investment Income

###### *i) Interest Income*

Interest income is recognised in the Fund as it accrues.

###### *ii) Dividend Income*

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an Investment asset.

###### *iii) Distribution from Pooled Funds*

Distributions from pooled funds are recognised at the date of issue.

###### *iv) Property- Related Income*

Property related income consists primarily of rental income and is recognised at the date of issue.

###### *v) Movement in the Net Market Value of Investments*

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

#### Fund Account – Expense Items

##### (d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts unpaid are disclosed in the net assets statement as current liabilities.

##### (e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from

capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

**(f) Management Expenses**

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

**Administrative Expenses**

All administrative expenses are accounted for on an accruals basis. The majority of staff costs of the Pensions Administration team have been charged to the scheme. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

**Oversight and Governance Costs**

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight is charged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

For officers' time spent on investment management functions a proportion of the relevant officers' salary costs have also been charged to the Fund.

**Investment Management Expenses**

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

**Net Assets Statement**

**(g) Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

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

**(i) Market-Quoted Investments**

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

**(ii) Fixed Interest Securities**

Fixed interest securities are recorded at net market value based on their current yields.

**(iii) Unquoted Investments**

The fair value of investments for which market quotations are not readily available is determined as follows:

Investments in private equity funds are valued on the Fund's share of the net assets in the private equity fund.

**(iv) Pooled Investment Vehicles**

Pooled investment vehicles are valued at the closing bid price if both the bid and offer prices are published; or if single priced, at the closing single price.

**(h) 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 held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

**(i) Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

**(j) Cash and Cash Equivalents**

Cash comprises cash in hand.

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.

**(k) Financial Liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

**(l) Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

**(m) Additional Voluntary Contributions**

AVC's are not included in the accounts in accordance with section 492 (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23)

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

**Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the majority of admitted and scheduled bodies in the Fund in the intervening years. The methodology used in the annual updates is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

**5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the net asset statement at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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 judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: <ul style="list-style-type: none"> <li>• 0.5% decrease in the real discount rate could result in an increase of 9%</li> <li>• 1 year increase in member life expectancy could result in an increase of 3%</li> <li>• 0.5% increase in salary increase rate could result in an increase of 3%</li> <li>• 0.5% increase in the pension increase rate could result in an increase of 7%</li> </ul>

**6. Events after the Reporting Date**

None



## 7. Contributions Receivable

2013/14 £000		2014/15 £000
	<b>Employers</b>	
	<b>Normal:</b>	
11,941	Havering	12,470
3,672	Scheduled Bodies	5,127
681	Admitted Bodies	576
	<b>Deficit funding:</b>	
21,590	Havering	*10,056
	<b>Augmentation:</b>	
493	Havering	288
77	Scheduled Bodies	248
20	Admitted Bodies	-
<b>38,474</b>	<b>Employer Total</b>	<b>28,765</b>
	<b>Members</b>	
	<b>Normal:</b>	
5,154	Havering	5,401
1,113	Scheduled bodies	1,323
190	Admitted bodies	152
	<b>Additional contributions:</b>	
66	Havering	53
9	Scheduled bodies	9
1	Admitted bodies	1
<b>6,533</b>	<b>Members Total</b>	<b>6,939</b>
<b>45,007</b>		<b>35,704</b>

\*The £10.06m deficit funding reflects additional contributions made by the Authority to the Pension Fund. It consists of £5.9m past service contribution as a cash amount and £4.16m planned contributions.

## 8. Transfers in from Other Pension Funds

2013/14 £000		2014/15 £000
<b>2,258</b>	Individual transfers in from other schemes	<b>1,573</b>

## 9. Benefits Payable

2013/14 £000		2014/15 £000
	<b>Pensions</b>	
24,975	Havering	26,137
664	Scheduled Bodies	782
431	Admitted Bodies	482
<b>26,070</b>	<b>Pension Total</b>	<b>27,401</b>
	<b>Commutation and Lump Sum Retirements</b>	
5,060	Havering	4,997
472	Scheduled Bodies	471
343	Admitted Bodies	208
<b>5,875</b>	<b>Commutation Total</b>	<b>5,676</b>
	<b>Lump Sum Death Benefits</b>	
380	Havering	410
42	Scheduled Bodies	85
20	Admitted Bodies	(73)
<b>442</b>	<b>Death Benefits Total</b>	<b>422</b>
<b>32,387</b>		<b>33,499</b>

## 10. Payments To and On Account of Leavers

2013/14 £000		2014/15 £000
2	Refunds to members leaving service	68
1,127	Individual transfers to other schemes	1,438
<b>1,129</b>		<b>1,506</b>

At the year end there are potential liabilities of a further £0.7m in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions.

## 11. Management Expenses

*2013/14 £000		2014/15 £000
710	Administrative Costs	450
1,976	Investment Management Expenses**	2,618
299	Oversight and Governance Costs	253
-	Local Pension Board	13
<b>2,985</b>		<b>3,334</b>

This analysis of the costs of managing the Havering Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The Investment Management Expenses (see note 12) also includes £797k in respect of transaction costs (2013/14 £719k)

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note15).

\*\*2013/14 figures for Management and Investment Expenses have also been restated to reflect the CIPFA guidance.

## 12. Investment Management Expenses

<b>**2013/14 £000</b>		<b>2014/15 £000</b>
1,918	Management Fees	2,571
45	Custody Fees	34
13	Performance Monitoring Service	13
<b>1,976</b>		<b>2,618</b>

\*\*2013/14 figures for Management and Investment Expenses have been restated to reflect the CIPFA LGPS Management Costs guidance.

The management fees disclosed above include all investment management fees incurred by the Fund including those charged on pooled fund investments.

## 13. Investment Income

<b>2013/14 £000</b>		<b>2014/15 £000</b>
2,994	Equity Dividend	754
*3,844	Fixed Interest Securities	*3,918
1,291	Pooled Property Income	1,196
950	Foreign Exchange Gains	404
86	Interest on Cash and Deposits	47
114	Other Income	332
<b>9,279</b>		<b>6,651</b>

\* Income includes Index linked Interest of £432k (\*\*2013/14 £464k)

## 14. Taxes on Income

None

## 15. Analysis of Investments

2013/14 £000		2014/15 £000
	<b>Investment Assets</b>	
	<b>Equities</b>	
6,707	UK Quoted	3,906
18,013	Overseas Quoted	20,485
<b>24,720</b>		<b>24,391</b>
	<b>Fixed Interest Securities</b>	
12,535	UK Public Sector	13,913
55,547	UK Private (Corporate)	68,003
-	Overseas Public Sector	-
<b>68,082</b>		<b>81,916</b>
	<b>Index-Linked Securities</b>	
41,558	UK Public Sector	49,766
642	UK Private (Corporate)	731
11,444	Overseas Public Sector	13,094
<b>53,644</b>		<b>63,591</b>
	<b>Derivative Contracts</b>	
183	Forward Currency Contracts	21
<b>183</b>		<b>21</b>
	<b>Pooled Investment Vehicles</b>	
	<b>UK Managed Funds</b>	
322,366	UK Quoted	360,314
16	UK Unquoted	19
696	Overseas	318
1,554	Property	550
	<b>UK Unit Trust</b>	
22,888	UK Property	26,341
<b>347,520</b>		<b>387,542</b>
	<b>Cash Instruments</b>	
-	UK	-
<b>-</b>		<b>-</b>
	<b>Cash Deposits</b>	
5,951	Managers	9,044
<b>5,951</b>		<b>9,044</b>
344	Outstanding Sales	-
1,178	Investment Income	1,236
190	Outstanding Dividend and Recoverable Withholding Tax	258
-	Investment Income due	-
<b>1,712</b>		<b>1,494</b>
<b>501,812</b>	<b>Total Investment Assets</b>	<b>567,999</b>

LONDON BOROUGH OF HAVERING STATEMENT OF ACCOUNTS 2014/15

2013/14 £000		2014/15 £000
	<b>Investment Liabilities</b>	
(74)	<b>Derivative Contracts</b>	
	Forward FX Contracts	(550)
(960)	Outstanding Purchases	(355)
(2)	Investment Income Due	(5)
<b>(1,036)</b>	<b>Total Investment Liabilities</b>	<b>(910)</b>
<b>500,776</b>	<b>Total Net Investments</b>	<b>567,089</b>

	Market Value at 31 March 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Cash & Other Movements	Market Value at 31 March 2015
	£000	£000	£000	£000	£000	£000
Equities	24,720	8,136	(11,533)	3,068	-	24,391
Fixed Interest Securities	68,082	30,756	(26,439)	9,517	-	81,916
Index-linked Securities	53,644	185,632	(186,914)	11,229	-	63,591
Pooled Investment Vehicles	347,520	204,674	(204,540)	39,888	-	387,542
Derivatives	109	260,038	(260,038)	(638)	-	(529)
Cash Deposits (fund managers)	5,951	-	-	(1)	3,094	9,044
	<b>500,026</b>	<b>689,236</b>	<b>(689,464)</b>	<b>63,063</b>	<b>3,094</b>	<b>565,955</b>
Other Investment Balances	750	-	-	(2)	386	1,134
	<b>500,776</b>	<b>689,236</b>	<b>(689,464)</b>	<b>63,061</b>	<b>3,480</b>	<b>567,089</b>

	Market Value at 31 March 2013	Purchases during the year and derivative payments	*Sales during the year and derivative receipts	*Change in Market Value during the year	Cash & Other Movements	Market Value at 31 March 2014
	£000	£000	£000	£000	£000	£000
Equities	107,401	29,913	(122,847)	10,253	-	24,720
Fixed Interest Securities	65,506	58,535	(54,397)	(1,562)	-	68,082
Index-linked Securities	53,541	160,203	(157,261)	(2,839)	-	53,644
Pooled Investment Vehicles	222,996	169,946	(5,979)	19,057	(58,500)	347,520
Derivatives	(387)	238,342	(238,342)	496	-	109
Cash instruments	1,055	10,052	(11,107)	-	-	-
Cash Deposits (fund managers)	5,719	-	-	-	232	5,951
	<b>455,831</b>	<b>666,991</b>	<b>(589,933)</b>	<b>25,405</b>	<b>(58,268)</b>	<b>500,026</b>
Other Investment Balances	1,502	-	-	(4)	(748)	750
	<b>457,333</b>	<b>666,991</b>	<b>(589,933)</b>	<b>25,401</b>	<b>(59,016)</b>	<b>500,776</b>

\* Sales and Change in Market Values during the year ending 31 March 2014 has been restated to reflect treatment of management fees as per the CIPFA Guidance.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The cash and other movements include assets that were transferred between fund managers as part of the investment restructuring.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £797k, including transition costs (2013/14 £719k restated). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

### Analysis of derivatives

#### Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

#### Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Ruffer. A breakdown of forward contracts held by the Fund as at 31 March 2015 is given below.

#### Open forward currency contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value (Unrealised Gain) £000	Liability Value (Unrealised Loss) £000
Up to one month	JPY	344,552	GBP	1,933	3	-
Up to one month	JPY	454,717	GBP	2,564	-	(9)
Up to one month	JPY	555,241	GBP	3,144	-	(24)
Up to one month	GBP	8,471	JPY	1,518,696	-	(62)
Up to one month	GBP	1,581	JPY	287,835	-	(37)
Up to two months	GBP	14,816	USD	22,578	-	(398)
Up to two months	GBP	327	USD	504	-	(12)
Up to three months	GBP	1,763	EUR	2,441	-	(5)
Up to three months	GBP	1,038	EUR	1,408	18	-
Up to three months	GBP	640	USD	952	-	(1)
Up to three months	GBP	485	USD	722	-	(2)
<b>Gross open forward currency contracts at 31 March 2015</b>					<b>21</b>	<b>(550)</b>
<b>Net forward currency contracts at 31 March 2015</b>					<b>-</b>	<b>(529)</b>
<b>Prior year comparative</b>						
<b>Gross open forward currency contracts at 31 March 2014</b>					<b>183</b>	<b>(74)</b>
<b>Net forward currency contracts at 31 March 2014</b>					<b>109</b>	<b>-</b>

LONDON BOROUGH OF HAVERING STATEMENT OF ACCOUNTS 2014/15

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2015 were as follows:

Value 31 March 2014		Manager	Mandate	Value 31 March 2015	
£000	%			£000	%
99,454	19.86	Royal London	Investment Grade Bonds	119,855	21.13
23,166	4.63	UBS	Property	26,671	4.70
64,853	12.95	Ruffer	Absolute Return	72,851	12.85
46,634	9.31	State Street Global Assets	Passive UK/Global Equities	55,502	9.79
11,547	2.31	State Street Global Assets	Sterling Liquidity Fund	11,682	2.06
85,594	17.09	Baillie Gifford	Pooled Global Equities	101,846	17.96
97,978	19.57	Barings DAAF	Multi Asset	17	-
71,029	14.18	Baillie Gifford DGF	Multi Asset	76,732	13.53
-	-	GMO	Multi Asset	101,882	17.97
521	0.10	Other		51	0.01
<b>500,776</b>	<b>100.00</b>	<b>Total Fund</b>		<b>567,089</b>	<b>100.00</b>

The following investments represent more than 5% of the net assets of the Fund

Market Value 31 March 2014	% of total fund	Security	Market Value 31 March 2015	% of total fund
£000			£000	
97,978	19.36	Barings Dynamic Asset Allocation Fund	-	-
-	-	GMO	101,882	17.73
85,594	16.92	Baillie Gifford Global Alpha Pension Fund	101,846	17.72
71,029	14.04	Baillie Gifford Diversified Growth Fund	76,732	13.35
46,634	9.22	SSGA MPF All World Equity Index	55,502	9.66

## 16. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, State Street Global Assets, who carry out stock lending as part of the Fund's activities. It is not possible to allocate a share of the stock lending activity to individual fund members. The lending programme is managed by State Street Securities Finance (SSSF), a division of State Street's Global Markets area. At present, lending is collateralised by non-cash collateral and marked to market on a daily basis. Revenue generated from securities is allocated 60% to the pooled fund in respect of investors and 40% to State Street, which pays all costs associated with the lending programme.

## 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 (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2014				31 March 2015		
Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost		Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			<b>Financial Assets</b>			
24,720	-	-	Equities	24,391	-	-
68,082	-	-	Fixed Interest Securities	81,916	-	-
53,644	-	-	Index linked securities	63,591	-	-
183	-	-	Derivative contracts	14	-	-
324,632	-	-	Pooled investment Vehicles	361,201	-	-
22,888	-	-	Property	26,341	-	-
-	5,951	-	Cash	-	9,044	-
-	9,566	-	Debtors	-	9,525	-
<b>494,149</b>	<b>15,517</b>	-	<b>Financial Assets Total</b>	<b>557,454</b>	<b>18,569</b>	-
			<b>Financial Liabilities</b>			
(74)	-	-	Derivative contracts	(543)	-	-
-	-	(3,573)	Creditors	-	-	(811)
(74)	-	(3,573)	<b>Financial Liabilities Total</b>	(543)	-	(811)
<b>494,075</b>	<b>15,517</b>	<b>(3,573)</b>	<b>Grand total</b>	<b>556,911</b>	<b>18,569</b>	<b>(811)</b>

## (b) Net gains and losses on financial instruments

2013/14 £000		2014/15 £000
	<b>Financial assets</b>	
24,427	Fair value through fund account	63,061
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
	<b>Financial liabilities</b>	
-	Fair value through fund account	-
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
<b>24,427</b>	<b>Total</b>	<b>63,061</b>



**(c) Fair Value of financial instruments carried out at fair value**

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values

2013/14			2014/15	
Carrying Value	Fair Value		Carrying Value	Fair Value
£000	£000		£000	£000
494,149	494,149	<b>Financial assets</b>		
15,517	15,517	Fair value through fund account	557,454	557,472
		Loans and receivables	18,569	18,551
<b>509,666</b>	<b>509,666</b>	<b>Total financial assets</b>	<b>576,023</b>	<b>576,023</b>
		<b>Financial liabilities</b>		
(74)	(74)	Fair value through fund account	(543)	(543)
(3,573)	(3,573)	Financial liabilities at amortised cost	(811)	(811)
<b>(3,647)</b>	<b>(3,647)</b>	<b>Total financial liabilities</b>	<b>(1,354)</b>	<b>(1,354)</b>

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments

**(d) Valuations of financial instruments carried out 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 would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following tables 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 fair value is observable.

Values at 31 March 2015	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	531,112	19	26,341	557,472
Loans and receivables	18,551	-	-	18,551
<b>Total Financial Assets</b>	<b>549,663</b>	<b>19</b>	<b>26,341</b>	<b>576,023</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	(543)	-	-	(543)
Financial liabilities at amortised cost	(811)	-	-	(811)
<b>Total Financial Liabilities</b>	<b>(1,354)</b>	<b>-</b>	<b>-</b>	<b>(1,354)</b>
<b>Net Financial Assets</b>	<b>548,309</b>	<b>19</b>	<b>26,341</b>	<b>574,669</b>

Values at 31 March 2014	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	471,245	16	22,888	494,149
Loans and receivables	15,517	-	-	15,517
<b>Total financial Assets</b>	<b>486,762</b>	<b>16</b>	<b>22,888</b>	<b>509,666</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	(74)	-	-	(74)
Financial liabilities at amortised cost	(3,573)	-	-	(3,573)
<b>Total Financial Liabilities</b>	<b>(3,647)</b>	<b>-</b>	<b>-</b>	<b>(3,647)</b>
<b>Net Financial Assets</b>	<b>483,115</b>	<b>16</b>	<b>22,888</b>	<b>506,019</b>

## 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 fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole

Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

**(a) Market Risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the administering authority and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

**Other Price Risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held for the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

**Other Price Risk – Sensitivity Analysis**

Following analysis of historical data and expected investment return movements during the financial year, in consultation with the Fund's performance monitoring service, it has been determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

<b>Asset Type</b>	<b>31 March 2015 Potential market movements (+/-)</b>	<b>31 March 2014 Potential market movements (+/-)</b>
UK Equities	-	8.91%
Global Pooled inc. UK	9.04%	11.31%
Fixed Interest Bonds	7.74%	6.74%
Index Linked Bonds	11.26%	10.49%
Property	4.86%	4.17%
Cash	0.01%	0.02%

The potential price changes disclosed above 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 on the Funds asset allocations. The potential volatilities are consistent with a one-standard deviation movement in the value of assets over the last three years. This can be applied to the period end asset mix.

If the market price of the Fund's investments had increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

<b>Asset Type</b>	<b>Value as at 31 March 2015 £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
UK Equities	-	-	-	-
Global Pooled inc.UK	385,592	9.04	420,450	350,734
Fixed Interest Bonds	81,916	7.74	88,256	75,576
Index linked Bonds	63,591	11.26	70,751	56,431
Property	26,341	4.86	27,621	25,061
Cash	9,044	0.01	9,045	9,043
<b>Total</b>	<b>566,484</b>		<b>616,123</b>	<b>516,845</b>

<b>Asset Type</b>	<b>Value as at 31 March 2014 £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
UK Equities	6,707	8.91	7,305	6,109
Global Pooled inc.UK	342,645	11.31	381,398	303,892
Fixed Interest Bonds	68,082	6.74	72,671	63,493
Index linked Bonds	53,644	10.49	59,271	48,017
Property	22,888	4.17	23,842	21,934
Cash	5,951	0.02	5,952	5,950
<b>Total</b>	<b>499,917</b>		<b>550,439</b>	<b>449,395</b>

### Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out in the following table. These disclosures present interest rate risk based on the underlying financial assets at fair value.

<b>Asset Type</b>	<b>As at 31 March 2015 £000</b>	<b>As at 31 March 2014 £000</b>
Bond Securities	145,507	121,726
Cash and Cash Equivalents	9,044	5,951
Cash Balances	-	-
<b>Total</b>	<b>154,551</b>	<b>127,677</b>

**Interest Rate Risk Sensitivity Analysis**

The Pension Fund 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.

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates

Asset Type	Value as at 31 March 2015 £000	Change in year in the net assets available to pay benefits	
		+100BPS £000	-100BPS £000
Bond Securities	145,507	1,465	(1,465)
Cash and Cash Equivalents	9,044	90	(90)
<b>Total Change in Asset Value</b>	<b>154,551</b>	<b>1,555</b>	<b>(1,555)</b>

**Currency Risk**

Currency risk represents the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund, i.e. pounds sterling.

The table below summarises the Fund's currency exposure by asset type

Currency Exposure by Asset Type	Value as at 31 March 2015 £000	Value as at 31 March 2014 £000
Overseas Equities	20,485	18,013
Overseas Pooled	2,249	2,971
Overseas Index Linked Bonds	13,094	11,444
Overseas Cash	140	113
<b>Total Overseas Assets</b>	<b>35,968</b>	<b>32,541</b>

**Currency Risk – Sensitivity Analysis**

Following analysis of historical data in consultation with the Fund's performance measurement service it has been determined that a likely volatility associated with foreign exchange rate movements is 7.37% over a rolling 36 month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.37% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Currency Exposure by Asset Type	Value as at 31 March 2015  £000	Change to net assets available to pay benefits	
		+7.37% £000	-7.37% £000
Overseas Equities	20,485	21,995	18,975
Overseas Pooled	2,249	2,415	2,083
Overseas Index Linked Bonds	13,094	14,059	12,129
Overseas Cash	140	150	130
<b>Total</b>	<b>35,968</b>	<b>38,619</b>	<b>33,317</b>

Currency Exposure by Asset Type	Value as at 31 March 2014  £000	Change to net assets available to pay benefits	
		+7.36% £000	-7.36% £000
Overseas Equities	18,013	19,339	16,687
Overseas Pooled	2,971	3,190	2,752
Overseas Index Linked Bonds	11,444	12,286	10,602
Overseas Cash	113	121	105
<b>Total</b>	<b>32,541</b>	<b>34,936</b>	<b>30,146</b>

**(b) Credit Risk**

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

**(c) Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Administering Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Pension Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.

## 19. Funding Arrangements

### London Borough of Havering (“the Fund”)

#### Actuarial Statement for 2014/15

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

#### Description of Funding Policy

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (N.B. this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 60% chance that the Fund will return to full funding over 20 years.

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

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund’s assets, which at 31 March 2013 were valued at £461 million, were sufficient to meet 61% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £292 million.

Individual employers’ contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund’s funding policy as set out in its FSS.

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

Full details of the methods and assumptions used are described in the 2013 valuation report published 31 March 2014.

**Method**

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

**Assumptions**

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

The key financial assumptions adopted for the 2013 valuation were as follows:

Assumptions	31 March 2013	
	Nominal	Real
Discount Rate for Period	4.8%	2.3%
Pay increases *	3.3%	0.8%
Price inflation/Pension increases	2.5%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.1 years
Future Pensioners	24.2 years	26.7 years

\* Currently aged 45

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from the London Borough of Havering, Adminstrating Authority to the Fund.

**Experience over the period since April 2013**

Experience has been mixed over the two years to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have increased marginally over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Employers' contribution rates for the Authority, in line with the actuary's recommendation are as shown below:



	<b>Future Service</b>	<b>Past Service</b>	<b>Total Pensionable Pay</b>
	<b>%</b>	<b>%</b>	<b>%</b>
April 14 to March 15	15.6	6.4	22.0
April 15 to March 16	15.6	6.4	22.0
April 16 to March 17	15.6	6.4	22.0

The employer contributions for the other employers in the Fund range from 17.3% to 28.7% of pensionable pay.

## 20. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis, every year using the same base data as the Funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19).

### Balance Sheet

<b>Year Ended</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£m</b>	<b>£m</b>
Present Value of Promised Retirement Benefits	1,019	898

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. It is estimated that this liability at 31 March 2015 comprises £460m in respect of employee members, £164m in respect of deferred pensioners and £395m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the actuary is satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. It is estimated that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £92m.

### Financial assumptions

The actuary's recommended financial assumptions are summarised below:

Year Ended	31 March 2015	31 March 2014
	% p.a.	% p.a.
Inflation/Pensions Increase Rate	2.10	2.60
Salary Increase Rate	3.00	3.40
Discount Rate	3.10	4.10

### Longevity assumption

As discussed in Note 19, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.1 years
Future Pensioners	24.2 years	26.7 years

\*Future pensioners are assumed to be currently aged 45

Please note the longevity assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

### Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

### Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 24 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

## 21. Current Assets

2013/14 £000		2014/15 £000
	<b>Debtors:</b>	
8	Pension Grants	8
-	Other Local Authorities	7
184	Contributions due from employers	345
71	Contributions due from members	71
-	Pension Fund Bank Account Balances	2,608
-	Debtors Refund	2
7,591	Cash deposit with LB Havering	5,298
<b>7,854</b>	<b>Current Assets</b>	<b>8,339</b>

2013/14 £000	Analysis of Debtors	2014/15 £000
8	NHS Bodies	8
-	Other local authorities	7
184	Public corporation and trading funds	345
71	Other entities and individuals	73
<b>263</b>	<b>Total Debtors</b>	<b>433</b>

## 22. Current Liabilities

2013/14 £000		2014/15 £000
	<b>Creditors:</b>	
(439)	Unpaid Benefits	(188)
(241)	Accrued Expenses	(263)
(1,931)	Pension Fund Bank Account Balance	-
-	Income Tax Recoveries	(305)
-	Holding Accounts	(3)
<b>(2,611)</b>		<b>(759)</b>

2013/14 £000	Analysis of Creditors	2014/15 £000
(680)	Other entities and individuals	(759)
<b>(680)</b>	<b>Total</b>	<b>(759)</b>

**23. Additional Voluntary Contributions**

<b>Market Value 2013/14</b>	<b>AVC Provider</b>	<b>Market Value 2014/15</b>
<b>£000</b>		<b>£000</b>
717	Prudential	803
145	Standard Life	160

Some employees made additional voluntary contributions (AVC's) of £62,496 (2013/14 £62,167) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2014/15 were £47,380 (2013/14 £48,592) to the Prudential and £15,116 (2013/14 £13,575) to Standard Life.

**24. Related Party Transactions**

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Havering Pension Fund is administered by Havering Council and consequently there is a strong relationship between the Authority and the Pension Fund. In 2014/15, £0.411m was paid to the Authority for the cost of administering the Fund (£0.693m in 2013/14).

The Authority is also the largest employer in the Fund and in 2014/15 contributed £22.526m (£33.500m in 2013/14) to the Pension Fund in respect of employer's contributions.

Several employees of Havering Council hold key positions in the financial management of the Fund. As at 31 March 2015 these included the Group Director of Communities and Resources, Head of Finance and Procurement, Corporate Finance Manager and the Pension Fund Accountant. All of these managers are members of the Pension Fund. In 2014/15 the Pension Fund contributed £0.143m for the cost of the financial management of the Fund (£0.143m 2013/14).

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of Havering Council, through a service level agreement. As at 31 March 2015 cash holdings totalled £7.6m (2013/14 £5.7m), earning interest over the year of £47k (2013/14 £41k).

**Governance**

Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Group Director of Communities and Resources.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

**25. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) as at 31 March 2015 totalled £186k (2013/14 £186k). This relates to an outstanding commitment due on an unquoted private equity fund.

**26. Contingent Assets**

Five admitted bodies in the Havering Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds total £4.2m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Two new admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.5m.

**27. Impairment Losses**

There were no material impairment losses for bad and doubtful debts as at 31 March 2015.