PENSION FUND

Pension Fund Account for the year ended 31March 2017

2015/16 £000		Notes	2016/17 £000
	Dealings with members, employers and others directly involved in the fund		
41,065	Contributions	7	39,293
1,390	Transfers in from other pension funds	8	1,623
42,455			40,916
(34,973)	Benefits	9	(36,409)
(1,982)	Payments to and on account of leavers	10	(3,856)
(36,955)			(40,265)
5,500	**Net additions (withdrawals) from dealings with members**		**651**
(3,663)	Management expenses	11	(3,925)
1,837	Net additions/(withdrawals) including fund management expenses		**(3,274)**
	Returns on investments		
4,796	Investment income	12	6,480
(25)	Taxes on Income	13	(22)
(8,336)	Profit and losses on disposal of investments and changes in the market value of investments	14a	95,254
(3,565)	**Net returns on investments**		**101,712**
(1,728)	**Net increase (decrease) in the net assets available for benefits during the year**		**98,438**
574,669	Opening net assets of the Fund at start of year		572,941
572,941	**Closing net assets of the Fund at end of year**		**671,379**

Net Asset Statement for the year ended 31 March 2017

2015/16 £000		Notes	2016/17 £000
562,102	Investment Assets	14	658,621
(1,387)	Investment Liabilities	14	(113)
560,715	**Total net investments**		**658,508**
13,707	Current Assets	21	13,136
(1,481)	Current Liabilities	22	(265)
572,941	**Net assets of the Fund available to fund benefits at end of the reporting period**		**671,379**

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 19 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 Deputy Chief Executive Communities and Resources for the months of April to November 2016 and to the Statutory Section 151 officer from November 2016 to March 2017.

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 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local government Pension Scheme Regulations 2013 (as amended),
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Pension Fund is a contributory defined benefits scheme which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee, which is a committee of the Havering Council.

b) Membership

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

Organisations participating in the 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.

During 2016/17 six new employers joined the fund and one ceased.

There are 39 employer organisations with active members within the Havering Pension Fund including the

Authority. The membership profile is detailed below.

31 March 2016		31 March 2017
35	**Number of employers with active members**	**39**
	Number of employees in scheme	
4,845	Havering	4,521
1,570	Scheduled bodies	1,596
111	Admitted bodies	100
6,526	**Total**	**6,217**
	Number of pensioners and dependants	
5,486	Havering	5,659
320	Scheduled bodies	403
78	Admitted bodies	39
5,884	**Total**	**6,101**
	Deferred pensioners	
4,796	Havering	5,129
846	Scheduled bodies	1,005
67	Admitted bodies	62
5,709	**Total**	**6,196**
18,119	**Total number of members in pension scheme**	**18,514**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2017. Employer contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Current employer contribution rates range from 20.2% to 37.9% of pensionable pay. The 2016 valuation has been completed but does not impact the 2016/17 accounts.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum is paid for each £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the pension website www.yourpension.org.uk.

2 Basis of Preparation

The Statement of Accounts summarises 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 *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 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 – revenue recognition

(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.

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.

(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 2013 (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.

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

(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 a current financial asset.

iii) Distribution from Pooled Funds

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

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 Expenses (2016).*

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. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy and charged as expenses to the Fund.

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 and charged as expenses 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.

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

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 at fair value in accordance with the requirements of the code and IFRS13 (see Note 16). For the purposes of disclosing levels of fir value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).*

(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 and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of 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.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

(m) Additional Voluntary Contributions

The Havering Pension Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

(n) Contingent assets and contingent liabilities

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

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

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 admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short term yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net asset statement at 31 March 2017 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	Approximate monetary amount (£m)
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, 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: • 0.5% decrease in the real discount rate could result in an increase of 9% • 0.5% increase in salary increase rate could result in an increase of 1% • 0.5% increase in the pension increase rate could result in an increase of 8%	93 12 80

6. Events after the Reporting Date

Ending of the UK's Membership of the European Union

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event.

7. Contributions Receivable

By category

2015/16 £000		2016/17 £000
	Employees' contributions	
	Normal:	
5,450	Havering	5,325
1,388	Scheduled Bodies	1,425
127	Admitted Bodies	117
	Additional contributions:	
28	Havering	24
25	Scheduled bodies	19
1	Admitted bodies	-
7,019	**Total Employees' Contribution**	**6,910**
	Employers' contributions	
	Normal:	
12,681	Havering	10,840
5,412	Scheduled bodies	5,675
440	Admitted bodies	334
	Deficit funding:	
15,117	Havering	*14,157
	Augmentation	
326	Havering	1,130
29	Scheduled bodies	247
41	Admitted bodies	-
34,046	**Total Employers' Contributions**	**32,383**
41,065	**Total Contributions Receivable**	**39,293**

*The £14.15m deficit funding reflects additional contributions made by the Authority to the Pension Fund. It consists of £8.15m secondary contributions and £6m in voluntary planned contributions.

By authority

2015/16 £000		2016/17 £000
33,602	Havering	31,476
6,854	Scheduled bodies	7,366
609	Admitted Bodies	451
41,065	**Total Contributions Receivable**	**39,293**

8. Transfers in from Other Pension Funds

2015/16 £000		2016/17 £000
1,390	**Individual transfers**	1,623
1,390	**Transfers In from Other Pension Funds**	**1,623**

9. Benefits Payable

By category

2015/16 £000		2016/17 £000
	Pensions	
26,757	Havering	27,487
887	Scheduled Bodies	1,091
546	Admitted Bodies	588
28,190	**Pension Total**	**29,166**
	Commutation and Lump Sum Retirements	
5,151	Havering	5,968
645	Scheduled Bodies	939
375	Admitted Bodies	164
6,171	**Commutation and Lump Sum Retirements Total**	**7,071**
	Lump Sum Death Benefits	
506	Havering	143
106	Scheduled Bodies	29
-	Admitted Bodies	-
612	**Lump Sum Death Benefits Total**	**172**
34,973	**Total Benefits Payable**	**36,409**

By authority

2015/16 £000		2016/17 £000
32,414	Havering	33,598
1,638	Scheduled bodies	2,059
921	Admitted Bodies	752
34,973	**Total Benefits Payable**	**36,409**

10. Payments To and On Account of Leavers

2015/16 £000		2016/17 £000
76	Refunds to members leaving service	81
1,673	Individual transfers	3,775
233	Group Transfers (Elutec)	-
1,982	**Payments to and on Account of Leavers**	**3,856**

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 (See Note 26).

11. Management Expenses

2015/16 £000		2016/17 £000
512	Administrative Costs	562
2,796	Investment Management Expenses	3,003
344	Oversight and Governance Costs	352
11	Local Pension Board	8
3,663	**Management Expenses**	**3,925**

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 above includes £0.084m (2015/16: Zero) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.144m in respect of transaction costs (2015/16: £0.289m).

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 Note14).

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

11a. Investment Management Expenses

2015/16 £000		2016/17 £000
2,454	Management Fees	2,814
13	Performance measurement fees	11
40	Custody fees	34
289	Transaction costs	144
2,796	**Investment Management Expenses**	**3,003**

12. Investment Income

2015/16 £000		2016/17 £000
642	Income from equities	2,444
*3,960	Income from Bonds	*3,572
1,145	Pooled Property Investments	1,387
(1,398)	Foreign Exchange Gains/(losses)	(1,070)
67	Interest on Cash Deposits	95
380	Other Income	52
4,796	**Investment Income**	**6,480**

***** Income includes Index linked Interest of £0.182m (2015/16 £0.199m)

13. Taxes on Income

2015/16 £000		2016/17 £000
(25)	Withholding Tax	(22)
(25)	**Taxes on Income**	**(22)**

14. Analysis of Investments

2015/16 £000		2016/17 £000
	Investment Assets	
	Equities	
1,273	UK Quoted	-
19,114	Overseas Quoted	-
20,387		**-**
	Bonds - Fixed Interest Securities	
11,827	UK Public Sector	11,863
62,191	UK Private (Corporate)	65,845
-	Overseas Public Sector	1,264
74,018		**78,972**
	Bond - Index-Linked Securities	
52,374	UK Public Sector	35,774
722	UK Private (Corporate)	777
13,094	Overseas Public Sector	389
66,190		**36,940**
	Derivative Contracts	
65	Forward Currency Contracts	63
65		**63**
	Pooled Investment	
357,428	UK Unit trusts - Quoted	500,444
169	UK Unit Trusts - Unquoted	152
273	Overseas unit trusts	-
33,449	Pooled property investments	38,641
391,319		**539,237**
7,188	Cash deposits Managers	2,039
1,616	Amounts receivable for sales	-
1,155	Investment income due	1,009
164	Outstanding Dividend and Recoverable Withholding Tax	361
10,123		**3,409**
562,102	**Total Investment Assets**	**658,621**
	Investment Liabilities	
(295)	Derivatives - Forward Currency Contracts	**-**
(1,092)	Amount payable for purchases	**(113)**
(1,387)	**Total Investment Liabilities**	**(113)**
560,715	**Total Net Investments**	**658,508**

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2016	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 2017
	£000	£000	£000	£000	£000	£000
Equities	20,387	1,409	(648)	119	(21,267)	-
Fixed Interest Securities	74,018	47,204	(48,228)	7,115	(1,137)	78,972
Index-linked Securities	66,190	111,794	(120,909)	9,437	(29,572)	36,940
Pooled Investment Vehicles	391,319	95,275	(166,094)	78,290	140,447	539,237
Derivatives – forward currency contracts	(230)	2,727	(2,727)	293	-	63
Cash Deposits (fund managers)	7,188	-	-	(1)	(5,148)	2,039
	558,872	**258,409**	**(338,606)**	**95,253**	**83,323**	**657,251**
Other Investment Balances	1,843	-	-	1	(587)	1,257
	560,715	**258,409**	**(338,606)**	**95,254**	**82,736**	**658,508**

	Market Value at 31 March 2015	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 2016
	£000	£000	£000	£000	£000	£000
Equities	24,391	11,210	(13,925)	(1,289)	-	20,387
Fixed Interest Securities	81,916	48,854	(53,785)	(2,967)	-	74,018
Index-linked Securities	63,591	127,502	(126,772)	1,869	-	66,190
Pooled Investment Vehicles	387,542	128,240	(118,209)	(6,254)	-	391,319
Derivatives – forward currency contracts	(529)	244,977	(244,977)	299	-	(230)
Cash Deposits (fund managers)	9,044	-	-	1	(1,857)	7,188
	565,955	**560,783**	**(557,668)**	**(8,341)**	**(1,857)**	**558,872**
Other Investment Balances	1,134			5	704	1,843
	567,089	**560,783**	**(557,668)**	**(8,336)**	**(1,153)**	**560,715**

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.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 14a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

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 £0.144m, including transition costs (2015/16 £0.289m). 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.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2017 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2016		Manager	Mandate	Value 31 March 2017	
£000	**%**			**£000**	**%**
121,510	21.67	Royal London	Investment Grade Bonds	127,458	19.36
33,942	6.05	UBS	Property	39,274	5.96
71,006	12.66	Ruffer	Absolute Return	-	-
72,130	12.87	State Street Global Assets	Passive UK/Global Equities	97,009	14.73
6,239	1.11	State Street Global Assets	Sterling Liquidity Fund	-	-
83,794	14.94	Baillie Gifford	Pooled Global Equities	-	-
96,197	17.16	GMO	Multi Asset	102,489	15.56
75,874	13.53	London CIV	Pooled Global Equities	292,267	44.38
23	0.01	Other	Other	11	0.01
560,715	**100.00**	**Total Fund**		**658,508**	**100.00**

All of the above companies are registered in the United Kingdom

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

Market Value 31 March 2016	% of total fund	Security	Market Value 31 March 2017	% of total fund
£000	**%**		**£000**	%
96,197	17	GMO Global Real Return (UCITS) Fund	102,486	16
83,794	15	Baillie Gifford Global Alpha Pension Fund	-	-
75,724	14	London CIV Diversified Growth Fund	292,267	44
72,130	13	SSGA MPF All World Equity Index	97,009	15
33,449	6	UBS Property	39,274	6
-	-	Baillie Gifford Diversified Growth Fund	-	-

14c. 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.

15. 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. Derivatives maybe 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 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 2017 is given below:

Settlement	**Currency Bought**	**Local Value 000**	**Currency Sold**	**Local Value 000**	**Asset Value (Unrealised Gain) £000**	**Liability Value (Unrealised Loss) £000**
Up to three months	GBP	817	AUD	1,315	17	-
Up to three months	GBP	466	CAD	761	9	-
Up to three months	GBP	1,445	USD	1,763	37	-
Gross open forward currency contracts at 31 March 2017					**63**	**-**
Net forward currency contracts at 31 March 2017					**63**	
Prior year comparative						
Gross open forward currency contracts at 31 March 2016					**65**	**(295)**
Net forward currency contracts at 31 March 2016						**(230)**

16. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represents the highest and best price available at the reporting date.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, CBRE Ltd	Market value in accordance with the “RICS” Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rent growth

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
	%	**£000**	**£000**	**£000**
Pooled Investments – Property funds	3.05	38,641	39,820	37,462

16a. Fair Value Hierarchy

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and Liabilities 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

Assets and Liabilities 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.

Level 3

Assets and Liabilities 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.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	616,419	152	38,641	655,212
Loans and receivables	16,545	-	-	16,545
Total Financial Assets	**632,964**	**152**	**38,641**	**671,757**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	(378)	-	-	(378)
Total Financial Liabilities	**(378)**	**-**	**-**	**(378)**
Net Financial Assets	**632,586**	**152**	**38,641**	**671,379**

Values at 31 March 2016	Quoted Market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	518,361	169	33,449	551,979
Loans and receivables	23,830	-	-	23,830
Total financial Assets	**542,191**	**169**	**33,449**	**575,809**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(295)	-	-	(295)
Financial liabilities at amortised cost	(2,573)	-		(2,573)
Total Financial Liabilities	**(2,868)**	**-**	**-**	**(2,868)**
Net Financial Assets	**539,323**	**169**	**33,449**	**572,941**

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

17 Financial Instruments

(a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period.

31 March 2016				31 March 2017		
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
20,387	-	-	Equities	-	-	-
74,018	-	-	Bonds -Fixed Interest Securities	78,972	-	-
66,190	-	-	Bonds - Index linked securities	36,940	-	-
65	-	-	Derivative contracts	63	-	-
357,870	-	-	Pooled investment Vehicles	500,596	-	-
33,449	-	-	Property	38,641	-	-
-	7,187	-	Cash	-	2,039	-
-	2,935	-	Other Investment Balances	-	1,370	-
-	13,708	-	Debtors	-	13,136	-
551,979	**23,830**	**-**	**Financial Assets Total**	**655,212**	**16,545**	**-**
			Financial Liabilities			
(295)	-	-	Derivative contracts	-	-	-
-	-	(1,092)	Other Investment Balances	-	-	(113)
-	-	(1,481)	Creditors	-	-	(265)
(295)		**(2,573)**	**Financial Liabilities Total**	**-**	**-**	**(378)**
551,684	**23,830**	**(2,573)**	**Grand total**	**655,212**	**16,545**	**(378)**
572,941				**671,379**		

(b) Net Gains and Losses on Financial Instruments

2015/16 £000		2016/17 £000
	Financial assets	
(8,336)	Fair value through fund account	95,254
-	Loans and receivables	-
	Financial liabilities	
-	Fair value through fund account	-
-	Loans and receivables	**-**
(8,336)	**Total**	**95,254**

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

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.

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

(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 2017/18 reporting period:

Asset Type	**31 March 2017 Potential market movements (+/-) %**	**31 March 2016 Potential market movements (+/-) %**
Global Equities inc. UK	9.68	11.30
Fixed Interest Bonds	9.25	8.18
Index Linked Bonds	14.29	10.82
Multi Asset	4.93	4,78
Property	3.05	2.69
Cash	0.01	0.01

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):

Asset Type	Value as at 31 March 2017 £000	Change %	Value on Increase £000	Value on Decrease £000
Global Equities inc.UK	-	-	-	-
Fixed Interest Bonds	78,972	9.25%	86,277	71,667
Index linked Bonds	36,940	14.29%	42,219	31,662
Global Pooled inc.UK	500,596	4.93%	525,276	475,917
Property	38,641	3.05%	39,820	37,462
Cash	2,039	0.01%	2,039	2,039
Total	**657,188**		**695,631**	**618,747**

Asset Type	Value as at 31 March 2016 £000	Change %	Value on Increase £000	Value on Decrease £000
Global Equities inc.UK	20,387	11.30%	22,690	18,083
Fixed Interest Bonds	74,018	8.18%	80,073	67,964
Index linked Bonds	66,190	10.82%	73,352	59,028
Global Pooled inc.UK	357,870	4.78%	374,976	340,764
Property	33,449	2.69%	34,349	32,549
Cash	7,187	0.01%	7,188	7,186
Total	**559,101**		**592,628**	**525,574**

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

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 council recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (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 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

Assets exposed to interest rate risk	Value as at 31 March 2017 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	115,912	1,159	117,071	114,753
Cash and Cash Equivalents	2,039	20	2,060	2,019
Cash Balances	12,822	128	12,950	12,694
Total Change in Asset Value	**130,773**	**1,307**	**132,081**	**129,466**

Assets exposed to interest rate risk	Value as at 31 March 2016 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	140,208	1,402	141,610	138,806
Cash and Cash Equivalents	7,188	72	7,260	7,116
Total Change in Asset Value	**147,396**	**1,474**	**148,870**	**145,922**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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.

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 9.20% over a rolling 36 month period.

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

A 9.20% 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:

Assets exposed to currency risk	Value as at 31 March 2017 £000	Potential Market movement 9.20%	Value on increase £000	Value on Decrease £000
Overseas Equities	-	-	-	-
Overseas Pooled				
Overseas Index Linked Bonds	389	36	425	353
Overseas Fixed Interests	1,264	116	1,380	1,148
Overseas Cash	5	-	5	5
Total change in assets available to pay benefits	**1,658**	**152**	**1,810**	**1,506**

Assets exposed to currency risk	Value as at 31 March 2016 £000	Potential Market movement 7.80%	Value on increase £000	Value on Decrease £000
Overseas Equities	19,113	1,491	20,604	17,622
Overseas Pooled	1,901	148	2,049	1,753
Overseas Index Linked Bonds	13,094	1,021	14,115	12,073
Overseas Cash	26	2	28	24
Total change in assets available to pay benefits	**34,134**	**2,662**	**36,796**	**31,472**

(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.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2016 the value of liquid assets was £522m, which represented 93% of the total Fund (31

March 2015 £540m, which represented 95% of the total fund assets).

(d) Refinancing Risk

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

19. Funding Arrangements

Actuarial Statement for 2016/17

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

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated March 2017. 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 (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.

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 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £573 million, were sufficient to meet 67% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £284 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

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 2016 valuation were as follows:

Financial assumptions	**31 March 2016 %**
Discount Rate for Period	4.0
Salary increases assumption	2.4
Benefit increase assumption (CPI)	2.1

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 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 as follows:

	Males	**Females**
Current Pensioners	22.0 years	24.2 years
Future Pensioners*	23.9 years	26.3 years

** Currently aged 45*

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the London Borough of Havering, Administrating Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bonds yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The funding Strategy Statement will also be reviewed at that time.

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. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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).

31 March 2016	**Year Ended**	**31 March 2017**
£m		**£m**
476	Present Value of Promised Retirement Benefits	475
153	Fair Value of Scheme assets (bid Value)	245
363	Net Liability	486
992	**Total (£m)**	**1,206**

The promised retirement benefits at 31 March 2017 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. 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 and are different as at 31 March 2017 and 31 March 2016. It is estimated that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £206m. It is estimated that the change in demographic and longevity assumptions is to decrease the actuarial present value by £17m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

Year Ended (% p.a)	**31 March 2017**	**31 March 2016**
	% p.a.	**% p.a.**
Pension Increase Rate	2.4	2.1
Salary Increase Rate	2.7	3.1
Discount Rate	2.5	3.4

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 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	22.0 years	24.2 years
Future Pensioners	23.9 years	26.3 years

Please note the longevity assumptions have changed since last year 's 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.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	**Approximate % increase to liabilities**	**Approximate monetary amount (£m)**
0.5% p.a. increase in the Pension Increase Rate	7	89
0.5% p.a. increase in the Salary Increase Rate	2	22
0.5% p.a. decrease in the Real Discount Rate	9	113

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

These notes accompanies the covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. 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

2015/16 £000		2016/17 £000
	Debtors:	
-	Pension Grants	-
-	Other Local Authorities	-
288	Contributions due from employers	224
82	Contributions due from employees	71
67	Pension Fund Investment Interest	-
675	Pension Fund Bank Account Balances	-
-	Debtors Refund	18
12,595	Cash deposit with LB Havering	12,823
13,707	**Current Assets**	**13,136**

2015/16 £000	Analysis of Debtors	2016/17 £000
-	NHS Bodies	-
-	Other local authorities	-
288	Public corporation and trading funds	224
82	Other entities and individuals	71
370	**Total Debtors**	**295**

22. Current Liabilities

2015/16 £000		2016/17 £000
	Creditors:	
(883)	Unpaid Benefits	(80)
(251)	Accrued Expenses	(132)
(320)	Income Tax Recoveries	-
(27)	Holding Accounts	(53)
(1,481)		**(265)**

2015/16 £000	Analysis of Creditors	2016/17 £000
(1,481)	Other entities and individuals	(265)
(1,481)	**Total**	**(265)**

23. Additional Voluntary Contributions

Market Value 2015/16 £000	AVC Provider	Market Value 2016/17 £000
707	Prudential	801
169	Standard Life	202

Some employees made additional voluntary contributions (AVC's) of £52,413 (2015/16 £54,827) 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 2016/17 were £38,515 (2015/16 £40,807) to the Prudential and £13,898 (2015/16 £14,020) to Standard Life.

24. Agency Services

Havering Council pays discretionary awards to the former employees of Havering. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

2015/16 £000		2016/17 £000
1,452	Payments on behalf of Havering Council	1,410

25. 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 administering by Havering Council and consequently there is a strong relationship between the Authority and the Pension Fund. In 2016/17, £0.459m was paid to the Authority for the cost of administrating the Fund (2015/16 £0.450m).

The Authority is also the largest employer in the Fund and in 2016/17 contributed £24.997m (2015/16 £27.798m) to the Pension Fund in respect of employer's contributions.

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 2017 cash holdings totalled £12.8m (2015/16 £12.96m), earning interest over the year of £0.094m (2015/16 £0.067m).

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.

Note 25a Key Management Personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

26. Contingent Liabilities and Contractual Commitments

There are no material outstanding capital commitments (investments) as at 31 March 2017 (2015/16 £0.186m). This relates to an outstanding commitment due on an unquoted private equity fund.

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. As mentioned in Note 10 there are potential liabilities of £0.7m in respect of individuals transferring out of the pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

27. Contingent Assets

Three 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.

Five admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.7m.

28. Impairment Losses

There were no material impairment losses for bad and doubtful debts as at 31 March 2017.