

Pension Fund

Pension Fund Account for the year ended 31 March 2022

2020/21 £000		Notes	2021/22 £000
	Dealings with members, employers and others directly involved in the fund		
47,418	Contributions receivables	7	49,112
4,896	Transfers in from other pension funds	8	4,204
52,314			53,316
(38,804)	Benefits	9	(37,551)
(44,630)	Payments to and on account of leavers	10	(4,618)
(83,434)			(42,169)
(31,120)	Net additions (withdrawals) from dealings with members		11,147
(4,428)	Management expenses	11	(5,474)
(35,548)	Net additions/(withdrawals) including fund management expenses		5,673
	Returns on investments		
15,539	Investment income	12	14,977
165,548	Profit and losses on disposal of investments and changes in the market value of investments	14a	25,198
181,087	Net returns on investments		40,175
145,539	Net increase (decrease) in the net assets available for benefits during the year		45,848
728,696	Opening net assets of the Fund at start of year		874,235
874,235	Closing net assets of the Fund at end of year		920,083

Net Asset Statement for the year ended 31 March 2022

£000			£000
150	Long Term Investments	14	150
858,410	Investment Assets	14	907,290
(263)	Investment Liabilities	14	(2,220)
858,297	Total net investments		905,220
16,403	Current Assets	21	15,612
(465)	Current Liabilities	22	(749)
874,235	Net assets of the Fund available to fund benefits at end of the reporting period		920,083

The financial statements summarise the transactions and the net assets of the London Borough of Havering Pension Fund ("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 ("the Fund") is part of the Local Government Pension Scheme (LGPS) 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 Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Fund, reference should be made to the Fund's Annual Report 2021/22 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the 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 LGPS Regulations 2013 (as amended),

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended),

The LGPS (Management and Investment of Funds) Regulations 2016.

The 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, are not included as they come within another national pension scheme.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee: a committee of the 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. These have been accounted for within London Borough of Havering

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

31-Mar-21		31-Mar-22
56	Number of employers with active members	56
	Number of employees in scheme	
4,650	London Borough of Havering	4,783
1,697	Scheduled bodies	1,810
79	Admitted bodies	82
6,426	Total	6,675
	Number of pensioners and dependants	
6,014	London Borough of Havering	6,110
369	Scheduled bodies	406
29	Admitted bodies	32
6,412	Total	6,548
	Deferred pensioners	
5,179	London Borough of Havering	5,680
791	Scheduled bodies	966
50	Admitted bodies	43
6,020	Total	6,689
18,858	Total number of members in pension scheme	19,912

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 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 14.2% to 40.8% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. Havering Council pay a monetary value, other employers as a percentage of pensionable pay

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 of £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

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. 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 .
<https://www.lgpsmember.org/>.

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 "(the Code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The Administering Authority is satisfied that Havering Pension Fund is a going concern. The one-year return for 2021/2022 of 4.59% and the three year period since the 2019 valuation of 8.75% is greater than the actuary's long term target return for the Fund of +3.3% pa. The returns over all time periods were ahead of the long term absolute return deemed sufficient to support an affordable and stable level of contributions. The next actuarial valuation is based on data as at 2022, which will include a recovery period necessary to make good any potential increases in the funding deficit. The Fund's cash flow remains robust. The Fund held cash of £32m at the Balance Sheet date, equivalent to 3.6% of the Fund Assets. In addition, the Fund held £714m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 m

3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

(a) Contribution income

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

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay

Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate

Employer deficit funding contributions are accounted for on the 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.

Additional employers' contributions in respect of ill-health and early retirements (augmentation) are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

(b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

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 in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

(c) Investment Income

i) Interest Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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 due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

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

Administrative Expenses

All staff costs of the pensions' administration team are recharged 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.

Oversight and Governance Costs

All costs associated with governance and oversight are separately identified and recharged to the Fund and charged as expenses to the Fund.

Investment Management Fees

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees charged by external investment managers and custodian are set out 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.

Officers' time spent on investment management functions are also charged to the fund.

(g) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

(h) 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. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a.

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 fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016)*.

(i) 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.

(j) Derivatives

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

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.

(k) Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank account) 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.

(l) Financial Liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

(m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised benefits by way of a note to the Net Asset Statement (Note 20).

(n) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its 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.

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

(o) Contingent assets and contingent liabilities

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

A contingent liability arises where an event 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.

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 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.

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 reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 20)	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 Fund's 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: 0.1% p.a. decrease in the Real Discount Rate could result in an increase of 2% 0.1% p.a. increase in the Pension Increase Rate (CPI) could result in an increase of 2% 0.1% p.a increase in the Salary Increase Rate could result in a 0% increase 1 Year increase in member life expectancy could result in a 4% increase	29 26 2 60
Level 3 Investments (Note 16a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £206m, which represents 22% of the total Fund value of £920m.	Sensitivity Analysis shows that the £206m valuation could decrease or increase within the range of £89m and £120m

6 Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 20) includes an allowance for the "McCloud ruling", i.e an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2022 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force from 1 April 2023.

The Fund has valued its assets based on the 31 March 2022 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Global growth forecasts continued to slide since March 2022 whilst inflation forecasts edged higher as existing inflation and supply chain issues are worsened by the ongoing Russia- Ukraine conflict and Chinese COVID lockdowns. Global Markets remain volatile, it is expected that higher energy and food prices, alongside financial market, and trade disruption to negatively impact global growth going forward. We believe the Fund is well positioned to manage uncertainties created by the invasion and for the purposes of these financial statements this is considered a non- adjusting event.

7 Contributions Receivable

By category

2020/21 £000		2021/22 £000
	Employees' contributions	
	Normal:	
6,268	London Borough of Havering	6,541
1,442	Scheduled Bodies	1,489
73	Admitted Bodies	75
	Additional contributions:	
6	London Borough of Havering	6
7,789	Total Employees' Contribution	8,111
	Employers' contributions	
	Normal:	
14,716	London Borough of Havering	16,341
5,545	Scheduled bodies	5,606
311	Admitted bodies	329
	Deficit funding:	
18,677	London Borough of Havering*	18,302
	Augmentation	
341	London Borough of Havering	344
37	Scheduled bodies	50
2	Admitted bodies	29
39,629	Total Employers' Contributions	41,001
47,418	Total Contributions Receivable	49,112

*The 2021/22 figure reflects additional contributions made by the Authority to the Pension Fund: consists of £12.650m secondary contributions and £5.652m voluntary planned contributions.

By authority

2020/21 £000		2021/22 £000
40,008	London Borough of Havering	41,534
7,024	Scheduled bodies	7,145
386	Admitted Bodies	433
47,418	Total Contributions Receivable	49,112

8 Transfers in from Other Pension Funds

2020/21 £000		2021/22 £000
4,896	Individual transfers	4,204
4,896	Total Transfers In from Other Pension Funds	4,204

9 Benefits Payable

By category

2020/21 £000		2021/22 £000
	Pensions	
30,798	London Borough of Havering	30,620
1,692	Scheduled Bodies	1,324
881	Admitted Bodies	936
33,371	Pension Total	32,880
	Commutation and Lump Sum Retirements	
3,577	London Borough of Havering	3,609
344	Scheduled Bodies	336
394	Admitted Bodies	(22)
4,315	Commutation and Lump Sum Retirements Total	3,923
	Lump Sum Death Benefits	
976	London Borough of Havering	575
110	Scheduled Bodies	173
32	Admitted Bodies	-
1,118	Lump Sum Death Benefits Total	748
38,804	Total Benefits Payable	37,551

By authority

2020/21 £000		2021/22 £000
35,351	Havering	34,804
2,146	Scheduled bodies	1,833
1,307	Admitted Bodies	914
38,804	Total Benefits Payable	37,551

10 Payments To and On Account of Leavers

2020/21 £000		2021/22 £000
70	Refunds to members leaving service	81
40,438	Group Transfer*	-
4,122	Individual transfers	4,537
44,630	Payments to and on Account of Leavers	4,618

*20-21 College Transfer settlement

11 Management Expenses

2020/21 £000		2021/22 £000
601	Administrative Costs	709
3,412	Investment Management Expenses	4,241
398	Oversight and Governance Costs	443
16	Oversight and Governance Costs - External Audit costs	78
1	Local Pension Board	3
4,428	Management Expenses	5,474

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

The investment management expenses above includes £0.116m (2020/21 £0.102m) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.097m in respect of transaction costs (2020/21 £0.067m).

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 Note 14).

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

2021-22	Management fees £000	Performance Related fees £000	Transaction cost £000	2021/22 Total £000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
Private Equity and Joint Venture	314	-	-	314
Derivatives -Forward Currency Contracts	19	-	-	19
	3,954	117	97	*4,168
Custody fees				42
Performance Measurement fees				31
Other Investment fees				-
Investment Management Expenses				4,241

*Includes £2.238m charged for assets in the London CIV asset pool (£2.086m In 2020/21)

11a Investment Management Expenses continued

2020-21	Management fees	Performance Related fees	Transaction cost	2020/21 Total
	£000	£000	£000	£000
Bonds	162	-	-	162
Fixed Interest Unit Trust	106	-	-	106
Diversified Growth fund	622	-	15	637
Infrastructure	313	-	-	313
Global Equity	1,445	-	52	1,497
Other Investments:				
Pooled Property	304	102	-	406
Private Equity and joint venture	190	-	-	190
Derivatives - Forward Currency Contracts	17	-	-	17
	3,159	102	67	*3,328
Custody fees				37
Performance measurement fees				33
Other Investment fees				14
Investment Management Expenses				3,412

*Includes £2.086m charged for assets in the London CIV asset pool (£1.732m In 2019/20)

12 Investment Income

2020/21 £000		2021/22 £000
8,101	Pooled Investments - unit trusts and other managed funds	9,542
1,881	Income from Bonds*	1,339
1,887	Pooled Property Investments	2,580
3,841	Income form Derivatives (Foreign Exchange Gains/(losses))	2,294
126	Interest on Cash Deposits	43
(297)	Other Income**	(821)
15,539	Investment Income	14,977

* Income includes Index linked Interest of £0.208m (2020/21 £0.137m).

** Management expenses to offset against gross income from dividends

14 Analysis of Investments

2020/21		2021/22
£000		£000
	Investment Assets	
150	Long Term Investments	150
150		150
	Bonds	
39,001	Fixed Interest Securities	22,977
36,897	Index-Linked Securities	39,097
75,898		62,074
	Pooled Investment	
61,822	Fixed Interest Unit Trust	63,252
87,978	Diversified Growth Fund	85,428
44,536	Infrastructure	56,760
477,416	Global Equity	473,469
671,752		678,909
	Other Investments	
68,986	Pooled Property	93,775
36,825	Private Equity and Joint Venture	55,134
1,148	Derivatives - Forward Currency Contracts	50
106,959		148,959
3,321	Cash deposits Managers	16,985
480	Investment income due	363
3,801		17,348
858,560	Total Investment Assets	907,440
	Investment Liabilities	
	Derivative Contracts	
(262)	Forward Currency Contracts	(2,218)
(1)	Income receivable	(2)
(263)	Total Investment Liabilities	(2,220)

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2021	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 2022
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	39,001	18,071	(31,277)	(1,988)	(830)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	-	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	-	679,059
Other Investments	105,811	29,213	(2,280)	16,165	-	148,909
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	-	(2,168)
Cash Deposits (fund managers)	3,321	-	-	(1)	13,665	16,985
	857,818	303,763	(294,755)	25,198	12,835	904,859
Other Investment Balances	479	-	-	-	(118)	361
	858,297	303,763	(294,755)	25,198	12,717	905,220

	Market Value at 31 March 2020	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 2021
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	49,206	19,163	(32,774)	3,406	-	39,001
Index-linked Securities	40,033	95,380	(99,896)	1,380	-	36,897
Pooled Investment Vehicles	519,985	33,363	(43,672)	162,226	-	671,902
Other Investments	89,760	23,815	(4,685)	(3,079)	-	105,811
Derivatives – forward currency contracts	(728)	94,996	(94,996)	1,614	-	886
Cash Deposits (fund managers)	6,778	-	-	1	(3,458)	3,321
	705,034	266,717	(276,023)	165,548	(3,458)	857,818
Other Investment Balances	724	-	-	-	(245)	479
	705,758	266,717	(276,023)	165,548	(3,703)	858,297

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 £0.096m (2020/21 £0.067m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2022 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2021		Manager	Mandate	Value 31 March 2022	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.01	London CIV	Equities Unquoted	150	0.02
111,270	12.96	Ruffer	Pooled Absolute Return Fund	119,358	13.19
191,042	22.27	Baillie Gifford	Pooled Global Alpha Growth Fund	-	0.00
-	-	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	155,312	17.16
87,978	10.25	Baillie Gifford	Pooled Diversified Growth Fund	85,428	9.44
-	-	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	44,694	4.94
-	-	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	6,916	0.76
390,440	45.49			411,858	45.50
PLUS Life Fund Investments aligned with London CIV asset pool:					
175,105	20.41	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	166,105	18.35
565,545	65.90	London CIV Total		577,963	63.85
Investments managed outside of the London CIV asset Pool:					
38,731	4.51	Royal London Index Linked Bonds Fund	Investment Grade Bonds	40,456	4.47
37,958	4.42	Royal London Gov Corp Bond Fund	Investment Grade Bonds	22,257	2.46
61,822	7.20	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	63,251	6.99
41,034	4.78	UBS Property	Pooled Property	61,467	6.79
27,793	3.24	CBRE	Global Pooled Property	32,308	3.57
19,118	2.23	Stafford Capital SISF II	Overseas Pooled Infrastructure	20,304	2.24
1,557	0.18	Stafford Capital SISF IV	Overseas Pooled Infrastructure	7,487	0.83
23,861	2.78	JP Morgan	Overseas Pooled Infrastructure	23,302	2.57
19,138	2.23	Churchill II	Overseas Pooled Private Debt	20,855	2.30
-	-	Churchill IV	Overseas Pooled Private Debt	7,756	0.86
17,687	2.06	Permira PCS4	Overseas/UK Pooled Private Debt	26,524	2.93
2,666	0.31	Russell Investments	Currency Management	(1,538)	(0.17)
1,387	0.16	Other	Other	2,828	0.31
292,752	34.10			327,257	36.15
858,297	100.00	Total Fund		905,220	100.00

14b. (Continued)

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

Market Value 31 March 2022	% of Total Fund	Security	Market Value 31 March 2022	% of Total Fund
£000			£000	
191,042	21.85	London CIV Baillie Gifford Global Alpha Fund	-	-
-	-	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	155,312	17.16
111,270	12.73	London CIV Ruffer Absolute Return Fund	119,358	13.19
-	-	LGIM Future World Fund	93,296	10.31
87,978	10.06	London CIV Diversified Growth Fund	85,428	9.44
61,822	7.07	Royal London Multi Asset Credit Pooled Fund	63,251	6.99
-	-	UBS Property	61,467	6.79
71,550	8.18	LGIM All World Equity Index	-	-
64,316	7.36	LGIM FTSE RAFI AW 3000 Index	-	-
587,978	67.25	Total Fund	578,112	63.86

14c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stocklending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2022, the value of quoted equities on loan was £1.586m (31 March 2021 £3.233m) These equities continue to be recognised in the fund's financial statements.

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 may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and 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 Russell. A breakdown of forward contracts held by the Fund as at 31 March 2022 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to One month	GBP	17,087	EUR	(17,234)	-	(147)
	GBP	22,386	USD	(22,994)	4	(612)
	GBP	2,046	AUD	(2,198)	-	(152)
	USD	113	GBP	(110)	3	-
	EUR	1,603	GBP	(1,590)	13	-
Up to Two months	GBP	15,950	EUR	(16,132)	-	(182)
	GBP	23,042	USD	(23,745)	-	(703)
	GBP	2,138	AUD	(2,307)	-	(169)
	USD	354	GBP	(346)	8	-
	EUR	938	GBP	(933)	5	-
Up to Three months	AUD	333	GBP	(316)	17	-
	GBP	17,171	EUR	(17,391)	-	(220)
	GBP	20,492	USD	(20,523)	-	(31)
	GBP	2,693	AUD	(2,695)	-	(2)
	USD	643	GBP	(643)	-	-
	EUR	332	GBP	(332)	-	-
	AUD	204	GBP	(204)	-	-
Open forward currency contracts at 31 March 2022					50	(2,218)
Net forward currency contracts at 31 March 2022						(2,168)
Open forward currency contracts at 31 March 2021					1,148	(262)
Net forward currency contracts at 31 March 2021						886

16 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled quoted	Level 1	Published bid market	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
Pooled Unquoted investments	Level 2	Developed using market data	No material difference between the value of assets & liabilities and their fair value	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rental growth

16 Fair Value Basis of Valuation (continued)

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

16 Fair Value Basis of Valuation (continued)

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure	Level 3	Fair Values are calculated in whole or in part using techniques based on assumptions using Investment Association Statement of Recommended Practice (IA SORP)	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.

16 Fair Value Basis of Valuation (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, 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 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
	%	£000	£000	£000
Pooled Property funds	4.65	93,775	98,135	89,414
Pooled Unit Trusts	7.60	111,894	120,398	103,390

16a. Fair Value Hierarchy

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 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	479,487	204,936	205,669	890,092
Loans and receivables	32,960	-	-	32,960
Total Financial Assets	512,447	204,936	205,669	923,052
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(2,969)	-	-	(2,969)
Total Financial Liabilities	(2,969)	-	-	(2,969)
Net Financial Assets	509,478	204,936	205,669	920,083

16a. Fair Value Hierarchy continued

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	704,263	150	150,346	854,759
Loans and receivables	20,204	-	-	20,204
Total Financial Assets	724,467	150	150,346	874,963
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(728)	-	-	(728)
Total Financial Liabilities	(728)	-	-	(728)
Net Financial Assets	723,739	150	150,346	874,235

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

16b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2021	Transfer Into Level 3	Purchases	Sales	Unrealised gains/ losses	Realised gains/losses	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Property							
Funds	68,985	10,000	-	(94)	14,884	-	93,775
Infrastructure	44,536	14,274	1,257	(4,272)	1,105	(140)	56,760
Private Debt	36,825	17,993	1,220	(2,186)	1,331	(49)	55,134
Total	150,346	42,267	2,477	(6,552)	17,320	(189)	205,669

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

(a) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Infrastructure Level 3

(b) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Private Debt Level 3

(c) All transfers between levels are recognised in the month in which they occur.

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 2021				31 March 2022		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
150	-	-	- Long Term Investments	150	-	-
39,001	-	-	- Bonds -Fixed Interest Securities	22,977	-	-
36,897	-	-	- Bonds - Index linked securities	39,097	-	-
1,148	-	-	- Derivative contracts	50	-	-
671,752	-	-	- Pooled investment Vehicles	678,909	-	-
36,825	-	-	- Private Equity and joint venture	55,134	-	-
68,986	-	-	- Property	93,775	-	-
-	3,321	-	- Cash	-	16,985	-
-	480	-	- Other Investment Balances	-	363	-
-	16,403	-	- Debtors	-	15,612	-
854,759	20,204	-	Financial Assets Total	890,092	32,960	-
			Financial Liabilities			
(1)	-	-	- Other Investment Balances	(2)	-	-
(262)	-	-	- Derivative contracts	(2,218)	-	-
-	-	(465)	- Creditors	-	-	(749)
(263)	-	(465)	Financial Liabilities Total	(2,220)	-	(749)
854,496	20,204	(465)	Grand total	887,872	32,960	(749)
	874,235				920,083	

(b) Net Gains and Losses on Financial Instruments

2020/21 £000		2021/22 £000
	Financial assets	
165,548	Fair value through profit and loss	25,198
165,548	Total	25,198

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 Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the authorities' pensions operations. Policies 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 investment return.

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for the 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2022	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	6.30	90,810	80,046
Pooled Property	93,775	4.70	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	905,220		1,010,075	800,365

Asset Type	Value as at 31 March 2021	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	539,389	15.60	623,532	455,243
Total Bonds	75,898	7.70	81,743	70,054
Pooled Overseas Unit Trusts	81,361	7.80	87,707	75,015
Global Pooled inc.UK	87,978	6.50	93,697	82,260
Pooled Property	68,985	3.40	71,331	66,640
Cash	4,686	0.60	4,714	4,658
Total	858,297		962,724	753,870

Interest Rate Risk

The Fund 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.

Interest Rate Risk Sensitivity Analysis

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. The 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.

Assets exposed to Interest Rate Risk

Assets exposed to interest rate risk	Asset Values as at 31 March 2022 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	142	14,402	14,118
Total Change in Asset Value	91,512	915	92,427	90,597

Assets exposed to interest rate risk	Asset Values as at 31 March 2021 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	75,898	759	76,657	75,140
Cash and Cash Equivalents	4,686	47	4,733	4,639
Cash Balances	15,963	160	16,123	15,804
Total Change in Asset Value	96,547	966	97,513	95,583

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 7.34% over a rolling 36 month period.

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

A 7.34% 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 Risk – Sensitivity Analysis

Assets exposed to currency risk	Asset Values as at 31 March 2022 £000	Potential Market movement 7.34%	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	111,931	8,216	120,147	103,715

Assets exposed to currency risk	Asset Values as at 31 March 2021 £000	Potential Market movement 8.40%	Value on increase £000	Value on Decrease £000
Overseas Pooled	91,468	7,683	99,151	83,784
Overseas Cash	541	45	587	496
Total change in assets available to pay benefits	92,009	7,728	99,738	84,280

(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.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

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 Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2022 was £14.260m (31 March 2021 £15.963m). The 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 2022 the value of liquid assets was £714m, which represented 78% of the total Fund (31 March 2021 £724m, which represented 83% of the total fund assets).

(d) Refinancing Risk

The key risk is that the Fund 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 2021/22

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 December 2019. 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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 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 2020 to 31 March 2022 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 2019 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 2019 valuation were as follows:

Financial assumptions	31 March 2019 %
Discount Rate for Period	3.3
Salary increases assumption	3.0
Benefit increase assumption (CPI)	2.3

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 Continuous Mortality Investigation (CMI) 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

* Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and FSS are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than reported at the previous formal valuations as at 31 March 2019.

It is important to note that the formal triennial valuation exercise is as 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The FSS will also be reviewed as part of the triennial funding valuation exercise.

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 to disclose the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

31 March 2021	Year Ended	31 March 2022
£m		£m
1,557	Present Value of Promised Retirement Benefits	1,499
874	Fair Value of Scheme assets (bid Value)	920
683	Net Liability	579

The promised retirement's benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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 that the above figures are appropriate for the Adminstrating 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 2022 and 31 March 2021. It is estimated that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £113m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £9m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2021	Year Ended (% p.a)	31 March 2022
% p.a.		% p.a.
2.85	Pension Increase Rate	3.20
3.55	Salary Increase Rate	3.90
2.00	Discount Rate	2.70

Demographic assumptions

The longevity assumptions have changed since the previous IAS16 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.6 years	24.0 years
Future Pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.7 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

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:

Change in assumption at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	29
1 year increase in member life expectancy	4%	60
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	26

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2022, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21 Current Assets

2020/21 £000		2021/22 £000
	Debtors:	
307	Contributions due from employers	676
79	Contributions due from employees	195
116	Pension Fund Bank Account Balances	117
-	- Sundry Debtors	326
15,876	Cash deposit with LB Havering	14,167
-	- Holding Accounts	131
16,378	Current Assets	15,612

22 Current Liabilities

2020/21 £000		2021/22 £000
	Creditors:	
(252)	Benefits Payable	(301)
(169)	Sundry Creditors	(293)
(44)	Holding Accounts	(155)
(465)		(749)

23 Additional Voluntary Contributions

Market Value 2020/21 £000	AVC Provider	Market Value 2021/22 £000
841	Prudential	810
144	Standard Life*	
	* Still awaiting valuation	

Some employees made additional voluntary contributions (AVC's) of £31,422 (2020/21 £31,030) 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 2021/22 were £29,022 (2020/21 £28,730) to the Prudential and £2,400 (2020/21 £2,400) to Standard Life.

24 Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2020/21 £000		2021/22 £000
1,329	Payments on behalf of Havering Council	1,270

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 Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.682m (2020/21 £0.538m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

The Authority is also the largest employer in the Fund and in 2021/22 contributed £34.643m (2020/21 £33.392m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2022 cash holdings totalled £14,167m (2020/21 £15.837m), earning interest over the year of £0.043m (2020/21 £0.126m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2022 (2020/21 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 14b. During 2021/22 a total of £2.238m was charged to the Fund by the London CIV in respect of investment management services (2020/21 £2.086m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

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

Each member of the Pensions Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for 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.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 11.

25a Key Management Personnel

Paragraph 3.9.4.4 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

Outstanding capital commitments (investments) at 31 March 2022 were £117.36m. (31 March 2021 were £50.62m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

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. There are potential liabilities of £0.396m 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.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.34m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Six admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £0.41m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.