PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2015/16	Pension Fund Account	Note	2014/15
£000			£000
	Dealings with members, employers and others directly involved in the fund		
43,851	Contributions	6	42,518
1,741	Transfers in from other pension funds	7	3,058
45,592			45,576
(44,321)	Benefits	8	(43,060)
(3,790)	Payments to and on account of leavers	9	(3,722)
(48,111)			(46,782)
(2,519)	**Net dealings with those involved in the fund**		**(1,206)**
(4,415)	Management expenses	10	(3,236)
	Returns on Investments:		
4,675	Investment Income	11	4,322
(25)	Taxes on income	12	(112)
3,206	Profit and losses on disposal of investments and changes in market value of investments	15b	146,243
7,856	**Net return on investments**		**150,453**
922	**Net (increase) / decrease in the net assets available for benefits during the year**		**146,011**
1,045,355	**Opening net assets of the scheme**		**899,344**
1,046,277	**Closing net assets of the scheme**		**1,045,355**

31/03/16	Net Asset Statement	Note	31/03/15
£000			£000
1,024,883	Investment assets	13a	1,032,791
20,694	Cash deposits	13b	13,150
1,045,577			1,045,941
2,290	Current assets	19	727
(1,590)	Current liabilities	20	(1,313)
1,046,277	**Net assets of the fund available to fund benefits at the period end**		**1,045,355**

Introduction

Haringey Local Government Pension Fund is part of the Local Government Pension Scheme and is administered by Haringey Council. The Council is the reporting entity for this pension fund. However, the Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's accounts. The following description of the fund is for summary only. For more detail, reference should be made to Haringey Council Annual Pension Fund Report and Accounts.

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2015/16*, which is based on International Financial Reporting Standards as amended for the UK public sector. 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 2009 (as amended).

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31st March 2016.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

The Pensions Committee is responsible for setting investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Statement of Investment Principles (SIP), which is published in the Pension Fund Annual Report. The SIP is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits , which is managed internally. The Fund did not award any new mandates during 2015/16, although passive mandate portfolio was transferred from Black Rock to Legal and General.

Fund administration and membership

At 31st March 2016, there were 6,229 (2015: 5,958) employees contributing to the Fund and 7,304 (2015: 7,080) pensioners and dependents receiving benefits. There were also 8,519 (2015: 8,678) deferred pensioners.

Employees in the following organisations, in addition to Council staff contribute to and accordingly benefit from the fund.

Transferee Admission Bodies:

- Cofely Workplace Limited
- Churchill Contract Services
- Fusion Lifestyle
- TLC Limited
- Urban Futures London Limited
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (six school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- The Octagon

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Age Concern (in liquidation)
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere School
- John Loughborough School
- Alexandra Park Academy

- Woodside Academy
- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- Brook House Primary
- Millbrook Primary School

Scheduled bodies are public bodies required by law to participate in the LGPS. Admitted bodies are in the LGPS either because services have been outsourced or because they have sufficient links with the Council to be regarded as having a community interest.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2016

1. Description of the fund and effect of any changes during the period

The Fund is a defined benefit scheme and was established on 1st April 1965 to provide retirement pensions and lump sum allowances, survivor dependants' and death benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Fund and details of these are set out above. The Fund's income is derived from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee. Details of the individuals who served on the Pensions Committee during 2015/16 are shown below.

The terms of reference for Pensions Committee are set out in the Council's constitution. The Committee consists of six elected Councillors with full voting rights and three representatives. Councillors are selected by their respective political groups and their appointment was confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The three representatives were appointed by their peer groups. The membership of the Committee during the 2015/16 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Dhiren Basu	-	Member
Cllr Sheila Peacock	-	Member
Cllr Reg Rice	-	Member
Cllr Viv Ross	-	Member
Roger Melling	-	Employee representative
Michael Jones	-	Pensioner representative
Keith Brown	-	Admitted and Scheduled

2. Significant accounting policies

The principal accounting policies of the Fund are set out below.

Contributions

Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

Transfers in and out

Transfers in and out are accounted for on a cash basis whenever the transfer value is paid or received.

Investment income

Interest on cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date. Income retained within pooled funds is accounted for as part of the change in the market value of investments.

Benefits

Benefits are shown on an accruals basis relating to the date on which they become payable. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and years of eligible service. Pensions increase each year in line with CPI.

Taxation

The Fund is exempt from UK income tax on interest received and 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 an expense as it arises.

Management expenses

Administrative, governance and oversight expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters. Charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

Fund managers' fees are based on the market values of the portfolios under management. Where managers invest in in-house investment vehicles, e.g. unit trusts where management fees are covered in the price of the units, the market value of such holdings are deducted from the portfolio value before calculating chargeable fees. All the investment management expenses are shown on an accruals basis.

Financial assets and liabilities

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

Investments – valuation

Investments are stated at fair value on the final working day of the financial year as follows:

- Listed securities are stated at bid value;
- Unquoted securities are stated at the estimate of fair value provided by the investment manager;
- Units in managed funds and pooled investment vehicles are stated at bid value; and
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or single price advised by the fund manager

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund

managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2016. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.
The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

Foreign currency transaction
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.

Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements.

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

Further details about the AVC arrangements are disclosed in note 22 to the financial statements.

3. Critical judgements in applying accounting policies

There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

Private Equity valuations – the value of the Fund’s private equity holdings is calculated by the General Partners of the fund using valuations provided by the underlying partnerships. The variety of valuation bases adopted and quality of management data of the underlying investments in the partnership means that there are inherent difficulties in determining the value of these investments. Given the long term nature of these investments, amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference may be material.

Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. The liability is calculated on a three yearly basis with annual updates in the intervening years. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits.

4. Assumptions made about the future and other major sources of estimation uncertainty

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £167m - 0.50% increase in assumed earnings inflation would increase the value of liabilities by approximately £48m, - 0.50% increase in assumed pension earnings inflation would increase the the value of liabilities by approximately £117m, and - a one year increase in assumed life expectancy would increase the liability by approximately £48m.
Private equity	Private equity investments are valued at fair value in accrodance with Internation Private Equity and Venture Capital Valuation Guidelines. These investments are not publicly listed and as such there is a degree of estimation	The total private equity investments in the financial statements are £46m. There is a risk that this investment may be under or overstated in the accounts.

5. Events after the reporting date

In May 2016, after the reporting period, Haringey Age Concern, an admitted body, went into liquidation. At the reporting date, the total actuarial assessment of unfunded liability in the Fund attributable to Age Concern was £881k. As a preferential creditor to Age Concern, the council is working closely with the appointed liquidator to ensure that 100% of residual cash balances held by Age Concern after outstanding payroll and liquidation cost is paid to the Fund.

6. Contributions receivable

2015/16		2014/15
£000	**By category**	£000
9,122	Employee contributions	8,938
	Employer contributions	
24,224	- Normal contributions	33,580
9,014	- Deficity recovery contributions	
1,491	- Augmentation contributions	
34,729	Total employer contributions	33,580
43,851	**Total**	**42,518**

2015/16		2014/15
£000	**By authority**	£000
32,249	- Administering authority	31,094
9,705	- Scheduled bodies	9,679
1,897	- Admitted bodies	1,745
43,851	**Total**	**42,518**

7. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2015/16 of £1.741 million (£3.058 million in 2014/15) and these all related to individuals.

8. Benefits payable

2015/16		2014/15
£000	**By category**	£000
36,387	- Pensions	40,183
7,107	- Commutation and lump sum retirement benefits	2,582
827	- Lump sum death benefits	295
44,321	**Total**	**43,060**

2015/16		2014/15
£000	**By authority**	£000
39,585	- Administering authority	40,183
3,480	- Scheduled bodies	
1,256	- Admitted bodies	
44,321	**Total**	**40,183**

9. Payments to and on account of leavers

2015/16		2014/15
£000		£000
73	Refunds to members leaving service	36
3,717	Individual transfers	3,686
3,790	**Total**	**3,722**

At 31st March 2016 there are potential liabilities of a further £1.8 million in respect of individuals transferring out of the pension fund upon whom the fund is awaiting final decisions.

10. Management expenses

2015/16		2014/15
£000		£000
722	Administrative costs	686
3,325	Investment management expenses	2,326
368	Oversight and governance costs	224
4,415	**Total**	**3,236**

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

The Fund does not compensate fund investment managers on a performance- related fee basis. However, any indirect costs that are incurred through bid-offer spread on investments sales and purchases are reflected in the cost of investment acquisitions and in the proceeds from the sales of investment.

11. Investment income

2015/16		2014/15
£000		£000
4,654	Pooled investments - unit trusts and other managed funds	3,899
21	Interest on cash deposits	423
4,675	**Total**	**4,322**

11a. Property income

Rental income was £4.252 million in 2015/16 (£3.740 million in 2014/15) and no contingent rents were recognised as income during the period.

12. Taxes on income

The income tax shown on the face of the Pension Fund Account relates to withholding tax (pooled).

13. Investments

13a. Reconciliation of movements in investment assets and liabilities

The changes in market value during the year comprise 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.

2015/16	Value at 1st April 2015	Purchases at cost/derivative payments	Sales proceeds & derivative receipts	Changes in market value	Value at 31st March 2016
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,032,723	57,541	(69,269)	1,305	1,022,300
Cash deposits	13,150	14,786	(9,145)	1,903	20,694
Other investment assets	68	3,872	(1,355)	(2)	2,583
Total	**1,045,941**	**76,199**	**(79,769)**	**3,206**	**1,045,577**

2014/15	Value at 1st April 2014	Purchases at cost/derivative payments	Sales proceeds & derivative receipts	Changes in market value	Value at 31st March 2015
	£000	£000	£000	£000	£000
Pooled investment vehicles	888,404	91,863	(93,874)	146,330	1,032,723
Cash deposits	5,282	11,291	(3,337)	(86)	13,150
Other investment assets	72	52	(55)	(1)	68
Other investment liabilities	(12,606)	12,606	0	0	0
Total	**881,152**	**115,812**	**(97,266)**	**146,243**	**1,045,941**

There were no transaction costs included within the cost of purchases and sales proceeds in 2015/16 or the preceding year.

13b. Analysis of investments

31/03/2016	By category	31/03/2015
£000		£000
	Pooled Investment Vehicles	
103,149	Unit Trusts: - Property - UK	94,058
310,647	Unitised Insurance Policies - UK	315,264
499,971	Unitised Insurance Policies - Overseas	520,901
420	Other managed funds - Property - Overseas	54
21,611	Other managed funds - Other - UK	17,260
89,083	Other managed funds - Other - Overseas	85,186
1,024,881		**1,032,723**
	Cash Deposits	
19,393	Sterling	9,657
1,301	Foreign Currency	3,493
20,694		**13,150**
1,045,575	**Total Investments**	**1,045,873**

13c. Analysis by Fund Managers

31/03/2016 £000	31/03/2016 %	By fund manager	31/03/2015 £000	31/03/2015 %
0	0.0	BlackRock Investment Mngt	546,809	52.3
9	0.0	Capital International	15	0.0
810,619	77.5	Legal and General	289,641	27.7
111,024	10.6	CBRE Global Investors	96,579	9.2
21,621	2.1	Allianz Global Investors	20,357	1.9
46,529	4.5	CQS	45,750	4.4
44,110	4.2	Pantheon	42,868	4.1
11,665	1.1	In house cash deposits	3,922	0.4
1,045,577	**100.0**	**Total**	**1,045,941**	**100.0**

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom.

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

31/03/2016 £000	31/03/2016 %	Name of holding	31/03/2015 £000	31/03/2015 %
0	0.0	BlackRock Aquila Life UK Equity Index Fund	142,686	13.7
0	0.0	BlackRock Aquila Life US Equity Index Fund	213,629	20.5
0	0.0	BlackRock Aquila Life Over 5 Years Index Linked	119,135	11.4
102,915	9.8	Legal & General World Emerging Equity Index	103,138	9.9
160,204	15.3	Legal & General UK Equities Index	0	0.0
240,793	23.0	Legal & General North American Equities	0	0.0
79,217	7.6	Legal & General European (ex UK) Equities	0	0.0
150,733	14.4	Legal & General Index Linked Gilts	0	0.0

13d. Property holding

The Fund's investment in property portfolio comprises only of investments in pooled property funds – there were no directly owned properties during the reporting period.

14. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2016.

15. Financial Instruments

15a. Classification of financial instruments

The majority of the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "Loans and Receivables". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading. No assets or liabilities have been reclassified.

31/03/2016 Carrying Value	31/03/2016 Fair Value	Name of holding	31/03/2015 Carrying Value	31/03/2015 Fair Value
£000	£000		£000	£000
		Financial assets at fair value through profit or loss		
1,022,302	1,022,302	- Pooled investment vehicles	1,032,723	1,032,723
2,581	2,581	- Other investment balances	68	68
1,024,883	**1,024,883**		**1,032,791**	**1,032,791**
		Loans and receivables		
20,694	20,694	- Cash deposits	13,150	13,150
2,290	2,290	- Debtors	727	727
22,984	**22,984**		**13,877**	**13,877**
		Financial liabilities at amortised cost		
(1,467)	(1,467)	- Creditors	(1,129)	(1,129)
(123)	(123)	- Cash overdrawn	(184)	(184)
(1,590)	**(1,590)**		**(1,313)**	**(1,313)**
1,046,277	**1,046,277**	**Net Assets**	**1,045,355**	**1,045,355**

15b. Net gains and losses on financial instruments

31/03/2016		31/03/2015
£000		£000
	Financial Assets	
1,305	Fair value through profit or loss	146,330
1,901	Loans and receivables	(87)
3,206		**146,243**

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

15c. Financial instruments carried at fair value

In accordance with IFRS 7 Financial Instruments, the valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities, cash and short term investment debtors and creditors and pooled funds whose value is derived wholly in such investments.

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity and infrastructure), and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets:				
- At FV through Profit and Loss	886,233	100,988	44,110	1,031,331
- Loans and receivables	2,581	0	0	2,581
Net financial assets at 31st March 2016	**888,814**	**100,988**	**44,110**	**1,033,912**
Net financial assets at 31st March 2015	**881,982**	**94,112**	**56,697**	**1,032,791**

16. Nature and extent of risks arising from Financial Instruments

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level without increasing contribution rates, although this leads to a potential higher volatility of future funding levels and contribution rates.

a) Management of risk

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of a SIP which sets out the Fund's approach to investment including the management of risk. The latest version is attached to the Pension Fund Annual Report and Accounts.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios, representing 75% of the fund's strategy, are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last there years. The value for total assets adjusts for correlations across asset classes and therefore the value of increase / decrease for the asset classes will not sum to the total asset figure.

As at 31/03/2016	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	159,980	10.3	176,458	143,502
Overseas equities	499,971	9.3	546,468	453,474
UK bonds	197,196	9.1	215,141	179,251
Cash	20,496	0.0	20,496	20,496
Property	100,989	2.7	103,716	98,262
Alternatives	66,945	6.5	71,296	62,594
Total Assets	**1,045,577**		**1,133,575**	**957,579**

As at 31/03/2015	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	167,209	10.3	184,365	150,054
Overseas equities	520,901	9.3	569,449	472,353
UK bonds	165,314	9.1	180,358	150,271
Cash	13,218	0.0	13,219	13,217
Property	94,113	2.7	96,644	91,581
Alternatives	85,186	6.5	90,732	79,641
Total Assets	**1,045,941**	7.0	**1,119,262**	**972,621**

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. Five (2014/15: six investment managers) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

Investment values and performance of the fund managers is measured on a quarterly basis through reporting to Pensions Committee.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 49% of the Fund value on 31st March 2016, equivalent to £509 million (2014/15: £595 million). These arise from passive pooled equities, private equity, property, multi-sector credit and cash. Foreign currency exposures are not hedged.

The main non-sterling currency exposures at 31st March 2016 were US dollars. Other major exposures were the Euro, Asian and emerging market countries and the Canadian $.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The table below is derived on a currency basket based on the Fund's currency mix. The weight of each currency is multiplied by the change in its exchange rate relative to GBP. The volatility shown for total currencies incorporates the impact of correlations across the currencies, which dampens volatility and therefore the value of increase / decrease for the currencies will not sum to the total currency figure.

As at 31/03/2016	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	499,971	6.0	529,969	469,973
Overseas property	420	6.0	445	395
Multi-sector credit	0	6.0	0	0
Private equity	6,904	6.0	7,318	6,490
Cash	1,301	6.0	1,379	1,223
Total Assets	**508,596**		**539,111**	**478,081**

As at 31/03/2015	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	520,901	6.0	552,321	489,481
Overseas property	54	6.0	57	51
Multi-sector credit	31,024	6.0	32,893	29,154
Private equity	39,436	6.0	41,813	37,060
Cash	3,493	6.0	3,703	3,282
Total Assets	**594,908**	6.0	**630,763**	**559,052**

The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

Movements in interest rates affect the income earned by the Fund and can have an impact on the value of net assets, in particular bonds. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2015/16	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	68	160	0
Total	**68**	**160**	**0**

	Interest earned 2014/15	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	454	1,362	0
Total	**454**	**1,362**	**0**

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it has committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2016 and 31st March 2015. The majority of bonds (2016: £197 million) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2016	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment	197,196	73	8	6	13
Total / Weighted Average	**197,196**	**73**	**8**	**6**	**13**

	Market value 31/03/2015	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment	210,364	70	3	9	18
Total / Weighted Average	**210,364**	**70**	**3**	**9**	**18**

The cash that the Council manages internally on behalf of the Pension Fund is invested in line with the Council's Treasury Management Strategy, which sets out very strict limits on the counterparties which can be used and the amounts that can be invested with them. The amount of cash held by fund managers is kept to a minimum and when held for a period of time is invested in the custodian bank's AAAm rated money market fund. The table below details the credit ratings of the institutions the cash was held with.

31/03/2016			31/03/2015	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
9,029	AA-	Northern Trust	9,228	AA-
0	A	Barclays Bank	762	A
11,665	AAAm	Money Market Funds	3,160	AAAm
20,694			**13,150**	

The limits for both bonds and cash are kept under constant review to be able to respond quickly to changes in the creditworthiness of counterparties which may increase risk.

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31st March 2016 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2013. The next valuation will take place as at 31st March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering body considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the tax payer from an employer defaulting on its pension obligations.

The market value of the Fund at the time of the last triennial valuation as at 31st March 2013 was £863 million. Against this sum liabilities were identified of £1,232 million equivalent to a funding deficit of £369 million. The movement in the actuarial deficit between 2010 and the last valuation in 2013 is analysed below:

Reason for change	£m
Interest on deficit	(58)
Contributions greater than cost of accrual	23
Investment returns higher than expected	51
Change in demographic assumptions	(4)
Experience items	51
Change in financial assumptions	(136)
Total	**(73)**
Deficit brought forward	**(296)**
Deficit carried forward	**(369)**

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is 5 years but in some cases a maximum period of eighteen years can be granted. Solvency is achieved when the funds held, plus future expected investments returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding is less than 100% of the funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the fund was assessed as 70% funded (69% at the 31st March 2010 valuation). This corresponds to a deficit of £369m (2010 valuation: £296m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The actuary agreed that the Council's contribution rate could increase by 2% over a three year period from April 2014, from 22.9% of pensionable salaries to 24.9% in March 2017. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit. The 2015/16 contribution rate was split between 7.8% for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1%.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2013 actuarial valuation report.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Future assumed rates as at 31st March 2013	%
Discount rate (annual nominal return rate)	4.6
Pay increase (annual change)	4.3
Pay increase - Pension (annual change)	2.5

*Salary increases assumed to be 1% p.a. until 31st March 2016, reverting to the long term assumption shown thereafter. The next actuarial valuation will be carried out as at 31st March 2016.

18. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 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 from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

31/03/16		31/03/15
£m		£m
(1,590)	Present Value of promised retirement benefits	(1,708)
1,047	Fair Value of scheme assets (bid value)	1,045
(543)	**Net Liability**	**(663)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

19. Current assets

2015/16		2014/15
£000		£000
	Debtors	
105	- Contributions due - employees	418
1,830	- Contributions due - employers	274
355	- Sundry debtors	35
2,290	**Total**	**727**

The below is an analysis of debtors.

2015/16		2014/15
£000		£000
32	Central government bodies	33
233	Public corporations and trading funds	0
2,025	Other entities and individuals	694
2,290	**Total**	**727**

20. Current liabilities

2015/16		2014/15
£000		£000
(1,467)	Sundry creditors	(1,129)
(123)	Benefits payable	(184)
(1,590)	**Total**	**(1,313)**

The below is an analysis of creditors.

2015/16		2014/15
£000		£000
(154)	Other local authorities	(245)
(731)	Public corporations and trading funds	0
(705)	Other entities and individuals	(1,068)
(1,590)	**Total**	**(1,313)**

21. Additional Voluntary Contributions ("AVCs")

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked and Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised below:

PENSION FUND

31/03/2016	Equitable Life Assurance Society	31/03/2015
£		£
344,177	Value as at 6 April	331,682
2,123	Contributions received	2,945
(89,391)	Retirement benefits and changes	(9,188)
(179)	Changes in market value	18,738
256,730	**Value as at 5 April**	**344,177**
138,298	Equitable with profits	138,639
45,572	Equitable with deposit account fund	134,469
72,860	Equitable unit linked	71,069
256,730	**Total**	**344,177**
2	Number of active members	5
35	Number of members with preserved benefits	37

31/03/2016	Prudential Assurance	31/03/2015
£		£
844,895	Value as at 1 April	891,664
136,436	Contributions received	125,066
(272,722)	Retirement benefits and changes	(237,091)
45,054	Changes in market value	65,256
753,663	**Value as at 31 March**	**844,895**
466,261	Prudential with profits cash accumulation	493,359
86,977	Prudential deposit fund	194,059
200,424	Prudential unit linked	157,477
753,662	**Total**	**844,895**
77	Number of active members	76
26	Number of members with preserved benefits	28

31/03/2016	Clerical and Medical	31/03/2015
£		£
40,860	Value as at 1 April	35,429
1,800	Contributions received	2,017
(632)	Changes in market value	3,414
42,028	**Value as at 31 March**	**40,860**
5,593	Clerical Medical with profits	5,561
36,435	Clerical Medical unit linked	35,299
42,028	**Total**	**40,860**
2	Number of active members	2
3	Number of members with preserved benefits	3

22. Related party transactions

Haringey Council

In 2015/16 the Pension Fund paid £0.509 million to the Council for administration and legal services (£0.518 million in 2014/15). As at 31st March 2016 an amount of £1.48 million was due from the Council to the Fund (£0.247 million in 2014/15).

Governance

During 2015/16 no Council members who served on the Pensions Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

Key Management Personnel

Local Authorities are exempt from the key management personnel requirements of IAS 24, on the basis of the disclosures required by the Accounts and Audit (England) Regulations. This also applies to the Haringey Pension Fund. The disclosures prepared in line with the Regulations can be found in the main accounts of Haringey Council. The key management person is Tracie Evans, Chief

Operating Officer, who was “Scheme Administrator” during the year.

There were no other material related party transactions.

23. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £81.5 million (£51.8 million with Pantheon – Private Equity and £29.6 million with Allianz – Infrastructure debt and £0.1 million with CBRE Property at 31st March 2015 (2014: £40.4 million). The commitments relate to outstanding call payments due in relation to the private equity and property and infrastructure debt portfolios.

24. Contingent assets

Seven admitted body employers in the Haringey Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

25. Impairment losses

The Fund did not incur any impairment losses during 2015/16.

Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS 19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS 26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS 19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund, which is in the remainder of this note.

Present Value of Promised Retirement Benefits

Present value of Promised	Year ended	Year ended

Retirement Benefits	31/03/2016	31/03/2015
Active members	719	734
Deferred pensioners	371	419
Pensioners	501	555
Total	**1590**	**1708**

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS 19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £158 million.

Financial assumptions

My recommended financial assumptions are summarised below:

PENSION FUND

Year ended	31 Mar 2016 % p.a.	31 Mar 2015 % p.a.
Inflation/Pensions Increase Rate	2.2	2.4
Salary Increase Rate	4.2	4.3
Discount Rate	3.5	3.2

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to 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	21.9 years	24.1 years
Future Pensioners*	24.2 years	26.5 years

*Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to the previous IAS 26 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.

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11	167
1 year increase in member life expectancy	3	48
0.5% increase in salary increase rate	3	48
0.5% increase in pensions increase rate	7	117

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report 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.

Prepared by:-

Douglas Green FFA
April 2016

GLOSSARY