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

[TO BE INSERTED AT END OF AUDIT]

2017/18	Pension Fund Account	Note	2016/17
£000			£000
	Dealings with members, employers and others directly involved in the fund		
44,455	Contributions	7	47,249
5,436	Transfers in from other pension funds	8	2,839
49,891			50,088
(49,145)	Benefits	9	(47,223)
(6,421)	Payments to and on account of leavers	10	(3,662)
(55,566)			(50,885)
(5,675)	**Net withdrawals from dealings with members**		**(797)**
(7,124)	Management expenses	11	(4,646)
(12,799)	**Net withdrawals including fund management expenses**		**(5,443)**
	Returns on Investments:		
5,853	Investment Income	12	4,146
(5)	Taxes on income	13	(4)
55,370	Profit and losses on disposal of investments and changes in market value of investments	14a	262,508
61,218	**Net return on investments**		**266,650**
48,419	**Net increase in the net assets available for benefits during the year**		**261,207**
1,307,484	**Opening net assets of the scheme**		**1,046,277**
1,355,903	**Closing net assets of the scheme**		**1,307,484**

31/03/18	Net Asset Statement	Note	31/03/17
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,283,610	Investment assets	14	1,275,186
73,879	Cash deposits	14	33,907
1,357,489			1,309,093
944	Current assets	21	1,488
(2,680)	Current liabilities	22	(3,247)
1,355,903	**Net assets of the fund available to fund benefits at the period end**		**1,307,484**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end. The actuarial present value of promised benefits is disclosed at note 20.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2018

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

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 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 2017/18*, 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 2016

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31st March 2018.

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 2016.

The Pensions Committee and Board 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 Investment Strategy Statement (ISS), (previously the Statement of Investment Principles), which is published in the Pension Fund Annual Report. The ISS 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 awarded one new mandate in 2017/18, to a multi asset absolute return London Collective Investment Vehicle (CIV) sub-fund, managed by Ruffer. This mandate was funded during 2017/18.

Fund administration and membership

At 31st March 2018, there were 6,716 (2017: 6,167) active fund memberships with employees contributing to the Fund and 7,742 (2017: 7,508) pensioner and dependent memberships with individuals receiving benefits. There were also 8,719 (2017: 8,769) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

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

Transferee Admission Bodies:

- Cofely Workplace Limited
- Fusion Lifestyle
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (nine school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- Superclean Services
- ISS Catering (two school contracts)
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (ten school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere 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
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon
- Dukes Aldridge Academy

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.

Description of the Fund

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 contributions 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 and Board. Details of the individuals who served on the Pensions Committee and Board during 2017/18 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2017/18). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2017/18 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Mark Blake	-	Member
Cllr Liz McShane	-	Member
Cllr Viv Ross	-	Member
Cllr Noah Tucker	-	Member
Randy Plowright	-	Employee representative
Ishmael Owarish	-	Employee representative
Keith Brown	-	Employer representative

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Significant accounting policies

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

<u>Contributions</u>
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.

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

<u>Investment income</u>
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 posted to the fund account. Interest is recognised on an effective interest rate basis.

Benefits

Benefits are shown on an accruals basis relating to the date on which they become payable.

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. Up front 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 and carried at fair value or amortised cost on 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. See note 16 for further detail including the valuation methodology for different investments.

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 2018. 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. These are used in the day-to-day cash management of the Fund.

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 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

Additional Voluntary Contributions (“AVCs”)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 23 to the financial statements.

4. 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 Private Equity 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. Further detail is given in note 16.

Actuarial present value of promised retirement benefits – the 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 liability is calculated by the Fund’s qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty (as shown in the CIPFA example accounts).

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 judgments 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 would result in a decrease in the pension liability of £186m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £22m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £155m (8%)
Private Equity	Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation.	The total private equity investments in the financial statements are £66m. There is a risk that this may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

6. Events after the reporting date

Bulk Transfer

- The College of Haringey, Enfield and North East London (CoHENEL) ceased to be a participating employer in Haringey's fund following its merger with another larger London College from 1st November 2017. The college applied for a Directions order from the then Secretary of State for Communities and Local Government to transfer all pension assets and liabilities relating to CoHENEL to the London Pension Fund Authority (LPFA) who administers the other college's pensions. This Directions Order was granted. Haringey continued to administer CoHENEL's pensions in the interim period from 1st November 2017 to 31st March 2018 until the bulk transfer concludes. All pensions benefits paid to the college's fund members during this period will be recouped in the bulk transfer of pension assets between Haringey and the LPFA Funds. The bulk transfer is likely to take place in the summer of 2018, and is estimated at circa £40m. Bulk transfers are accounted for on a cash basis as per the Pensions SoRP, and hence are not disclosed as a balance sheet item in these accounts.

7. Contributions receivable

2017/18		2016/17
£000	**By category**	£000
9,386	Employee contributions	9,341
	Employer contributions	
23,625	- Normal contributions	25,469
10,267	- Deficit recovery contributions	10,494
1,177	- Augmentation contributions	1,945
35,069	Total employers' contributions	37,908
44,455	**Total**	**47,249**

2017/18		2016/17
£000	**By authority**	£000
33,069	- Administering authority	33,501
10,530	- Scheduled bodies	11,231
856	- Admitted bodies	2,517
44,455	**Total**	**47,249**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2017/18 of £5.436 million (£2.839 million in 2016/17) and these all related to individuals.

9. Benefits payable

2017/18		2016/17
£000	**By category**	£000
39,088	- Pensions	37,194
8,309	- Commutation and lump sum retirement benefits	8,040
1,748	- Lump sum death benefits	1,989
49,145	**Total**	**47,223**

2017/18		2016/17
£000	**By authority**	£000
44,536	- Administering authority	42,192
3,488	- Scheduled bodies	3,904
1,121	- Admitted bodies	1,127
49,145	**Total**	**47,223**

10. Payments to and on account of leavers

2017/18		2016/17
£000		£000
87	Refunds to members leaving service	87
6,334	Individual transfers	3,575
6,421	**Total**	**3,662**

11. Management expenses

2017/18		2016/17
£000		£000
1,335	Administrative costs	865
5,457	Investment management expenses	3,493
332	Oversight and governance costs	288
7,124	**Total**	**4,646**

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £21k for external audit fees in 2017/18 (£21k in 2016/17).

2017/18		2016/17
£000		£000
4,605	Management Fees	3,237
0	Performance Related Fees	0
57	Custody fees	57
795	Transaction Fees	199
5,457	**Total**	**3,493**

12. Investment income

2017/18		2016/17
£000		£000
5,836	Pooled investments - unit trusts and other managed funds	4,113
17	Interest on cash deposits	33
5,853	**Total**	**4,146**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.515 million in 2017/18 (£3.768 million in 2016/17). The Fund does not directly own property, and no contingent rents were recognised as income during the period.

13. Taxes on income

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

14. Investments

14a. 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.

2017/18	Value at 1st April 2017	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2018
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,275,149	178,868	(225,854)	55,483	1,283,646
Cash deposits	33,907	118,798	(78,695)	(131)	73,879
Other investment assets/ liabilities	37	0	(91)	18	(36)
Total	**1,309,093**	**297,666**	**(304,640)**	**55,370**	**1,357,489**

2016/17	Value at 1st April 2016	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2017
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,022,300	13,310	(22,832)	262,371	1,275,149
Cash deposits	20,694	63,364	(50,292)	141	33,907
Other investment assets	2,583	5	(2,547)	(4)	37
Total	**1,045,577**	**76,679**	**(75,671)**	**262,508**	**1,309,093**

14b. Analysis of investments

31/03/2018	By category	31/03/2017
£000		£000
	Pooled Investment Vehicles	
90,383	Unit Trusts - Property - UK	90,876
276,260	Unitised Insurance Policies - UK	329,747
621,877	Unitised Insurance Policies - Overseas	721,999
0	Other managed funds - Property - Overseas	0
37,687	Other managed funds - Other - UK	27,819
190,629	Other managed funds - Other - Overseas	50,467
66,774	Private Equity	54,278
1,283,610		**1,275,186**
	Cash Deposits	
65,705	Sterling	29,771
8,174	Foreign Currency	4,136
73,879		**33,907**
1,357,489	**Total Investments**	**1,309,093**

14c. Analysis by Fund Managers

31/03/2018		By fund manager	31/03/2017	
£000	%		£000	%
5	0.00	Capital International	5	0.0
951,471	70.1	Legal and General	1,051,745	80.3
94,846	7.0	CBRE Global Investors	113,023	8.6
38,078	2.8	Allianz Global Investors	27,814	2.1
92,564	6.8	CQS	50,467	3.9
60,006	4.4	Pantheon	58,424	4.5
14,862	1.1	BlackRock	0	0.0
98,065	7.2	Ruffer	0	0.0
7,592	0.6	In house cash deposits	7,615	0.6
1,357,489	**100.0**	**Total**	**1,309,093**	**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.

31/03/2018		Name of holding	31/03/2017	
£000	%		£000	%
104,762	7.7%	Legal & General World Emerging Equity Index	138,965	10.6%
91,012	6.7%	Legal & General UK Equities Index	151,526	11.6%
0	0.0%	Legal & General North American Equities	222,584	17.0%
0	0.0%	Legal & General European (ex UK) Equities	74,404	5.7%
185,249	13.6%	Legal & General Index Linked Gilts	183,837	14.0%
302,573	22.3%	Legal & General Low Carbon Index	214,432	16.4%
98,065	7.2%	London CIV Ruffer Subfund	0	0.0%
92,564	6.8%	CQS Multi Asset Credit Fund	0	0.0%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2018.

16. Fair Value Hierarchy

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and index linked gilts (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset absolute return fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions, i.e. distributions or capital calls	Not Required

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's own reporting date, and by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2018	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	90,423	92,232	88,615
Private Equity	5%	66,771	70,110	63,433
		157,194	**162,341**	**152,047**

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. 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. Cash and short term investment debtors and creditors are classified as level 1.

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.

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 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 and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

Values as at 31/03/18	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	(36)	1,126,451	157,194	1,283,610
Total	**(36)**	**1,126,451**	**157,194**	**1,283,610**

Values as at 31/03/17	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	37	1,130,026	145,123	1,275,186
Total	**37**	**1,130,026**	**145,123**	**1,275,186**

16b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

16c. Reconciliation of fair value measurements within level 3

2017/18	Value at 1st April 2017 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2018
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	90,845	2,011	(1,732)	(1,262)	561	90,423
Private Equity	54,278	26,071	(15,301)	(2,960)	4,683	66,771
Total	**145,123**	**28,082**	**(17,033)**	**(4,222)**	**5,244**	**157,194**

17. Financial Instruments

17a. 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.

31/03/2018 Carrying Value	Name of holding	31/03/2017 Carrying Value restated
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets or liabilities at fair value through profit or loss	
1,283,646	- Pooled investment vehicles	1,275,149
(36)	- Other investment balances	37
1,283,610		**1,275,186**
	Loans and receivables	
73,879	- Cash deposits	33,907
944	- Debtors	1,488
74,823		**35,395**
	Financial liabilities at amortised cost	
(2,636)	- Creditors	(2,736)
(44)	- Cash overdrawn	(511)
(2,680)		**(3,247)**
1,355,903	**Net Assets**	**1,307,484**

The fair values shown above are the same as the carrying value for each line.

17b. Net gains and losses on financial instruments

2017/18		2016/17
£000		£000
	Financial Assets	
55,483	Fair value through profit or loss	262,512
(113)	Loans and receivables	(4)
55,370		262,508

The Fund 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

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, although this leads to a potential higher volatility of future funding levels and therefore 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 and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement 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 held within pooled investment vehicles, representing 66% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), 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 three years.

As at 31/03/2018	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	91,011	13.9	103,682	78,340
Overseas equities	621,877	18.3	735,617	508,137
UK bonds	185,249	12.0	207,428	163,070
Cash	73,879	0.0	73,879	73,879
Property	90,383	4.6	94,551	86,215
Alternatives	295,090	8.4	319,824	270,356
Total Assets	**1,357,489**		**1,534,981**	**1,179,997**

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	145,910	13.2	165,214	126,606
Overseas equities	721,999	17.4	847,696	596,301
UK bonds	183,837	11.4	204,715	162,959
Cash	33,907	0.0	33,907	33,907
Property	90,876	5.5	95,836	85,917
Alternatives	132,564	5.3	139,565	125,563
Total Assets	**1,309,093**		**1,486,933**	**1,131,253**

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. Nine (2016/17: eight) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with the new fund manager appointed in 2017/18 as at 31st March 2018, however investment had not yet commenced with two of the previously appointed fund managers, meaning that as at 31st March 2018 there were actual investments with seven different fund managers.

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 and Board.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 56% of the Fund value on 31st March 2018, equivalent to £761 million (2016/17: £793 million). These arise from passive pooled equities, private equity, property and cash. From 2017/18 going forwards, foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds.

The main non-sterling currency exposures at 31st March 2018 was the US dollar. Other major exposures were the Euro, and Asian and emerging market countries.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2018	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	621,877	10.0	684,065	559,689
Multi-sector credit	92,564	10.0	101,820	83,308
Private equity	38,198	10.0	42,018	34,378
Cash	8,174	10.0	8,991	7,356
Total Assets	**760,813**	**10.0**	**836,894**	**684,732**

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	721,999	10.0	794,198	649,799
Multi-sector credit	50,467	10.0	55,514	45,420
Private equity	16,116	10.0	17,727	14,504
Cash	4,136	10.0	4,550	3,723
Total Assets	**792,718**	**10.0**	**871,989**	**713,446**

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. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2017/18	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	17	86	(52)
Total	**17**	**86**	**(52)**

	Interest earned 2016/17	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	33	127	(61)
Total	**33**	**127**	**(61)**

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 2018 and 31st March

2017. The majority of bonds (2018: £185 million, 2017 £184m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2018	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	277,813	67	2	2	29
Total / Weighted Average	**277,813**	**67**	**2**	**2**	**29**

	Market value 31/03/2017	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	183,837	79	0	1	20
Total / Weighted Average	**183,837**	**79**	**0**	**1**	**20**

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.

31/03/2018			31/03/2017	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
66,287	AA-	Northern Trust	26,292	AA-
3,147	A	Barclays Bank Plc	-	-
4,445	AAAm	Money Market Funds	7,615	AAAm
73,879			**33,907**	

The limits for cash is 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 2017 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.

19. 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 2016. The next valuation will take place as at 31st

March 2019.

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 2016 was £1,046 million. Against this sum liabilities were identified of £1,323 million equivalent to a funding deficit of £277 million. The movement in the actuarial deficit between 2013 and the last valuation in 2016 is analysed below:

Reason for change	£m
Interest on deficit	(53)
Contributions greater than cost of accrual	13
Investment returns higher than expected	68
Change in demographic assumptions	6
Change in base mortality assumptions	17
Actual membership higher than expected	57
Experience items	1
Change in financial assumptions	(17)
Total	**92**

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. 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 2016 actuarial valuation, the fund was assessed as 79% funded (70% at the 31st March 2013 valuation). This corresponds to a deficit of £277m (2013 valuation: £369m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2020 for scheme employers, or changes may take immediate effect from 1 April 2017. The actuary agreed that the Council's contribution rate could increase by 1.5% over a three year period from April 2017, from 24.9% of pensionable salaries to 26.4% in March 2019. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

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 2016 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 2016	%
Discount rate (annual nominal return rate)	4.0
Pay increase (annual change)	2.8
Pay increase - Pension (annual change)	2.1
Retail Price Index (RPI)	3.3

*An allowance is also made for promotional pay increases.

20. 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.

31/03/18		31/03/17
£m		£m
(1,906)	Present Value of promised retirement benefits	(1,849)
1,356	Fair Value of scheme assets	1,307
(550)	**Net Liability**	**(542)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

21. Current assets

31/03/18		31/03/17
£000		£000
	Debtors	
77	- Contributions due - employees	89
783	- Contributions due - employers	1,351
84	- Sundry debtors	48
944	**Total**	**1,488**

The below is an analysis of debtors.

31/03/18		31/03/17
£000		£000
26	Central government bodies	48
47	Public corporations and trading funds	165
871	Other entities and individuals	1,275
944	**Total**	**1,488**

22. Current liabilities

31/03/18		31/03/17
£000		£000
(1,751)	Sundry creditors	(1,260)
(885)	Benefits payable	(1,476)
(44)	Bank overdraft	(511)
(2,680)	**Total**	**(3,247)**

The below is an analysis of creditors.

31/03/18		31/03/17
£000		£000
(353)	Other local authorities	(92)
(477)	Public corporations and trading funds	(745)
(1,850)	Other entities and individuals	(2,410)
(2,680)	**Total**	**(3,247)**

23. 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:

31/03/2018	Equitable Life Assurance Society	31/03/2017
£000		£000
247	Value as at 6 April	258
0	Contributions received	0
(22)	Retirement benefits and changes	(30)
6	Changes in market value	19
231	**Value as at 5 April**	**247**
110	Equitable with profits	121
0	Equitable with deposit account fund	0
121	Equitable unit linked	126
231	**Total**	**247**
1	Number of active members	2
30	Number of members with preserved benefits	32

31/03/2018	Prudential Assurance	31/03/2017
£000		£000
721	Value as at 1 April	754
143	Contributions received	213
(26)	Retirement benefits and changes	(281)
17	Changes in market value	35
855	**Value as at 31 March**	**721**
514	Prudential with profits cash accumulation	483
154	Prudential deposit fund	85
187	Prudential unit linked	153
855	**Total**	**721**
73	Number of active members	73
21	Number of members with preserved benefits	23

31/03/2018	Clerical and Medical	31/03/2017
£000		£000
49	Value as at 1 April	42
2	Contributions received	2
(23)	Changes in market value	5
28	**Value as at 31 March**	**49**
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	43
28	**Total**	**49**
2	Number of active members	2
2	Number of members with preserved benefits	3

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2017/18 the Pension Fund paid £0.672 million to the Council for administration and legal services (£0.571 million in 2016/17). As at 31st March 2018 an amount of £0.242 million was due from the Council to the Fund (£0.858 million in 2016/17).

Governance

During 2017/18 no Council members who served on the Pensions Committee and Board were also members of Haringey Pension Fund. Two of the employer and employee representatives for the Committee and Board were fund members. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council recharges the pension fund for a portion of this officer's costs. The post was filled by agency staff members in 2017/18 who did not have the right to join Haringey Pension Fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £149.9 million (£35.9 million with Pantheon – Private Equity, £9.7 million with Allianz – Infrastructure debt, £18.1 million with Blackrock, and £36.2m with Copenhagen Infrastructure Partners and £50m with Aviva Property at 31st March 2018 (2017: £122.7 million). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure, property and infrastructure debt portfolios.

The Shared Digital Service (SDS) is a joint initiative between the London Boroughs of Haringey, Camden and Islington, to manage the IT services for all three authorities. SDS may involve a TUPE transfer of staff from Haringey to Camden Council, and as such, the pension assets attributable to any staff who transfer will transfer to Camden Pension Fund. The timing of this potential TUPE transfer is unknown, however the bulk transfer for this group of staff is likely to be in the range of circa £8m.

27. Contingent assets

Twelve 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.

Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the 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, IAS26 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 IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2018	Year ended 31/03/2017
Active members	736	666
Deferred pensioners	523	515
Pensioners	647	668
Total	**1,906**	**1,849**

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am 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, I have not made any allowance for unfunded benefits.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are the same as at 31 March 2018 and 31 March 2017. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended	31 Mar 2018 % p.a.	31 Mar 2017 % p.a.
Inflation/Pensions Increase Rate	2.4	2.4
Salary Increase Rate	3.0	3.0
Discount Rate	2.6	2.6

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has 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	21.8 years	24.1 years
Future Pensioners	23.8 years	26.0 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10	186
0.5% increase in salary increase rate	1	22
0.5% increase in pensions increase rate	8	155

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

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Douglas Green FFA

27 April 2018

For and on behalf of Hymans Robertson LLP