PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2018/19	Pension Fund Account	Note	2017/18
£000			£000
	Dealings with members, employers and others directly involved in the fund		
44,194	Contributions	7	44,455
3,738	Transfers in from other pension funds	8	5,436
47,932			49,891
(49,774)	Benefits	9	(49,145)
(44,409)	Payments to and on account of leavers	10	(6,421)
(94,183)			(55,566)
(46,250)	**Net withdrawals from dealings with members**		**(5,675)**
(7,448)	Management expenses	11	(7,124)
(53,698)	**Net withdrawals including fund management expenses**		**(12,799)**
	Returns on Investments:		
7,236	Investment Income	12	5,853
(11)	Taxes on income	13	(5)
73,337	Profit and losses on disposal of investments and changes in market value of investments	14a	55,370
80,562	**Net return on investments**		**61,218**
26,864	**Net increase in the net assets available for benefits during the year**		**48,419**
1,355,903	**Opening net assets of the scheme**		**1,307,484**
1,382,767	**Closing net assets of the scheme**		**1,355,903**

31/03/19	Net Asset Statement	Note	31/03/18
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,365,784	Investment assets	14	1,283,610
18,384	Cash deposits	14	73,879
1,384,168			1,357,489
822	Current assets	21	944
(2,373)	Current liabilities	22	(2,680)
1,382,767	**Net assets of the fund available to fund benefits at the period end**		**1,355,903**

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 2019

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 2019.

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 made no significant changes to its Investment Strategy in 2018/19.

Fund administration and membership

At 31st March 2019, there were 6,445 (2018: 6,716) active fund memberships with employees contributing to the Fund and 7,794 (2018: 7,742) pensioner and dependent memberships with individuals receiving benefits. There were also 8,733 (2018: 8,719) 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 (three school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- ISS Catering
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd
- Haringey Education Partnership

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- 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
- The Grove 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.

The College of Haringey, Enfield & North East London was previously a scheduled body participating in the fund, however, it merged with another larger college and transferred from Haringey Fund in November 2018.

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 2018/19 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 2018/19). 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 2018/19 year was:

Cllr Matt White	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Khaled Moyeed	-	Member
Cllr Kaushika Amin	-	Member
Cllr Viv Ross	-	Member
Cllr Paul Dennison	-	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 2018/19 financial year and its position at year-end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

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 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, Pension increase 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% decrease in the discount rate would result in a increase in the pension liability of £208m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £24m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £173m (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 £90m. 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

The McCloud case relates to age discrimination in the judges public sector pension scheme, this ruling will be applicable to all other public sector schemes, including the LGPS and Haringey Pension Fund. When the public service pension schemes moved from final salary benefit structures to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government intends to appeal this ruling in relation to the judges scheme, however, should it stand, this has the potential to increase the liabilities in any of the public service pension schemes, potentially increasing the costs for employers, and worsening the funding positions of employers who participate in the fund. The precise size and scale of such liabilities are as yet unknown, and this is a source of uncertainty nationally, as such, no provision is made for such potential liabilities within the actuarial disclosures within these accounts.

The precise timing of any legal judgment to clarify this situation is unknown, any remedy would be extremely complex and could take years to rectify. The Fund's Officers will follow developments closely.

7. Contributions receivable

2018/19		2017/18
£000	**By category**	£000
9,619	Employee contributions	9,386
	Employer contributions	
24,392	- Normal contributions	23,625
9,488	- Deficit recovery contributions	10,267
695	- Augmentation contributions	1,177
34,575	Total employers' contributions	35,069
44,194	**Total**	**44,455**

2018/19		2017/18
£000	**By authority**	£000
33,789	- Administering authority	33,069
9,549	- Scheduled bodies	10,530
856	- Admitted bodies	856
44,194	**Total**	**44,455**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2018/19 of £3.738 million (£5.436 million in 2017/18) and these all related to individuals.

9. Benefits payable

2018/19		2017/18
£000	**By category**	£000
40,446	- Pensions	39,088
7,916	- Commutation and lump sum retirement benefits	8,309
1,412	- Lump sum death benefits	1,748
49,774	**Total**	**49,145**

2018/19		2017/18
£000	**By authority**	£000
45,473	- Administering authority	44,536
3,069	- Scheduled bodies	3,488
1,232	- Admitted bodies	1,121
49,774	**Total**	**49,145**

10. Payments to and on account of leavers

2018/19		2017/18
£000		£000
92	Refunds to members leaving service	87
40,436	Bulk Transfers	0
3,881	Individual transfers	6,334
44,409	**Total**	**6,421**

11. Management expenses

2018/19		2017/18
£000		£000
1,306	Administrative costs	1,335
5,814	Investment management expenses	5,457
328	Oversight and governance costs	332
7,448	**Total**	**7,124**

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 £16k for external audit fees in 2018/19 (£21k in 2017/18).

2018/19		2017/18
£000		£000
5,590	Management Fees	4,605
0	Performance Related Fees	0
71	Custody fees	57
154	Transaction Fees	795
5,815	**Total**	**5,457**

12. Investment income

2018/19		2017/18
£000		£000
7,200	Pooled investments - unit trusts and other managed funds	5,836
36	Interest on cash deposits	17
7,236	**Total**	**5,853**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.369 million in 2018/19 (£3.515 million in 2017/18). 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.

2018/19	Value at 1st April 2018	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2019
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,283,646	153,682	(149,748)	73,162	1,360,742
Cash deposits	73,879	49,025	(104,755)	235	18,384
Other investment assets/ liabilities	(36)	0	5,139	(60)	5,043
Total	**1,357,489**	**202,707**	**(249,364)**	**73,337**	**1,384,168**

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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	37	0	(91)	18	(36)
Total	**1,309,093**	**297,666**	**(304,640)**	**55,370**	**1,357,489**

14b. Analysis of investments

31/03/2019	By category	31/03/2018
£000		£000
	Pooled Investment Vehicles	
96,717	Unit Trusts - Property - UK	90,383
195,856	Unitised Insurance Policies - UK	276,260
655,352	Unitised Insurance Policies - Overseas	621,877
0	Other managed funds - Property - Overseas	0
43,611	Other managed funds - Other - UK	37,687
283,846	Other managed funds - Other - Overseas	190,629
90,403	Private Equity	66,774
1,365,784		**1,283,610**
	Cash Deposits	
14,367	Sterling	65,705
4,017	Foreign Currency	8,174
18,384		**73,879**
1,384,168	**Total Investments**	**1,357,489**

14c. Analysis by Fund Managers

31/03/2019		By fund manager	31/03/2018	
£000	%		£000	%
5	0.00	Capital International	5	0.0
854,075	61.7	Legal and General	951,471	70.1
99,657	7.2	CBRE Global Investors	94,846	7.0
44,216	3.2	Allianz Global Investors	38,078	2.8
126,935	9.2	CQS	92,564	6.8
67,718	4.9	Pantheon	60,006	4.4
22,488	1.6	BlackRock	14,862	1.1
158,286	11.4	Ruffer	98,065	7.2
3,538	0.3	CIP	0	0.0
7,250	0.5	In house cash deposits	7,592	0.6
1,384,168	**100.0**	**Total**	**1,357,489**	**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.

31/03/2019 £000	%	Name of holding	31/03/2018 £000	%
99,382	7.2%	Legal & General World Emerging Equity Index	104,762	7.7%
0	0.0%	Legal & General UK Equities Index	91,012	6.7%
195,855	14.1%	Legal & General Index Linked Gilts	185,249	13.6%
281,914	20.4%	Legal & General Low Carbon Index	302,573	22.3%
152,887	11.0%	London CIV Ruffer Subfund	98,065	7.2%
126,267	9.1%	CQS Multi Asset Credit Fund	92,564	6.8%
274,055	19.8%	Multi Factor Global	0	0.0%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2019.

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

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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 2019.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2019	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	96,717	98,652	94,783
Private Equity	5%	90,403	94,923	85,882
		187,120	**193,574**	**180,666**

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 31/03/19	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	5,042	1,173,623	187,120	1,365,784
Total	**5,042**	**1,173,623**	**187,120**	**1,365,784**

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 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**

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

2018/19	Value at 1st April 2018 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2019
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	90,422	14,922	(6,702)	(3,864)	1,939	96,717
Private Equity	66,772	26,640	(12,663)	88	9,565	90,403
Total	**157,194**	**41,562**	**(19,365)**	**(3,776)**	**11,504**	**187,120**

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.

31/03/2019 Carrying Value	Name of holding	31/03/2018 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	
1,360,743	- Pooled investment vehicles	1,283,646
5,042	- Other investment balances	(36)
1,365,785		**1,283,610**
	Loans and receivables	
18,383	- Cash deposits	73,879
822	- Debtors	944
19,205		**74,823**
	Financial liabilities at amortised cost	
(2,373)	- Creditors	(2,636)
0	- Cash overdrawn	(44)
(2,373)		**(2,680)**
1,382,767	**Net Assets**	**1,355,903**

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

17b. Net gains and losses on financial instruments

2018/19		2017/18
£000		£000
	Financial Assets	
73,162	Fair value through profit or loss	55,483
174	Loans and receivables	(113)
73,336		55,370

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.

<u>a) Management of risk</u>

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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	0	12.6	0	0
Overseas equities	655,353	15.1	754,101	556,604
UK bonds	195,855	11.1	217,682	174,028
Cash	18,384	0.0	18,384	18,384
Property	96,717	4.2	100,766	92,669
Alternatives	417,859	8.7	454,368	381,350
Total Assets	**1,384,168**		**1,545,301**	**1,223,035**

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**

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 investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with eight of these fund managers as at 31st March 2019.

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 62% of the Fund value on 31st March 2019, equivalent to £853 million (2017/18: £761 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 2019 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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,353	10.0	720,888	589,818
Multi-sector credit	126,935	10.0	139,629	114,242
Private equity	90,401	10.0	99,441	81,361
Cash	4,017	10.0	4,419	3,615
Total Assets	**876,706**	**10.0**	**964,377**	**789,035**

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**	**684,731**

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 2018/19	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	36	178	(107)
Total	**36**	**178**	**(107)**

	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)**

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 2019 and 31st March 2018. The majority of bonds (2019: £196 million, 2018 £185m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2019	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	322,790	61	3	2	34
Total / Weighted Average	**322,790**	**61**	**3**	**2**	**34**

	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**

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.

31/03/2019			31/03/2018	
Exposure	**Credit rating**		**Exposure**	**Credit rating**
£000			£000	
11,133	AA-	Northern Trust	66,287	AA-
5	A	Barclays Bank Plc	3,147	A
7,245	AAAm	Money Market Funds	4,445	AAAm
18,384			**73,879**	

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 2019 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, (this valuation will be finalised prior to 31st March 2020).

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.

31/03/19		31/03/18
£m		£m
(2,080)	Present Value of promised retirement benefits	(1,906)
1,383	Fair Value of scheme assets	1,356
(697)	**Net Liability**	**(550)**

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

31/03/19		31/03/18
£000		£000
	Debtors	
95	- Contributions due - employees	77
639	- Contributions due - employers	783
88	- Sundry debtors	84
822	**Total**	**944**

The below is an analysis of debtors.

31/03/19		31/03/18
£000		£000
33	Central government bodies	26
40	Public corporations and trading funds	47
749	Other entities and individuals	871
822	**Total**	**944**

22. Current liabilities

31/03/19		31/03/18
£000		£000
(1,922)	Sundry creditors	(1,751)
(451)	Benefits payable	(885)
0	Bank overdraft	(44)
(2,373)	**Total**	**(2,680)**

The below is an analysis of creditors.

31/03/19		31/03/18
£000		£000
(210)	Other local authorities	(353)
(555)	Public corporations and trading funds	(477)
(1,608)	Other entities and individuals	(1,850)
(2,373)	**Total**	**(2,680)**

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:

31/03/2019	Equitable Life Assurance Society	31/03/2018
£000		£000
231	Value as at 6 April	247
0	Contributions received	0
(36)	Retirement benefits and changes	(22)
9	Changes in market value	6
204	**Value as at 5 April**	**231**
83	Equitable with profits	110
0	Equitable with deposit account fund	0
121	Equitable unit linked	121
204	**Total**	**231**
1	Number of active members	1
28	Number of members with preserved benefits	30

31/03/2019	Prudential Assurance	31/03/2018
£000		£000
856	Value as at 1 April	721
168	Contributions received	143
(32)	Retirement benefits and changes	(26)
28	Changes in market value	17
1,020	**Value as at 31 March**	**855**
564	Prudential with profits cash accumulation	514
210	Prudential deposit fund	154
246	Prudential unit linked	187
1,020	**Total**	**855**
77	Number of active members	73
19	Number of members with preserved benefits	21

31/03/2019	Clerical and Medical	31/03/2018
£000		£000
28	Value as at 1 April	49
2	Contributions received	2
1	Changes in market value	(23)
31	**Value as at 31 March**	**28**
6	Clerical Medical with profits	6
25	Clerical Medical unit linked	22
31	**Total**	**28**
2	Number of active members	2
2	Number of members with preserved benefits	2

24. Agency Services

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

25. Related party transactions

Haringey Council

In 2018/19 the Pension Fund paid £0.651m to the Council for administration and legal services (£0.672 million in 2017/18). As at 31st March 2019 an amount of £0.161m was due from the Council to the Fund (£0.242 million in 2017/18).

Governance

During 2018/19 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 an agency staff members for the first half of 2018/19 who did not have the right to join Haringey Pension Fund, for the second half of the year the Section 151 Officer was a permanent member of staff who was a member of the fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £182.4m (£81.4m with Pantheon – Private Equity, £6.0m with Allianz – Infrastructure debt, £13.1m with Blackrock, and £31.9m with Copenhagen Infrastructure Partners and £50.0m with Aviva Property at 31st March 2019 (2018: £149.9m). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure, property and infrastructure debt portfolios.

There McCloud pensions ruling will potentially create additional liabilities for the fund, the size of which cannot yet be measured, and the probability of these materialising is uncertain. The Government Actuary's Department has estimated the potential additional liabilities in relation to this to amount to up to 1% of existing liabilities, which would imply additional liabilities for the fund of £21m. Should these liabilities materialise, employer contribution rates will be adjusted accordingly in future valuations of the fund. Further details of this matter are detailed in note 6 of these accounts.

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

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,046 million, were sufficient to meet 79% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £277 million.

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

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.8 years	24.1 years
Future Pensioners*	23.8 years	26.0 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years, leading to a net improvement on the funding position.

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

Douglas Green FFA

For and on behalf of Hymans Robertson LLP

24 May 2019

Hymans Robertson LLP

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