

PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2020/21	Pension Fund Account	Note	2019/20
£000			£000
	Dealing with members, employers and others directly involved in the fund		
47,954	Contributions	7	46,945
5,731	Transfers in from other pension funds	8	4,788
<u>53,685</u>			<u>51,733</u>
(51,291)	Benefits	9	(51,457)
(8,366)	Payments to and on account of leavers	10	(4,555)
<u>(59,657)</u>			<u>(56,012)</u>
(5,972)	Net withdrawals from dealings with members		(4,279)
(5,812)	Management expenses	11	(7,670)
<u>(11,784)</u>	Net withdrawals including fund management expenses		<u>(11,949)</u>
	Returns on Investments:		
12,687	Investment Income	12	12,083
(30)	Taxes on income	13	(7)
299,556	Profit and losses on disposal of investments and changes in market value of investments	14a	(56,311)
<u>312,213</u>	Net return on investments		<u>(44,235)</u>
300,429	Net increase/decrease in the net assets available for benefits during the year		(56,184)
<u>1,326,583</u>	Opening net assets of the scheme		<u>1,382,767</u>
<u>1,627,012</u>	Closing net assets of the scheme		<u>1,326,583</u>

2020/21	Net Asset Statement	Note	2019/20
£000			£000
	Long Term Investments		
150	London CIV		150
<u>150</u>			<u>150</u>
	Current Investments		
1,604,851	Investment assets	14	1,311,199
22,209	Cash deposits	14	17,314
<u>1,627,060</u>			<u>1,328,513</u>
1,957	Current assets	20	1,283
(2,155)	Current liabilities	21	(3,363)
<u>1,627,012</u>	Net assets of the fund available to fund benefits at the period end		<u>1,326,583</u>

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 19.

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Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2021

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 2019/20*, 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 (except liabilities to pay retirement benefits) for the Fund as at 31st March 2021.

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), 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 2020/21.

Fund administration and membership

At 31st March 2021, there were 6,298 (2020: 6,091) active fund memberships with employees contributing to the Fund and 6,959 (2020: 7,905) pensioner and dependent memberships with individuals receiving benefits. There were also 8,864 (2020: 9,027) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

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

Transferee Admission Bodies:

- ABM
- Absolutely Catering
- Ategi Ltd
- Braybourne
- Birkin Cleaning Services
- Cooperscroft Care Home
- Fusion Lifestyle
- Haringey Education Partnership
- Hertfordshire Catering Ltd (four school contracts)
- ISS Mediclean
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Lunchtime UK Limited (four school contracts)
- NVIRO Ltd
- Olive Dining (five school contracts)
- Pabulum (seven school contracts)
- Schools Office Services
- Veolia Environmental Services (UK) PLC

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- AET Noel Park
- AET Trinity Primary
- Alexandra Park Academy

- Brook House Primary
- Dukes Aldridge Academy
- Eden Free School
- Fortismere School
- Greig City Academy
- Haringey 6th Form Centre
- Harris Academy Coleraine
- Harris Academy Philip Lane
- Harris Academy Tottenham
- Holy Trinity CE Academy
- Heartlands High School
- Homes for Haringey
- LDBS Central
- Millbrook Primary School
- St Ann CE Academy
- St Michael's Academy
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Thomas More RC Academy
- The Grove School
- The Octagon
- Woodside 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.

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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 receives its income in the form of 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.

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 2020/21). 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 2020/21 year was:

Cllr John Bevan	-	Chair
Cllr Julie Davies	-	Vice Chair
Cllr James Chiriyankandath	-	Member
Cllr Noah Tucker	-	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 2020/21 financial year and its position at year-end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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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. Investment assets are included at fair value in accordance with IFRS 13. See note 15 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 drawdowns paid and distributions received in the period from the date of the private equity financial statements to 31st March 2021. 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.

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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 a three-month period or less from the date of acquisition and 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 19 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 22 to the financial statements.

4. Critical judgements in applying accounting policies

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 18. These actuarial revaluations are used to set future contribution rates and underpin the fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

Items	Uncertainties	Effect if actual results differ from assumptions
Private Equity	<p>The fair value of private equity investments is based on forward-looking estimates and judgments involving many factors.</p> <p>The Fund's private equity investments are usually valued in the accounts based on the 31 December valuations, with adjustments for cashflows and foreign exchange movements that have taken place between December and March.</p> <p>The ongoing impact of the COVID-19 pandemic continues to create uncertainty around the valuations of illiquid assets.</p>	<p>The total private equity investments in the financial statements are £89m. There is a risk that this may be over or understated.</p> <p>Further detail is shown in note 15 regarding the sensitivity of this valuation.</p>
Infrastructure	<p>The fair value of infrastructure investments is based on forward-looking estimates and judgments involving many factors.</p> <p>Several of the underlying assets are traded in private markets only and therefore judgement need to be made about their value, using factors such as the enterprise value and net debt.</p>	<p>The total private equity investments in the financial statements are £44m. There is a risk that this may be over or understated.</p> <p>Further detail is shown in note 15 regarding the sensitivity of this valuation.</p>

Items	Uncertainties	Effect if actual results differ from assumptions
Pooled Property Funds	<p>Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.</p> <p>Due to the impact of COVID-19, most of the holdings in this Fund include material valuation uncertainty clauses that have been used as the basis for valuing the affected holdings.</p>	<p>Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e., an increase or decrease of £16.7m, on carrying values of £167m</p>
Actuarial Present Value of promised retirement benefits	<p>Estimation of the 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.</p> <p>A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> - 0.5% decrease in the discount rate would result in an increase in the pension liability of £225m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £15m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £206m (9%)

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6. Events after the reporting date

There were no significant events which occurred after the reporting date.

7. Contributions receivable

2020/21		2019/20	
£000	By category	£000	
10,807	Employee contributions	10,122	
	Employer contributions		
28,344	- Normal contributions	25,526	
7,857	- Deficit recovery contributions	10,503	
946	- Augmentation contributions	794	
37,147	Total employers' contributions	36,823	
47,954	Total	46,945	

2020/21		2019/20	
£000	By authority	£000	
37,603	- Administering authority	36,678	
9,325	- Scheduled bodies	9,351	
877	- Admitted bodies	916	
47,805	Total	46,945	

8. Transfers in from other pension funds

There were transfers into the Pension Fund during 2020/21 of £5,731 million (£4.788 million in 2019/20) and these all related to individuals.

9. Benefits payable

2020/21		2019/20	
£000	By category	£000	
43,198	- Pensions	42,122	
7,110	- Commutation and lump sum retirement benefits	7,372	
983	- Lump sum death benefits	1,963	
51,291	Total	51,457	

2020/21		2019/20	
£000	By authority	£000	
51,291	- Administering authority	46,842	
0	- Scheduled bodies	3,331	
0	- Admitted bodies	1,284	
51,291	Total	51,457	

10. Payments to and on account of leavers

2020/21		2019/20	
£000		£000	
115	Refunds to members leaving service	175	
8,251	Individual transfers	4,380	
8,366	Total	4,555	

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11. Management expenses

2020/21		2019/20	
£000		£000	
468	Administrative costs	794	
4,919	Investment management expenses	6,509	
425	Oversight and governance costs	367	
5,812	Total	7,670	

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 £24k for external audit fees in 2020/21 (£24k in 2019/20).

11a. Investment Management Expenses

2020/21		2019/20	
£000		£000	
3,925	Management Fees	6,036	
262	Performance Related Fees	0	
57	Custody fees	42	
675	Transaction Fees	431	
4,919	Total	6,509	

12. Investment income

2020/21		2019/20	
£000		£000	
12,679	Pooled investments - unit trusts and other managed funds	12,044	
8	Interest on cash deposits	39	
12,687	Total	12,083	

13. Taxes on income

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

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14. Investments

14a. Reconciliation of movements in investment assets and liabilities

The changes in market value during the year comprise of 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.

2020/21	Value at 31st March 2020	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2021
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,311,150	91,148	(97,181)	300,146	1,605,263
Cash deposits	17,314	76,308	(70,833)	(580)	22,209
Other investment assets/ liabilities*	49	39	(490)	(10)	(413)
Total	1,328,513	167,495	(168,504)	299,556	1,627,060

2019/20	Value at 31st March 2019	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2020
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,360,742	87,663	(80,908)	(56,348)	1,311,150
Cash deposits	18,384	59,023	(60,129)	36	17,314
Other investment assets/ liabilities*	5,043	15	(5,010)	1	49
Total	1,384,168	146,702	(146,048)	(56,311)	1,328,513

14b. Analysis of investments

31/03/2021	By category	31/03/2020
£000		£000
150	Equities UK)	150
	<i>Unquoted</i>	
	Pooled Investment Vehicles (UK)	
	<i>Quoted</i>	
166,964	Unit Trust - Property	140,867
136,132	Unit Trust - Fixed Income	217,520
45,525	Debt Infrastructure	42,261
348,621		400,648
	Pooled Investment Vehicles (Overseas)	
	<i>Quoted</i>	
127,845	Absolute Return Fund	132,914
840,566	Unit Trust - Equity	568,610
155,411	Multi Asset Credit	96,013
1,123,822		797,537
	Pooled Investment Vehicles (Overseas)	
	<i>Unquoted</i>	
132,408	Private Equity	113,014
132,408		113,014
	Cash Deposits	
12,748	Sterling	13,344
9,461	Foreign Currency	3,969
22,209		17,314
1,627,210	Total Investments	1,328,663

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14c. Analysis by Fund Managers

31/03/2021		By fund manager	31/03/2020	
£000	%		£000	%
976,698	60.0	Legal & General	786,127	59.2
155,411	9.6	CQS	96,013	7.2
127,845	7.9	Ruffer	132,914	10.0
93,907	5.8	CBRE Global Investors	97,260	7.3
89,037	5.5	Pantheon	71,031	5.3
73,058	4.5	Aviva	47,865	3.6
45,525	2.8	Allianz Global Investors	42,260	3.2
26,718	1.6	BlackRock	26,743	2.0
16,652	1.0	CIP	15,952	1.2
22,209	1.4	In house cash deposits	12,348	0.9
1,627,060	100.0	Total	1,328,513	100.0

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

31/03/2021		Name of holding	31/03/2020	
£000	%		£000	%
355,008	21.8	Legal & General Low Carbon Index	245,870	18.5
362,429	22.3	RAFI Multi Factor Global	235,740	17.7
155,411	9.6	CQS Multi Asset Credit Fund	96,013	7.2
136,132	8.4	Legal & General Index Linked Gilts	217,520	16.4
127,845	7.9	London CIV Absolute Return Fund	132,914	10.0
123,128	7.6	Legal & General World Emerging Equity Index	86,999	6.5

15. 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, exchange traded quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

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include unquoted equity investments (private equity), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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 (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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions i.e., distributions or capital calls	Not Required
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period. Valuation techniques are used to determine the carrying amount of the pooled property fund.	NAV published, cashflow transactions, i.e., distributions or capital calls. Valuations are generally based on observable data but where this is not possible management uses the best available data.	Valuations could be affected by material events between the reporting date of the fund's financial statements, and by differences between audited and unaudited accounts. Valuations of underlying property assets.

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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 reporting date of the fund's financial statements, 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 2021.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2021	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	166,964	170,303	163,625
Private Equity	5%	132,408	139,028	125,788
		299,372	309,332	289,412

The following tables provide 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 31/03/2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
		£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	(413)	1,305,892	299,372	1,604,851	
Total	(413)	1,305,892	299,372	1,604,851	

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Values as at 31/03/2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	49	1,057,268	253,881	1,311,198
Total	49	1,057,268	253,881	1,311,198

15b. Transfers between Levels 1 and 2

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

15c. Reconciliation of fair value measurements within level 3

2020/21	Value at 1st April 2020	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2021
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	140,868	30,381	(1,912)	(2,502)	129	166,964
Private Equity	113,012	21,856	(15,764)	5,393	7,911	132,408
Total	253,880	52,237	(17,676)	2,891	8,040	299,372

16. Financial Instruments

16a. Classification of financial instruments

Most 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 "financial assets at amortised cost". 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.

31/03/2021 Carrying Value	Name of holding	31/03/2020 Carrying Value
£000		£000
	Long Term Investments	
150	- London CIV	150
150		150
	Financial assets or liabilities at fair value through profit or loss	
1,605,265	- Pooled investment vehicles	1,311,150
(413)	- Other investment balances	49
1,604,852		1,311,199
	Financial assets at amortised cost	
22,209	- Cash deposits	17,314
1,957	- Debtors	1,283
24,166		18,597
	Financial liabilities at amortised cost	
(2,155)	- Creditors	(3,174)
0	- Cash overdrawn	(189)
(2,156)		(3,363)
1,627,012	Net Assets	1,326,583

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The carrying values shown on the previous page are the same as the fair value for each line.

16b. Net gains and losses on financial instruments

2020/21		2019/20
£000		£000
	Financial Assets	
300,146	Fair value through profit or loss	(56,348)
(590)	Financial assets and liabilities at amortised cost	37
299,556		(56,311)

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

17. 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 assets – 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 52% of the fund's investment strategy which in line with the Fund's Strategic Asset Allocation, 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. Most 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.

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As at 31/03/2021	Value	%	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	26.4	1,062,056	619,076
UK bonds	136,132	12.2	152,705	119,559
Cash	22,209	0.0	22,209	22,209
Property	166,964	4.1	173,852	160,076
Alternatives	461,189	10.3	508,878	413,500
Total Assets	1,627,060		1,919,700	1,334,420

As at 31/03/2020	Value	%	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	8.5	617,102	520,115
UK bonds	217,520	5.2	228,789	206,251
Cash	17,314	0.0	17,314	17,314
Property	140,867	7.0	150,702	131,033
Alternatives	384,202	3.5	397,747	370,656
Total Assets	1,328,513		1,411,656	1,245,369

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 nine of these fund managers as at 31st March 2021.

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 70% of the Fund value on 31st March 2021, equivalent to £1,141 million (2018/19: £782 million). These arise from passive pooled equities, private equity, property and cash. 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 2021 was the US dollar. Other major exposures were the Euro, other European, Asian and emerging market country currencies.

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%.

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As at 31/03/2021	Value	%	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	10.0	924,623	756,509
Multi-sector credit	155,411	10.0	170,952	139,870
Private equity	132,408	10.0	145,649	119,167
Cash	12,748	10.0	14,023	11,473
Total Assets	1,141,133	10.0	1,255,247	1,027,020

As at 31/03/2020	Value	%	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	10.0	625,471	511,749
Multi-sector credit	96,013	10.0	105,614	86,412
Private equity	113,014	10.0	124,315	101,713
Cash	3,970	10.0	4,367	3,573
Total Assets	781,607	10.0	859,768	703,446

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 2020/21	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	8	26	(10)
Total	8	26	(10)

	Interest earned 2019/20	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	39	96	(17)
Total	39	96	(17)

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 on the following page shows the split of the bond investments by credit rating at 31st March 2021 and 31st March 2020. A significant amount of bonds held by the Fund (2021: £136m, 2019 £218m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA credit rating.

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	Market value 31/03/2021	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	291,543	47	4	4	45
Total / Weighted Average	291,543	47	4	4	45

	Market value 31/03/2020	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	313,533	69	3	2	26
Total / Weighted Average	313,533	69	3	2	26

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 following table details the credit ratings of the institutions the cash was held with.

31/03/2021			31/03/2020	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
18,287	AA-	Northern Trust	10,707	AA-
7	A	Barclays Bank Plc	2	A
3,915	AAAm	Money Market Funds	6,605	AAAm
22,209			17,315	

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 2021 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.

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18. 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 2019. Based on the current regulations, the next valuation will take place as at 31st March 2022, (this valuation will be finalised prior to 31st March 2023).

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 taxpayer 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 2019 was £1,384 million. Against this sum liabilities were identified of £1,378 million equivalent to a small funding surplus of £6 million (2016 valuation: deficit £277m). The movement in the actuarial deficit between 2016 and the last valuation in 2019 is analysed below:

Reason for change	£m
Employee/employer contributions	132
Benefits paid/other expenses	(6)
Membership changes	(284)
Membership Experience versus expectations	18
Investment returns higher than expected	395
Change in inflation assumptions	(38)
Change in actuarial assumptions	65
Total	282

The aim is to achieve and maintain 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 2019 actuarial valuation, the fund was assessed as 100% funded (79% at the 31st March 2016 valuation). This corresponds to a surplus of £6m (2016 valuation: deficit of £277m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2023 for scheme employers, or changes may take immediate effect from 1 April 2020. The actuary agreed that the Council's contribution rate could decrease by 1.5% over a three year period from April 2020, from 26.4% of pensionable salaries to 24.9%. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

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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 2019 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	31-Mar-16	31-Mar-19
	%	%
Discount rate (annual nominal return rate)	4.0	4.2
Pay increase (annual change)*	2.8	3.3
Pay increase - Pension (annual change)	2.1	2.3
Retail Price Index (RPI)	3.2	3.3

*An allowance is also made for promotional pay increases.

19. 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.

31/03/2021		31/03/2020
£000		£000
(2,346,000)	Present Value of promised retirement benefits	(1,815,000)
1,627,012	Fair Value of scheme assets	1,326,583
(718,989)	Net Liability	(488,417)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 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.

20. Current assets

31/03/2021		31/03/2020
£000		£000
	Debtors	
121	- Contributions due - employees	157
1,698	- Contributions due - employers	1,008
138	- Sundry debtors	118
1,957	Total	1,283

An analysis of the debtors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
73	Central government bodies	49
74	Public corporations and trading funds	72
1,810	Other entities and individuals	1,162
1,957	Total	1,283

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21. Current liabilities

31/03/2021		31/03/2020
£000		£000
	Creditors	
1,718	Sundry creditors	2,757
437	Benefits payable	606
2,155	Total	3,363

An analysis of the creditors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
767	Other local authorities	15
538	Public corporations and trading funds	675
850	Other entities and individuals	2,673
2,155	Total	3,363

22. 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:

31/03/2021	Utmost Life and Pensions/Equitable Life Assurance Society	31/03/2020
£000		£000
201	Value as at 6 April	204
0	Contributions received	0
(19)	Retirement benefits and changes	(11)
33	Changes in market value	8
215	Value as at 5 April	201
0	Equitable with profits	0
0	Equitable with deposit account fund	0
215	Equitable unit linked	201
215	Total	201
1	Number of active members	1
23	Number of members with preserved benefits	25

31/03/2021	Prudential Assurance	31/03/2020
£000		£000
1,020	Value as at 1 April	1,020
196	Contributions received	196
(166)	Retirement benefits and changes	(166)
73	Changes in market value	73
1,123	Value as at 31 March	1,123
574	Prudential with profits cash accumulation	574
264	Prudential deposit fund	264
285	Prudential unit linked	285
1,123	Total	1,123
72	Number of active members	77
19	Number of members with preserved benefits	19

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31/03/2021	Clerical and Medical	31/03/2020
£000		£000
31	Value as at 1 April	28
2	Contributions received	2
(5)	Changes in market value	1
28	Value as at 31 March	31
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	25
28	Total	31
2	Number of active members	2
2	Number of members with preserved benefits	2

23. Related party transactions

Haringey Council

In 2020/21 the Pension Fund paid £0.679m to the Council for administration and legal services (£0.649m in 2019/20). As at 31st March 2021 an amount of £0.551m was due from the Council to the Fund (£0.477million in 2019/20).

Governance

During 2020/21 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 Section 151 Officer was a permanent member of staff who was a member of the fund.

31/03/2021	Key Management Personnel	31/03/2020
£000		£000
25	Short - term benefits	24
6	Post-employment benefits	6
31		30

24. Contingent liabilities and contractual commitments

31/03/2021		31/03/2020
£000		£000
71,298	Pantheon	69,200
21,762	Copenhagen Infrastructure Partners	21,700
3,678	Blackrock	9,000
0	Aviva Lime	25,000
96,738	Total	124,900

The Fund has outstanding commitments to invest £96.7m in the private equity and renewable energy infrastructure portfolios. The £25m commitment relating to property was fully funded on 31 December 2021.

25. Contingent assets

Twelve admitted body employers in the Haringey Pension Fund hold insurance bonds in the value of £1.7m to guard against the possibility

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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

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 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

Year ended	31 March 2021 (£m)	31 March 2020 (£m)
Active members (£m)	901	601
Deferred members (£m)	674	505
Pensioners (£m)	771	709
Total (£m)	2,346	1,815

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The 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

PENSION FUND

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at

31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £448m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £27m.

Year ended	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.85%	2.90%
Discount Rate	2.00%	2.30%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.1 years	26.0 years

Please note that the longevity assumptions have 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:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	206
0.5% p.a. increase in the Salary Increase Rate	1%	15
0.5% p.a. decrease in the Real Discount Rate	10%	225

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 2021 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. Prepared by:-



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Natalie Alexander AFA

16 April 2021

For and on behalf of Hymans Robertson LLP