



Annual Pension Fund Report and Accounts

For the year ended 31 March 2017

Contents

Introduction.....	3
Management and Financial Performance Report	5
Governance Arrangements.....	6
Service Delivery	8
Pension Fund Advisers	9
Management Report for 2016/17	11
Membership.....	12
Investment Policy and Performance Report	16
Investment Strategy	17
Responsible Investment	19
Fund Managers.....	20
Investment Performance	22
Market Developments 2016/17	24
Scheme Administration Report	27
Local Government Pension Scheme.....	28
Administration Service Delivery	28
Communications Policy	30
Pensions Administration Strategy.....	31
Actuarial Funding Report	32
Funding Position.....	33
Funding Strategy Statement.....	35
Statement of Fund Actuary	36
Financial Report	38
Chief Financial Officer's Responsibilities.....	39
Statement of the Chief Financial Officer	39
Appendices.....	40

Introduction

Haringey Council presents its Annual Report and Accounts of the Haringey Local Government Pension Fund for the year ended 31st March 2017.

The Local Government Pension Scheme is a defined benefit Pension Scheme and was established on 1st April 1965. The Scheme is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004 and is contracted-out of the State Second Pension (S2P). It is a national scheme run locally by councils nominated as “Administering Authorities”.

Haringey Council is the Administering Authority in the Haringey area and runs the Scheme to provide retirement benefits to all eligible employees of Haringey Council and other eligible organisations in the Haringey area. More detail about these organisations can be found in the Membership section on page 12. The Management report on page 11 provides information about how the scheme is run. The Scheme’s registration number is 00329316RX.

Scheme Rules

The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index. For service prior to April 2014 benefits are based on final salary and years of service. Other than in accordance with legislative requirements, there were no increases to benefits in payment in the year. The Administration report on page 28 provides details about the administration of the Scheme.

Membership

There were 6,167 active members (2016: 6,229), 8,769 (2016: 8,519) deferred members, and 7,508 (2016: 7,304) pensioners and dependents receiving benefits. More details can be found in the Membership section on page 12.

Financial position

The financial statements and notes in Appendix 1 show that the value of the Fund's assets increased by £261m (25%) to £1,307m as at 31 March 2017. The most significant factor in the increase in the value of the fund was due to the strong equity market performance over the year and the relative gain on holdings denominated in foreign currencies following the decline in the value of Sterling after the vote to exit the European Union in the summer of 2016.

Investments

During the year the rate of return on the Fund's investments was 25.46%. This was 0.67% above the Fund's target of 24.79% for the year. The Fund participates in a benchmarking group maintained by the Pensions and Investment Research Consultants (PIRC): around two thirds of all LGPS Funds take part in this benchmarking group. Over the course of 2016/17, Haringey's investment performance was the second highest out of all the fund's which took part in this benchmarking. Haringey's performance was also the second highest over the rolling three year period which ended on 31 March 2017. More details of the investment strategy and the performance can be found on page 17.

Funding position

The last formal valuation of the funding position took place as at 31st March 2016, when the funding level was 79%. Details can be found in the Funding report on page 33. The next formal valuation will be carried out as at 31st March 2019.

Management and Financial Performance Report

- Governance Arrangements
- Service Delivery
- Pension Fund Advisers
- Management report for 2016/17
- Membership

Governance Arrangements

Haringey Council in its role as Administering Authority delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board during the year. Details of the individuals who served on the Pensions Committee and Board during 2016/17 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The committee fulfils the duties required by regulations for the Council to operate a Pensions Board. The Committee and Board consists of elected Councillors, with full voting rights and employer and employee representatives. Councillors are selected by their respective political Groups and their appointment was confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The other representatives were appointed by their peer groups. The membership of the Committee during the 2016/17 year was:

Councillor Clare Bull	Chair
Councillor John Bevan	Vice Chair
Councillor Mark Blake	
Councillor Gideon Bull	
Councillor Viv Ross	
Councillor Noah Tucker	
Randy Plowright	Employee Representative
Keith Brown	Employer Representative

Contact Details for Pensions Committee and Board

Pensions Committee and Board

London Borough of Haringey

5th Floor, River Park House,

London, N22 8HQ.

Governance Compliance Statement

The Pension Fund has published a Governance Compliance Statement in accordance with the LGPS Regulations and this is set out in Appendix 2. The objective of the statement is to make the administration and stewardship of the Pension Fund transparent and accountable to all stakeholders.

Service Delivery

Haringey Council Pension Service is composed of two streams of work: investments and accounting and pension administration. These two functions now both operate out of Corporate Finance, previously pensions administration was part of the Human Resources department.

Corporate Finance is responsible for investments and accounting work. Key tasks include:

- Support to the Committee and Board to set investment strategy and monitor investment performance;
- Managing the contracts with the Pension Fund's advisers;
- Producing the annual Pension Fund workplan and Annual report and accounts; and
- Maintaining the key governance statements the Pension Fund is required to publish (the current versions can be found in the Appendices to this report).

The Scheme Administration report on page 28 sets out the key tasks of the Pensions Administration service.

The Pension Fund's internal auditors are Mazars Public Sector Internal Audit Limited. Regular audits are carried out on both Pension Fund investments and Pensions administration.

Key Officer Contacts

Chief Financial Officer (S151 Officer)	Clive Heaphy
Head of Legal Services and Monitoring Officer	Bernie Ryan
Head of Pensions	Thomas Skeen
Pensions Manager	Janet Richards

Pension Fund Advisers

The Pension Fund retains a number of advisers to provide specialist advice and services. The contracts with these advisers are reviewed on a regular basis. A list of all advisers is provided below:

Secretary to the Committee	Head of Local Democracy and Member Services, London Borough of Haringey
Scheme Administrator	Chief Financial Officer, London Borough of Haringey
Actuary	Hymans Robertson LLP
Investment Managers	Legal & General Investment Management (LGIM) CBRE Global Investors Pantheon CQS Allianz Global Investors
Custodian	Northern Trust
Investment Consultants	Mercer UK Limited
Independent Adviser	John Raisin Financial Services Limited
Bankers	Barclays Bank Plc
Legal advisers	Head of Legal Services, London Borough of Haringey
Additional Voluntary Contribution providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Mazars Public Sector Internal Audit Limited
External Auditors	BDO LLP

Pensions Committee and Board Attendance 2016/17

Attendee	Voting Right	20 Sep 2016	22 Nov 2016	9 Feb 2017	27 Mar 2017
Councillor Clare Bull	√	√	√	√	√
Councillor John Bevan	√	√	√	√	√
Councillor Noah Tucker*	√			√	√
Councillor Gideon Bull	√				
Councillor Mark Blake	√	√			√
Councillor Viv Ross	√	√	√	√	
Keith Brown	√	√	√	√	√
Randy Plowright	√	√	√	√	√

*Councillor Tucker joined the Pensions Committee and Board in February 2017.

Training was provided to committee members on a wide range of topics. Training sessions are generally held prior to meetings of the committee, although committee members were also able to receive training from external providers throughout 2016/17. Training was provided in line with CIPFA's knowledge and skills framework to ensure that the committee members received appropriate training.

Some of the topics covered include:

- Actuarial Valuations
- Managing Risk
- Infrastructure Debt Investment Strategies
- Trustee Knowledge and Skills Workshop
- LGPS Investment Strategies
- Stewardship Accountability
- Multi Asset Investment Strategies

Management Report for 2016/17

Financial Performance

The investment performance during the year was positive at 25.46% relative to benchmark of 24.79% - so the Fund underperformed its target by 0.67%. All of the five fund managers achieved positive returns in the financial year. The largest contributor to the overall performance was the strong equity performance, coupled with the devaluation in Sterling after the Brexit vote: this meant that the Fund's holdings overseas gained due to the change in exchange rate.

In the medium to long term, the Fund has underperformed target slightly with returns of 13.66% against target of 13.79% over 3 years and returns of 12.09% against 12.32% over five years. All fund managers have delivered positive returns over the medium to long term.

The Fund has performed strongly compared to its peer group of other LGPS funds. The Fund participates in a benchmarking group maintained by the Pensions and Investment Research Consultants (PIRC): around two thirds of all LGPS Funds take part in this benchmarking group. Over the course of 2016/17, Haringey's investment performance was the second highest performer out of all the fund's which took part in this benchmarking. Haringey's performance was also the second highest over the rolling three year period which ended on 31 March 2017.

Administrative Management Performance

The Fund's maintains a Pension Administration Strategy Statement, which was updated in early 2017. Details of the monitoring of the strategy are set out in the Scheme Administration report. During the financial year 2016/17 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally. The timeliness of contribution payments from employers in the Fund has been monitored by the Pensions Committee and Board at each meeting and issues have been followed up by the Fund's officers. Membership of the Fund has increased by 392 in the financial year (from 22,052 in 2015/16 to 22,444 in 2016/17).

Risk Management

Investment risk is a key risk which the Fund is exposed to due to the range of different types of assets the Fund has chosen to invest in. All investments are undertaken in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016 and in consideration of advice from the Fund's investment adviser and from the Independent Adviser.

The Committee and Board has set an investment strategy which involves a wide range of asset classes and geographical areas. This provides diversification which reduces the risk of low and volatile returns. Following the decision to invest the majority of the Fund on a passive basis, the risk of underperforming the benchmark has been significantly reduced.

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

The Committee and Board consider reports on investment performance, responsible investment activities and other pertinent matters relating to investments and fund managers at each committee meeting.

Membership

Haringey Council is the Administering Authority for the Haringey Pension Fund and eligible staff are members of the scheme. In addition the Pension Fund has a number of other organisations (scheduled and admission bodies) participating in the Fund.

A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the LGPS regulations.

A transferee admission body is an employer permitted to participate in the LGPS. This might be a non profit making body carrying out work that is similar in nature to a public service like local government or it might be a private company to which a service or assets have been outsourced.

A community admission body is an organisation providing a public service in the UK otherwise than for gain. The organisation is expected to have sufficient links with the Council such that it is regarded as having a community interest.

The membership of the Pension Fund at 31st March 2017 compared with the previous financial year is shown in the table below.

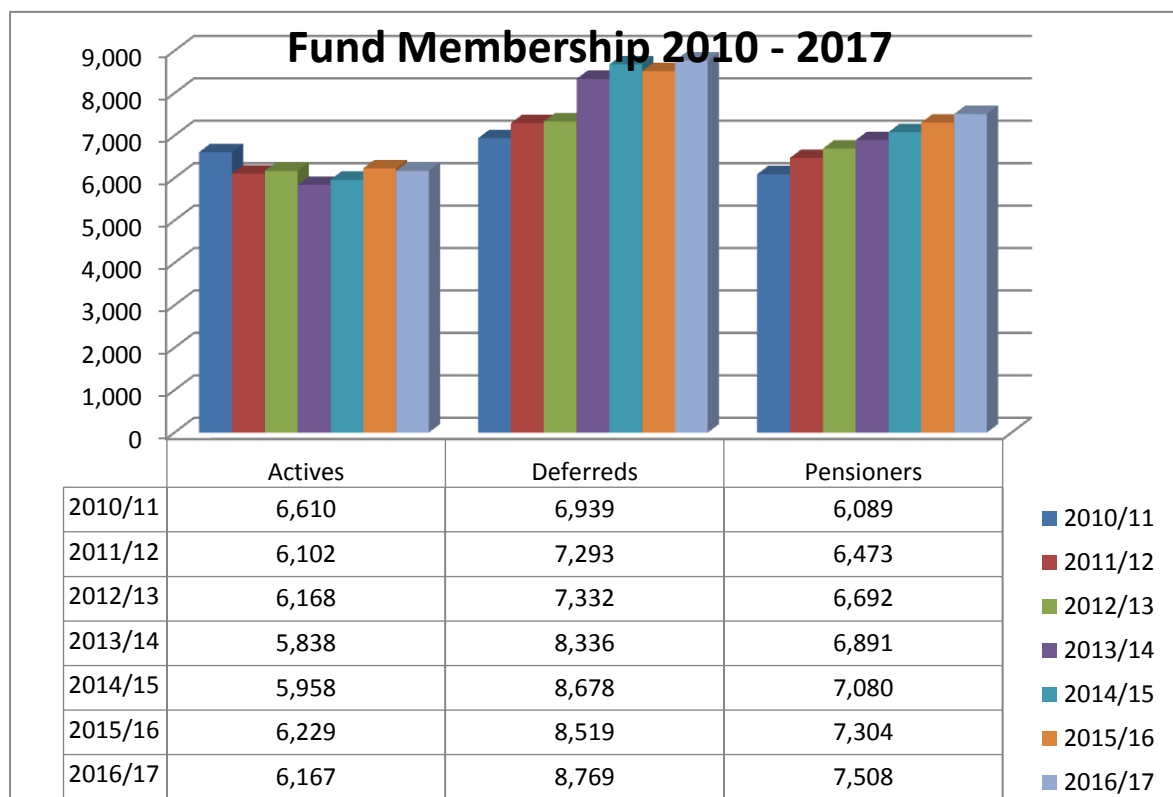


The table above shows an overall increase in membership of 1.8% over the past year due to new members at academy employers and auto enrolment. The number of active members has decreased slightly in the 2016/17 financial year. Deferred and pensioner members are on an upward trend as expected.

Overall membership number has consistently risen over the last seven years as expected and projected to continue to grow into the future as new employers are

admitted into the Fund and as more staff move into the deferred and pensioner groups.

The table below shows the breakdown of membership between active members, deferred and pensions.



A schedule of the membership from each of the employers is shown below:

	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
Scheduled Bodies					
Haringey Council	4,460	7,823	6,827	6,735,454	26,764,737
Haringey Magistrates	0	18	20	0	0
College of Haringey, Enfield and North East London	175	261	145	268,997	1,290,672
Greig City Academy	57	30	5	75,342	237,016
Homes for Haringey	526	240	225	1,192,324	4,714,189
John Loughborough School	0	11	8	0	0
Fortismere School	46	31	8	84,952	273,028
Alexandra Park School	74	20	8	88,849	357,588
Woodside School	70	6	3	96,178	324,563
Eden School	15	4	0	14,985	48,461
Harris Academy Coleraine	38	11	1	28,589	111,158.73
Harris Academy Philip Lane	34	10	3	20,652	83,458
AET Trinity Primary	29	6	2	24,244	104,508

AET Noel Park	51	6	2	48,098	187,350
Haringey 6th Form Centre	51	18	2	59,991	201,416
St Pauls & All Hallows Infants Academy	23	3	1	17,430	66,673
St Pauls & All Hallows Junior Academy	13	3	0	6,735	26,758
St Michaels N22 Academy	18	7	2	8,500	33,153
St Ann CE Academy	14	6	4	9,523	41,928
Holy Trinity CE Academy	10	4	0	9,653	35,618
Brook House Primary (formally Hartsbrook)	32	5	0	21,371	53,813
St Thomas More School	36	6	5	48,583	204,720
Heartlands High School	80	22	0	99,066	380,853
Milbrook Park Primary School	13	0	0	11,654	45,959
Harris Academy Tottenham	6	0	0	10,765	47,431
The Octagon	15	0	0	25,684	88,437
Scheduled Bodies Sub Total	5,886	8,551	7,271	9,007,620	35,723,487
Admitted Bodies					
Haringey Age UK	0	2	18	0	604,269
CSS (Haringey) Ltd	0	25	55	0	0
Haringey Citizen Advice Bureau	3	0	9	6,380	89,040
Jarvis Workspace Ltd	0	20	21	0	0
Alexandra Palace Trading Co.	2	7	13	5,579	110,311
Urban Futures London Ltd	2	7	2	11,830	52,000
Enterprise (formerly Accord) Ltd	0	38	44	0	0
Capita Business Services	0	0	0	0	0
Mittie (formerly Trident) Securities Ltd	0	0	2	0	0
Initial Catering Ltd	0	1	1	0	0
OCS Group Ltd	0	1	1	0	0
Harrisons Catering	0	1	2	0	0
R M Education PLC	0	3	0	0	0
TLC At Cooperscroft (formerly Rokeley Dene)	7	11	7	8,407	37,027
Ontime Parking Solution	0	3	1	0	0
Europa	0	0	1	0	0
Veolia	83	37	26	148,179	605,526
Churchills	1	1	2	732	3,049
Fusion Lifestyle	25	35	5	18,661	72,336
Cofely Workplace Limited(formally Balfour Beatty Workforce)	5	19	19	12,342	54,936
Lunchtime St Gildas School	2	0	0	1,416	6,134

Lunchtime St Francis De Sales School	5	0	0	3,129	12,965
Lunchtime St Marys School	3	1	1	6,942	39,903
Lunchtime St Pauls RC School	2	0	1	2,293	10,319
Lunchtime Ferry Lane School	3	0	0	2,716	14,361
Lunchtime Bounds Green School	4	0	0	2,981	13,743
ABM Weston Park School	2	0	0	1,849	7,698
ABM Muswell Hill	1	1	0	1,300	6,313
Caterlink Bruce Grove School	2	1	0	0	0
ISS Crowland School	1	0	0	0	1,340
Superclean Willow School	2	0	0	47	273
Absolutely Catering Rokesly School	3	0	0	2,533	8,468
Caterlink Holy Trinity School	1	1	0	1,254	5,224
Caterlink St Michaels School	3	0	0	2,055	9,027
Caterlink St Pauls and All Hallows School	5	0	0	2,728	12,068
Tottenham University Technical College	9	0	0	9,363	34,465
Lunchtime Seven Sisters	2	1	0	3,641	13,611
Lunchtime Welbourne	4	0	0	2,666	11,099
Lunchtime Earlsmead	3	0	0	1,694	10,413
Amey Community Ltd	66	1	3	53,388	235,543
K M Cleaning	5	0	0	3,121	17,820
Pabulum Lea Valley Primary	3	0	0	2,277	10,586
Pabulum St John Vianney	2	1	0	1,765	7,082
Pabulum St Martin de Porres	2	0	0	1,697	8,906
Pabulum South Haringay	4	0	1	2,863	13,917
Pabulum Earlham School	2	0	2	1,267	11,217
Pabulum Belmont School	3	0	0	1,359	6,647
Pabulum Tetherdown	3	0	0	2,153	11,967
Pabulum Alexandra Primary	3	0	0	1,356	6,864
Pabulum St Peter in Chains	1	0	0	715	3,444
Hillcrest Cleaning Chestnuts	2	0	0	1,098	4,970
Admitted Bodies Total	281	218	237	333,776	2,184,876
Grand Total	6,167	8,769	7,508	9,341,396	37,908,363

Investment Policy and Performance Report

Investment Strategy

Responsible Investment

Fund Managers

Investment Performance

Market Developments 2016/17

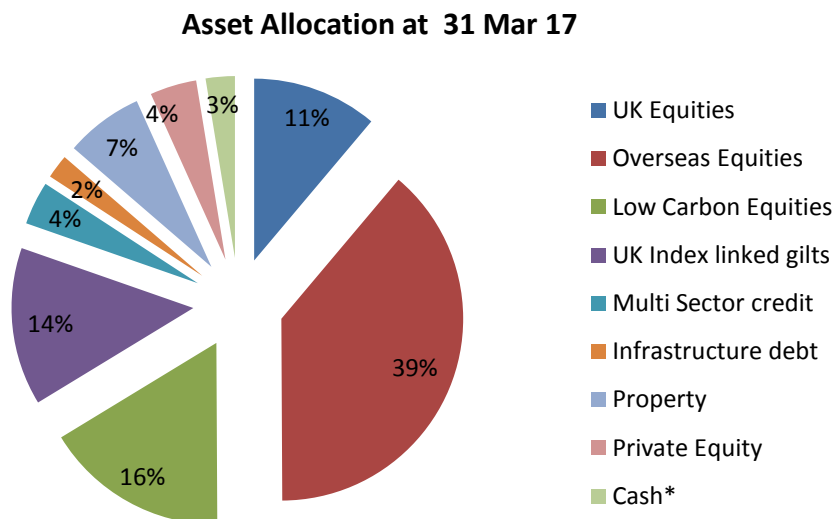
Investment Strategy

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 the 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, which is shown in Appendix 3 to this report. All investments were externally managed, with the exception of a small allocation of cash used to meet benefit payments, which was held in-house.

The current strategic asset allocation includes allocations to passively managed equity, index linked gilts, multi sector credit, private equity, infrastructure debt, and UK property. Further allocations to UK long lease property and renewable energy funds were agreed in 2016/17, however the investments had not been funded as at 31st March 2017. The actual asset allocation as at 31st March 2017 is illustrated by the below chart.

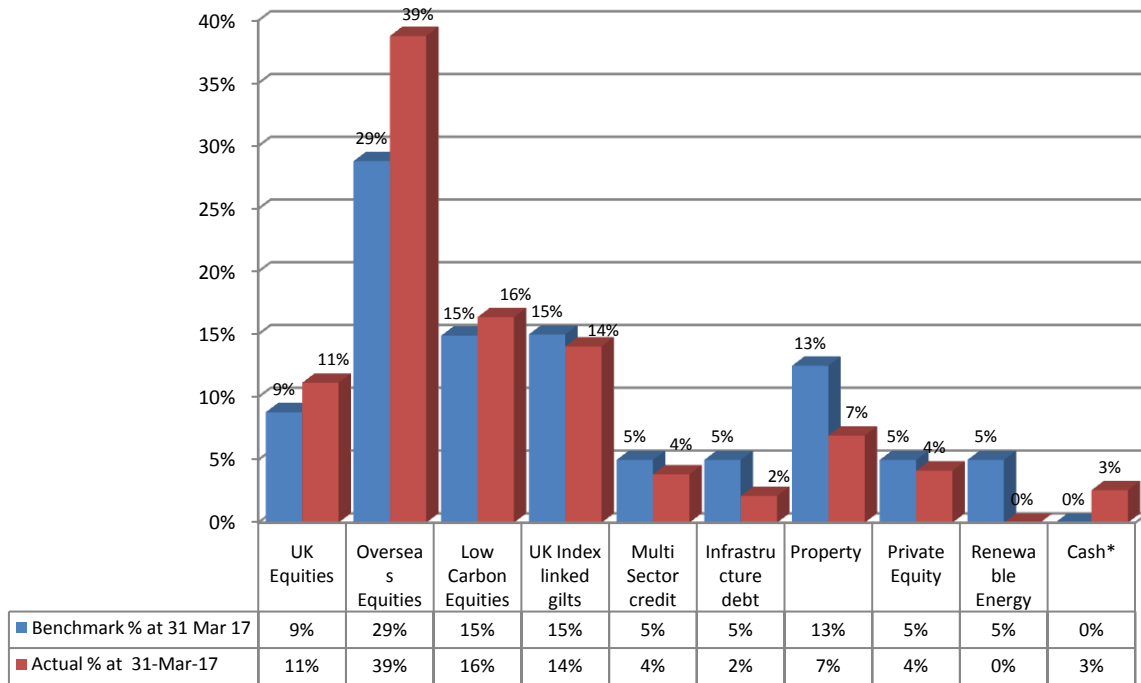


*Excludes cash held by Haringey Council

The Fund's benchmark showing target asset allocation during 2016/17 is shown below, alongside the actual allocation of the Fund's investments at 31st March 2017.

The financial statements show that the Fund is invested in pooled funds and the breakdown in the table below shows the allocation of the underlying holdings.

Asset Class - Benchmark vs Actual



*Excludes cash held by Haringey Council

Custodial Arrangements

The Council employs Northern Trust to act as independent custodian of the Pension Fund's investments. As professional custodians, they employ a rigorous system of controls to ensure the safekeeping of assets entrusted to them. The custodian is responsible for the settlement of all day-to-day investment transactions, collection of investment income and the safe custody of the Pension Fund's investments.

Responsible Investment

The Pension Fund believes that the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. These issues are of concern to the Fund because it is considered that companies who do not have regard for the social and environmental impact of their business, or who conduct their business in a way which is not sustainable over the longer term are in danger of adversely affecting the future prospects of the company, and potentially the company's long term share price.

Due to the need to prioritise fiduciary duty, the Fund does not participate in stock screening or exclusionary approaches. Instead the Fund seeks to influence the behaviour of companies through engagement. This engagement is undertaken through the following parties:

- The Fund's investment managers
- Local Authority Pension Fund Forum (LAPFF)
- National Association of Pension Funds (NAPF)

The Fund maintains membership of the LAPFF and the NAPF in order that engagement can be undertaken on its behalf.

In addition to this, all but one of the Fund's managers are signatories to the 'United Nations Principles for Responsible Investment' initiative.

At each committee meeting the Pensions Committee and Board receive reports on the engagement activity undertaken on behalf of the Fund, by the fund managers in relation to voting alerts from LAPFF, covering environmental issues, governance and remuneration and all other responsible investment issues.

Fund Managers

The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing. The fund managers in place during the 2016/17, the asset classes they cover, their percentage of the Fund's investments at 31st March 2017 and targets are shown in the table below (the remaining 3% was invested cash):

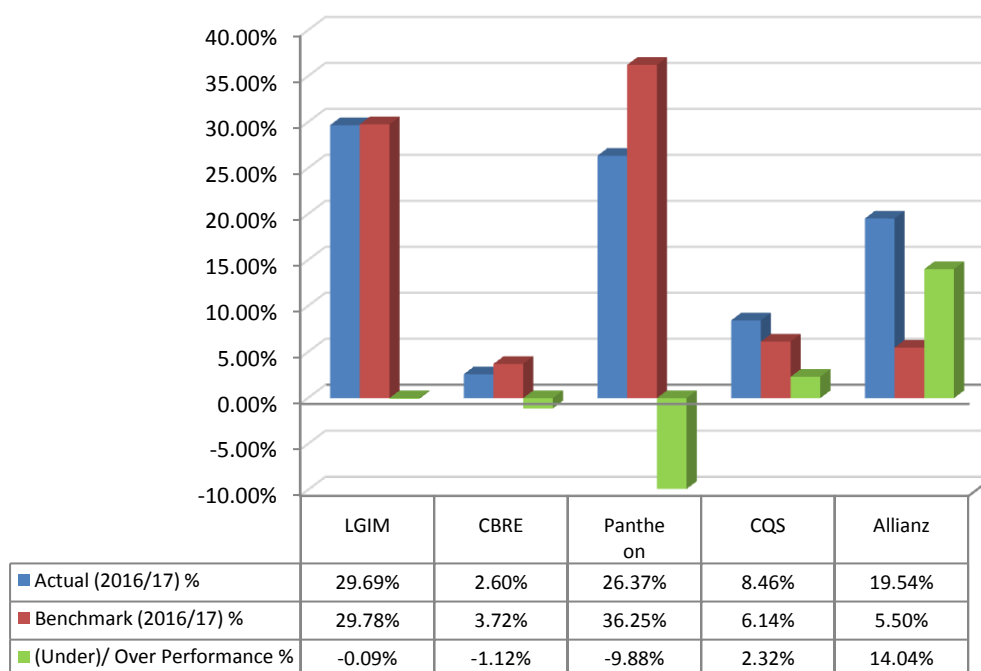
Investment Manager	Mandate	Asset Class	Passive /Active	Benchmark	Target (3 Yr Rolling Period)	Strategic Allocation	Allocation at 31 Mar 2017
LGIM	Passive Global Equities & Bonds	UK Equities	Passive	FTSE All Share	Benchmark	8.8%	11.1%
LGIM	Passive Global Equities & Bonds	North American Equities	Passive	FT World Developed North America GBP Unhedged	Benchmark	12.7%	17.4%
LGIM	Passive Global Equities & Bonds	European Equities	Passive	FT World Developed Europe ex UK GBP Unhedged	Benchmark	4.3%	5.7%
LGIM	Passive Global Equities & Bonds	Japanese Equities	Passive	FT World Developed Japan GBP Unhedged	Benchmark	2.0%	2.5%
LGIM	Passive Global Equities & Bonds	Pacific ex Japan Equities	Passive	FT World Developed ex Japan GBP Unhedged	Benchmark	2.0%	2.6%
LGIM	Passive Global Equities & Bonds	Emerging Markets Equities	Passive	FT World Global Emerging Markets GBP Unhedged	Benchmark	7.8%	10.6%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index	Benchmark	14.9%	16.4%
LGIM	Passive Global Equities & Bonds	Index Linked Gilts	Passive	FTA Index Linked Over 5 Years Index	Benchmark	15.0%	14.0%
CBRE	Property	Property	Active	HSBC/APUT Balance Funds Index	+1% (Gross) of Fees p.a	7.5%	6.9%
Pantheon	Private Equity	Private Equity	Active	MSCI World Index plus 3.5%	Benchmark	5.0%	4.1%
CQS	Multi Sector Credit	Multi Sector Credit	Active	LIBOR plus 5%	Benchmark	7.0%	3.9%

Allianz	Infrastructure Debt	Infrastructure Debt	Active	5.50%	Benchmark	3.0%	2.1%
Aviva*	Long lease UK Property	Long lease UK Property	Active	50% FTSE Actuaries 5-15 Year Gilt Index, 50% FTSE 15 year + Gilt Index plus 1.5%	Benchmark	5.0%	0.0%
Copenhagen Infrastructure Partners*	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.5%	0.0%
Blackrock*	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.5%	0.0%

*Investment had not yet begun with these fund managers as at 31 March 2017

All of the five fund managers who had active investments in the year achieved positive returns, with three of the managers achieving returns of around 20% or higher. The largest contributor to performance was the strong equity performance within the LGIM portfolio coupled with the exchange rate movements following the Brexit vote.

Fund Manager Performance Against Benchmark



ALLIANZ (Infrastructure Debt) – The manager outperformed benchmark in the year by 14%. As at March 2017, 52% of allocation had been invested in a total of four assets, which included a road, a port and two university halls of residence. The manager has a pipeline of assets that are being explored and has completed on an acquisition for a further road project in May 2017 with more to come.

CBRE (Property) – The manager achieved positive returns of 2.6% in the year which was less than the target of 3.72%. The CBRE portfolio was reduced slightly to 7% of the overall portfolio so holdings were sold in the year to make funds available to fund the infrastructure debt, private equity and renewable energy portfolios.

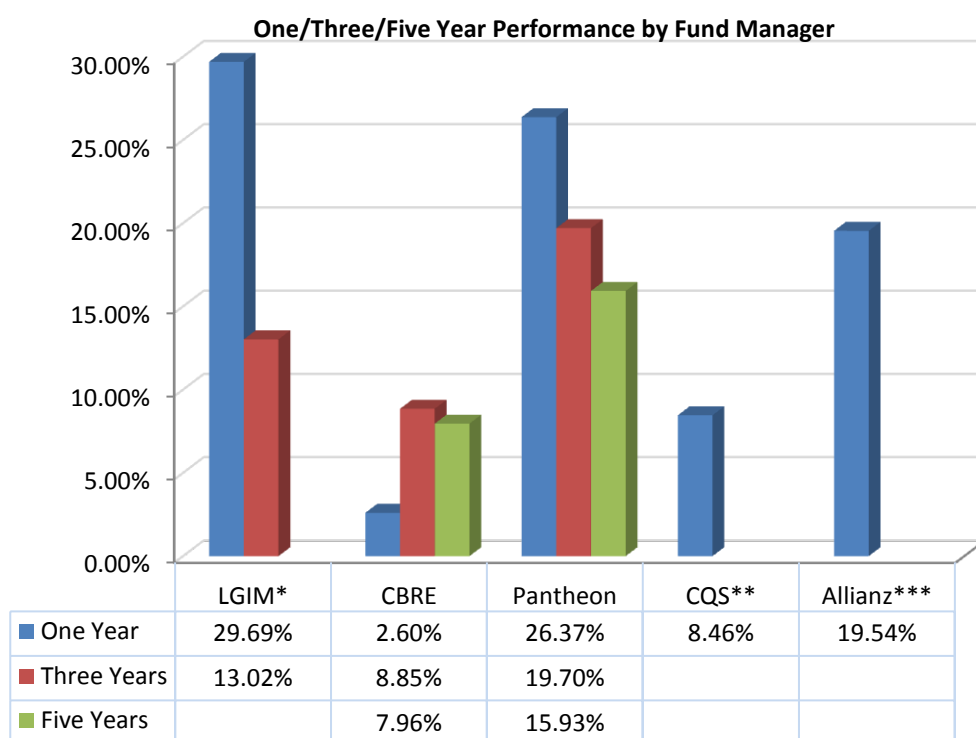
CQS (Multi Sector Credit) The portfolio performed well outperforming the benchmark by 2.32%, this made up for performance that lagged behind benchmark in the previous financial year. CQS has a defensive style of investment which should help to reduce the volatility in the value of the fund's assets.

LGIM (Passive Equity) – The manager performed broadly in line with target as expected as the portfolio is invested passively. Equity markets delivered strong returns in 2016/17, and the holdings in non-Sterling denominated currencies which are around 80% of all equities gained in value relative to Sterling following the Brexit vote in June 2016.

LGIM (Indexed Linked Bonds) – The manager performed in line with target as expected.

Pantheon (Private Equity) – the manager delivered a significant positive return of 26.37% in the year, this was below the manager's benchmark of 36.25%. The manager has also underperformed benchmark in the medium term, however has consistently delivered double digit returns which have benefited the fund.

Fund managers' performance over the past five years is illustrated by the below chart.



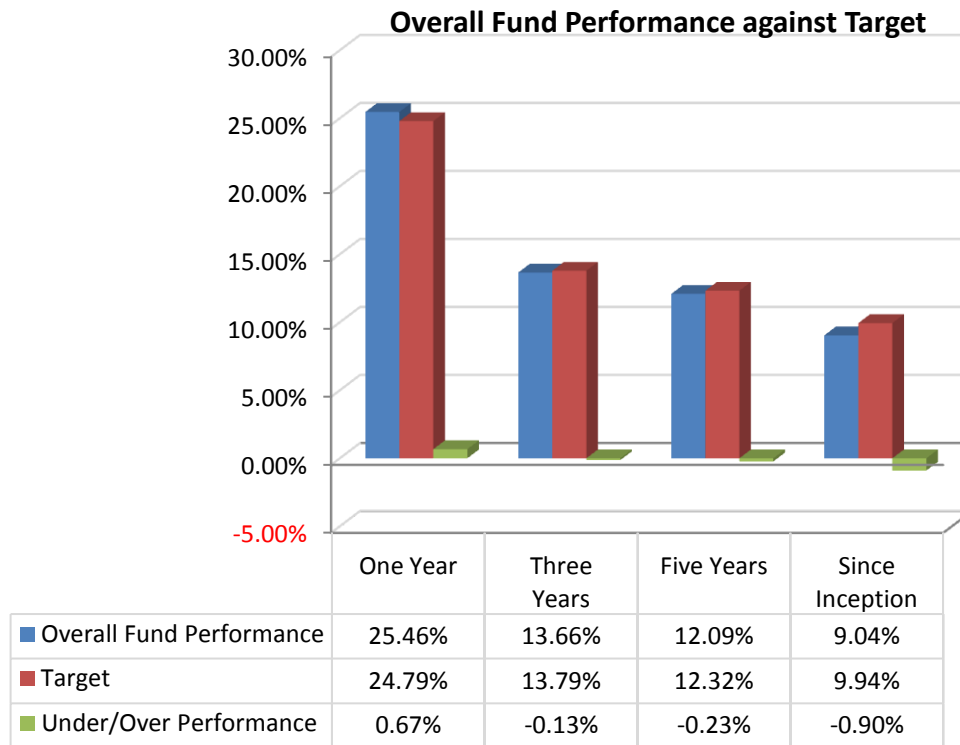
* Commenced May 2012; ** Commenced Dec 2014; *** Commenced Aug 2014

Investment Performance

The investment performance of the Pension Fund and the fund managers is regularly reviewed by Committee members. Performance reports to compare actual

performance against the targets set for the fund managers are provided to and discussed by the Committee quarterly.

The overall Pension Fund performance is summarised in the table below. All figures shown are annualised performance figures over the various periods to 31st March 2017.



Market Developments 2016/17

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2016-17

In contrast to recent years it was political events which dominated market related headlines rather than the actions of the Central Banks, although these still remained to the fore. At the end of June 2016 markets were surprised by the 52% to 48% vote to leave in the United Kingdom referendum vote on membership of the European Union. Markets were again surprised in November 2016 by the election of Donald Trump as the 45th President of the United States. Notwithstanding these events 2016-17 did not see a large scaling back of the ultra-loose monetary policy and interventionist approach of the major Central Banks. Overall, during the 2016-17 financial year neither the UK referendum vote or Donald Trump's election caused significant adverse effects on markets while the actions of the Central Banks continued to support equities. Indeed, overall and in contrast to the previous financial year 2016-17 saw significant gains in Listed Equity Markets across the world.

On 24 June 2016 markets reacted to the UK vote to leave the European Union. Sterling immediately fell from \$1.49 on 23 June to \$1.37 on 24 June and to \$1.29 by 6 July. October 2016 saw further declines with a rate of \$1.22 by mid October. On 31 March 2017 the rate was \$1.25 a fall of 15% since the referendum.

Immediately following the referendum result the FTSE 100 index of large blue chip companies lost more than 8% in the first few minutes of trading. Prospects of increased overseas earnings as a result of a weaker £ however quickly benefitted the FTSE 100 with the initial losses quickly reversed and the index ending more than 5% up over the month of June. By 31 March 2017 the FTSE 100 Index was up over 15% from its closing figure on 23 June 2016 and 19% from 31 March 2016.

The more domestically focused FTSE 250 initially suffered greatly following the Brexit vote and was 6% down at 30 June 2016 compared to 23 June. However, the FTSE 250 rapidly recovered and by early August was above its pre Brexit level. By 31 March 2017 the FTSE 250 was up over 9% from its closing figure on 23 June 2016 and 12% from 31 March 2016. The FTSE All Share index increased by 18% over the financial year and by 15% between the EU Referendum and the financial year end.

The recovery in UK Listed Equities was aided by the decision, on 4 August 2016, by the Bank of England's Monetary Policy Committee which, having concluded that Brexit would likely both increase inflation and weaken the economy, further loosened monetary policy by cutting the Base Rate from 0.5% to 0.25% and expanded Quantitative Easing through a new asset purchase programme. Inflation increased significantly during the year rising from 0.3% in April 2016 to 2.3% by March 2017 as a result of both increased oil prices and the weakness of the £ following the EU referendum vote. Unemployment during 2016-17 fell

however from 5.1% to 4.6%. Gross Domestic Product increased 2.0% over the financial year.

The United States experienced another year of generally positive economic activity. Unemployment fell from 5% in March 2016 to 4.5% by March 2017 its lowest level since June 2007. Average hourly earnings for all employees rose by 2.75% over the 12 months ending in March 2017 compared to 2.25% over the 12 months to March 2016. Personal consumption data/consumer spending was positive throughout 2016-17. Consumer sentiment (as measured by the authoritative University of Michigan Surveys of Consumers) began the year very positive and became even more positive. Investment by business was in the words of the US Federal Reserve “*soft*” for much of 2016-17 but “*firmed*” particularly in the period January-March 2017. Taking account of developments in the US economy and in particular “*realized and expected labor market conditions and inflation*” the US Federal Reserve’s interest rate setting Committee, the Federal Open Markets Committee, raised interest rates by 0.25% at both its December 2016 and March 2017 meetings. This did not however signal a major scaling back of loose monetary policy by the US Federal Reserve as it continued the policy of maintaining the bond holdings from the huge Quantitative Easing programme of 2009 to 2014 and continued to reinvest principal payments from these investments.

During the first half of 2016-17 the S&P 500 index continued to move generally upwards and by 30 September 2016 was over 5% higher than at 31 March 2016. On 8 November 2016, the United States went to the polls to elect a new President. As with the Brexit vote of June 2016 markets reacted to the victory of Donald Trump as President. However, market perception of President-Elect Trump’s stance as pro-business and reflationary as a result of his proposals for deregulation, lower corporate taxes and increased infrastructure spending resulted in a rally in US equities. By 25 November 2016 the S&P 500 had reached a record high of 2,213. On 1 March 2017, the S&P reached a new closing high of 2,396. During March 2017 however market sentiment was dampened by the failure of President Trump to persuade Congress to replace the Affordable Healthcare Act passed under President Barack Obama. Notwithstanding this however, the index closed on 31 March 2017 at 2,363 an increase of almost 15% over the financial year.

The Eurozone continued, in 2016-17, to experience a strengthening, but limited, economic recovery aided by the continuation of the European Central Bank’s huge stimulus programme. In the Eurozone as a whole the unemployment rate fell to 9.5% in March 2017 compared to 10.2% in March 2016 thereby reaching its lowest level since April 2009. The Eurozone Composite Purchasing Manager’s Index survey of private sector activity, which is a leading indicator for economic growth, reached a six year high in March 2017. Seasonally adjusted Gross Domestic Product increased across the Eurozone by 1.9% during 2016-17 almost matching the United States which achieved 2.0%. Although headline inflation in the Eurozone was 1.5% compared to 0% a year earlier core inflation (which excludes energy and food) was little changed from a year previously. European Listed Equities enjoyed a clearly positive year during 2016-17.

In 2016-17, the huge monetary stimulus and attempts at reform undertaken in Japan since 2013 following the introduction of “Abenomics” seemed potentially justified with Japan recording its longest run of sustained growth in more than a decade. Growth for January to March 2017 was an annualized 2.2%, making five quarters of continuous expansion in Gross Domestic Product. A further positive sign came from an increase in consumer spending of

approaching 1%. Headline inflation remained stubbornly low however at 0.2%. The Nikkei 225 index increased by over 15% over the financial year

A continuing environment of limited GDP growth, generally continued low inflation, geopolitical uncertainty and continued loose monetary policy by the major central banks maintained Benchmark Government Bonds at generally very low yields. Although both the Japanese and German 10 year benchmarks increased slightly during the year they closed at 31 March 2017 at the extremely low yields of 0.07% and 0.33% respectively. The benchmark 10 year UK Gilt reduced from 1.54% to 1.14% during the financial year with the UK decision to leave the European Union and the subsequent loosening of monetary policy by the Bank of England both supporting Gilts. In contrast the 10 year US Treasury yield increased from 1.77% to 2.39% over the financial year with President Trump's plans for large scale fiscal expansion a key influence.

John Raisin Financial Services Limited

Independent Advisor

10 July 2017

[John Raisin Financial Services Limited](#)

[Company Number 7049666 registered in England and Wales.](#)

[Registered Office 130 Goldington Road, Bedford, MK40 3EA](#)

[VAT Registration Number 990 8211 06](#)

[“Strategic and Operational Support for Pension Funds and their Stakeholders”](#)

www.jrfspensions.com

Scheme Administration Report

- Local Government Pension Scheme
- Administration Service Delivery
- Communications Policy
- Pensions Administration Strategy

Local Government Pension Scheme

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme with defined benefits based on membership and final pay and guaranteed by law. The benefits are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2013 and Local Government Pension Scheme (Transitional, Provision Savings and Amendment) Regulations 2014. Haringey Pension Fund cannot make changes to the scheme, and may only exercise such discretions as are prescribed by the LGPS regulations.

Membership is open to the non-teaching employees of the Administering Authority, all scheduled bodies and certain admitted bodies until the day before age 75. From April 2014, the benefit structure changed from a final salary scheme to career average revalued earnings based scheme, with changes to the accrual rate and to align the normal retirement date with the age at which the state pension commences.

Administration Service Delivery

The Haringey Council Pension Service is composed of two streams of work: investments and accounting and pension administration.

The Pension Administration service calculates and pays pension benefits, maintains a database of members and is responsible for the interpretation and implementation of the Local Government Pension Scheme regulations and related legislation.

The service operates in accordance with their professional standards and within the regulations laid down by the Local Government Pension Scheme.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. In the first instance, members are expected to take up matters with the Pensions Manager, Janet Richards at the following address:

Level 9 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

Alternatively email janet.richards@haringey.gov.uk. If the matter remains unresolved, a stage 1 appeal may be made to the Head of Human Resources and thereafter, if necessary a further appeal may be made to Bernie Ryan, Assistant Director, Corporate Governance at

Level 5 River Park House
225 High Road

Wood Green
London
N22 8HQ

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Advisory Service (TPAS) which has a network of pension advisers who will try to resolve problems before they are referred on to the Pensions Ombudsman. However, the TPAS service may be invoked at any stage of the appeal process. Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator and can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

A central tracing agency exists to help individuals keep track of deferred pension entitlements from previous employers' pension schemes. An application for a search can be submitted to:

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA

The Haringey Pension Fund's details are registered with the tracing agency.

Further information

For information about the Scheme generally, further information about resolving disputes, or an individual's entitlement to benefit, please refer to the Employees guide, which can be found on the council's website (details below) or contact the Pensions Team, at

Level 9 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

telephone 020 8489 5916 or refer to the Council's website:
www.haringey.gov.uk/pensionfund

Communications Policy

Effective communication between the Administering Authority, the scheme members, and the employers within the Fund is essential to the proper management of the Local Government Pension Scheme on a transparent and accountable basis.

The current policy, which has been prepared in accordance with the LGPS regulatory requirement is attached in Appendix 4, and sets out the policy framework within which the Pension Fund communicates with:

- Members of the scheme;
- Representatives of scheme members;
- Employing bodies; and,
- Prospective scheme members.

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

The Communications Policy includes the provision of a pension's page on the Haringey website www.haringeypensionfund.co.uk. This facility enables staff to access information about the Local Government Pension Scheme in their own home with families and partners who may also have an interest in the benefits of the scheme.

Pensions Administration Strategy

The Fund implemented a Pensions Administration Strategy Statement on 1st April 2011, following consultation with the employers participating in the Fund and approval by Committee.

This statement sets out the performance standards expected of the Council in its role of Administering Authority for the Fund and those expected of employers participating in the scheme. It seeks to promote good working relationships, improve efficiency and ensure quality of service and data. It sets out details of how performance will be monitored and what action might be taken in the event of persistent failure.

During the financial year 2016/17 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally.

The Pensions Administration Strategy Statement can be found on the Haringey Pension Fund website www.haringeypensionfund.co.uk

Actuarial Funding Report

- Funding Position
- Funding Strategy Statement
- Statement of the Fund Actuary

Funding Position

The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2016 in a report dated 29 March 2017.

The 2016 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2016 was £1,046m. Against this sum, liabilities were identified of £1,323m equivalent to a funding deficit of £277m. 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	67
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	91

The level of funding on an ongoing funding basis increased to 79% from 70% between the triennial actuarial valuations as at 31st March 2013 and as at 31st March 2016. The main reason for the improved position was improved investment returns and membership experiences (such as higher numbers of active members) that were better than projected.

The primary funding objective of the Fund is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Funding Strategy Statement in Appendix 5.

Following the valuation as at 31 March 2016, the actuary agreed that the Council's contribution rate should increase by approximately 1.5% over a three year period from April 2017, from 24.9% in 2016/17 (made up of 17.1% of pensionable salaries in 2016/17 plus a cash amount of £8.6m to cover past service deficit), to 26.4% in 2019/20 (17.1% plus a cash amount of £10.2m in 2019/20).

The main assumptions used in the 2016 valuation were:

Investments

**Annual nominal
rate of return**

%

Discount rate

4.0

Annual change %

Pay increases

2.8

Price Increases (pension increases)

2.1

Funding Strategy Statement

The Local Government Pension Scheme Regulations require Local Government Pension Funds to prepare, publish and maintain a Funding Strategy Statement in accordance with guidance issued by CIPFA.

The purposes of a Funding Strategy Statement are:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and,
- to take a prudent longer-term view of funding those liabilities.

The Funding Strategy Statement is reviewed in detail every three years alongside the triennial valuation. It is reviewed in collaboration with the Pension Fund's actuary, and after consultation with the Pension Fund's employers and investment advisers. The current statement was reviewed and agreed in March 2017.

The objectives of the Funding policy set out in the Statement are:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- 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;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The policy is shown in full in Appendix 5.

Statement of Fund Actuary

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 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 2017	31 March 2016
Active members (£m)	666	719
Deferred members (£m)	515	371
Pensioners (£m)	668	501
Total (£m)	1,849	1,590

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £265m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Financial assumptions

Year ended (% p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	3.0%	4.2%
Discount Rate	2.6%	3.5%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.8 years	24.1 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.8 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 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	145
0.5% p.a. increase in the Salary Increase Rate	2%	32
0.5% p.a. decrease in the Real Discount Rate	10%	180

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 2017 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Douglas Green FFA

27 April 2017

For and on behalf of Hymans Robertson LLP

Financial Report

- Chief Financial Officer's Responsibilities
- Appendix 1 Pension Fund Accounts and Auditor's Report

Chief Financial Officer's Responsibilities

The financial statements are the responsibility of the Chief Financial Officer. Pension scheme regulations require that audited financial statements for each Scheme year are made available to Scheme members, beneficiaries and certain other parties, which:

“show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom”.

The Chief Financial Officer has supervised the preparation of the financial statements and has, agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Chief Financial Officer is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Chief Financial Officer is responsible for ensuring that records are kept in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Administering Authority and other participating bodies by the due dates.

The Chief Financial Officer is responsible for the maintenance and integrity of the financial information of the Scheme included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Chief Financial Officer also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Statement of the Chief Financial Officer

I certify that the financial statements set out in Appendix 1 have been prepared in accordance with the accounting policies set out below and give a true and fair view of the financial position of the Pension Fund at the reporting date and of its expenditure and income for the year ended 31st March 2017.

Clive Heaphy, FCPFA
CFO and S151 Officer

14 September 2017

Appendices

Current approved versions of key policy statements

1. Pension Fund Accounts 2016/17 and Auditors Report
2. Governance Compliance Statement
3. Investment Strategy Statement
4. Communications Policy
5. Funding Strategy Statement