

LONDON BOROUGH OF
REDBRIDGE
PENSION FUND
ANNUAL REPORT
2015/16

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EXECUTIVE OVERVIEW

Welcome to the Pension Fund Annual Report for 2015/16.

The Panel were pleased to note that despite all the volatility within the stock markets the value of the Fund fell by just 0.3% over the year. It was also pleasing to note that with the individual investment portfolios having mixed fortunes over the year together with changes to the investment strategy the Fund achieved a return in-line with the benchmark.

As previously mentioned, the Pension Fund started to implement a change in the investment strategy and it is hoped that this implementation will be completed during 2016/17 with the appointment of a new active global equity manager. The new investment strategy resulted in a number of changes to the Fund, including the termination of the mandates with BlackRock along with the move from segregated mandates to that of pooled investments.

The Fund's investment advisers, Mercers, have revised the Investment Strategy to ensure that the Fund's investments continue to meet our objectives and to seek stability in the contribution rates. This will be particularly key as the outcome of the 2016 Valuation will set the employer contribution rates until March 2020.

The Pension Fund Investment Panel has received a number of training sessions to ensure that our knowledge and skills are kept up to date with the changes within the investment markets. This has also been helpful especially as we have considered the changes to the investment strategy.

The future of the Local Government Pension Scheme and its governance continued to attract media attention, ranging from how funds are invested and the cost of investment managers to how funds are governed. As a consequence of discussions to reduce costs and obtain better opportunities for investing in the alternative markets the London Councils set up the London Collective Investment Vehicle (CIV) and by the end of 2015/16 the CIV had appointed two fund managers for global equity mandates. It is hoped that the Redbridge Pension Fund will be using the CIV for the procurement of its new global equity fund manager.

In 2015/16 the Local Pension Board was established to assist the Council in its role as Adminstrating Authority to the Pension Fund and to ensure compliance with the various regulations. Board members attended several of the Investment Panel meetings as an observer to gain an understanding of the work undertaken by the Panel.

Councillor Norman on behalf of The Pension Fund Investment Panel

REPORT FROM THE CORPORATE DIRECTOR OF RESOURCES

The volatility experienced in the stock markets over recent years continued with the Euro-zone along with the political tensions in Iraq and Ukraine continuing to cause concerns. The UK Referendum has also prompted some fluctuation to the markets. As a result of this volatility the value of the Redbridge Pension Fund over the financial year had decreased marginally to £634.1 million, a fall of 0.3%.

In recent years the overall performance of the Fund has been in line with the benchmark. The Council seeks to set its Fund Managers challenging targets and therefore it is pleasing to note that some have significantly out-performed their benchmarks, particularly in view of the uncertainty in the markets. State Street Investment Analytics Company, which measures the performance of the 100 funds in the Local Government Pension Scheme (LGPS), has reported that the Redbridge Pension Fund has produced a broadly average return over the last five years with a lower level of risk to that of some other LGPS funds.

The Local Government Pension Scheme continues to attract attention with Central Government seeking to ensure that the scheme remains affordable which has prompted the Government to encourage schemes to pool funds. This led to the creation of eight of investment pools, including the London CIV. As a result of these pooling arrangements Central Government undertook a consultation on the Regulations concerning investments and the results of this consultation will be announced in 2016/17. It is expected that some of the restrictions on the level of investments will be removed to give funds' greater flexibility.

The Redbridge Pension Fund, like most other local government funds, is not fully funded to meet its future liabilities. However, an implementation strategy to address this situation has been put in place. This strategy aims to ensure that the Pension Fund remains able to meet the liabilities of the fund over time, despite a volatile investment environment. During 2015/16 the Fund's Investment Adviser completed a review of the investment strategy that resulted in the termination of two mandates and some changes to other mandates. The appointment of a new Active Global Equity Manager is expected to take place in 2016/17.

The Fund continues to maintain net cash inflows on an annual basis, with income exceeding payments out and this is expected to remain the situation for a number of years.

Maria G Christofi, BA (hons), FCCA, CPFA
Corporate Director of Resources

MANAGEMENT STRUCTURE

The London Borough of Redbridge Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by statute and is kept under review by the Department for Communities and Local Government (CLG).

The London Borough of Redbridge is the Administering Authority for the London Borough of Redbridge Pension Fund. The Council has set up the Pension Fund Investment Panel to oversee the management of the Fund's investments in consultation with the Corporate Director of Resources. The Investment Panel consists of five Councillors who are appointed by the Council on an annual basis.

In accordance with the Council's Scheme of Delegations, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013, the responsibility for the management and investment of the Pension Fund is delegated to the Corporate Director of Resources. These powers are exercised in accordance with the recommendations of the Pension Fund Investment Panel. For 2015/16 the Members of the Panel were:

Cllr. E. Norman (Chair)
Cllr. R. Hatfull (Vice Chair)
Cllr. J. O'Shea
Cllr. P. Merry
Cllr. J. Ryan

Other Professional Advisers and service providers

Actuary

Hymans Robertson

Investment Consultant

Mercer Ltd.

Investment Managers

BlackRock Investment Management (UK) Ltd. (terminated December 2015)
Newton Investment Management Ltd.
Schroder Investment Management
Standard Life Investment Management
State Street Global Advisors

AVC Providers

Clerical Medical
Equitable Life
Standard Life

Custodian

State Street

Auditors

KPMG LLP

Performance Measurement

State Street Global Services

Solicitors

In House

Scheme Administrators

In House

Pension Fund Bankers

National Westminster Bank plc

Shareholder Services

Institutional Protection Services

SCHEME FEATURES

The LGPS was established in accordance with statute to provide death and retirement benefits to all eligible employees and their dependents. Eligible employees are mainly local government staff, except teachers who have separate pension arrangements, and a number of other bodies as permitted by Local Government Pension Scheme Regulations 2013 and amendments thereto.

From 1 April 2014, the scheme changed from a final salary basis to a Career Average Revalued Earnings basis.

Table 1 – LGPS Features to 31 March 2016

Eligibility	Permanent Employees
Member Contribution	Ranging from 5.5% - 12.5% depending on salary.
Normal Retirement Age	Equal to individual member's State Pension
Early Retirement	<p>Immediate payment of unreduced benefits on efficiency/redundancy grounds from the age of 55.</p> <p>Voluntary retirement from age 55 with reductions for early payment.</p> <p>Flexible retirement with employer consent from the age of 55.</p>
Ill Health Retirement	<p>A three-tier ill-health arrangement has been introduced that pays benefits to members based on the member's prospect of returning to gainful employment.</p> <p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age.</p> <p>Tier 2 – Immediate payment with service enhancements of 25% of service to Normal Pension Age.</p> <p>Tier 3 – Temporary payment of pension for up to 3 years.</p>
Pensions	<p>1/49th of salary for each year of membership from 01/04/14.</p> <p>Service between 01/04/2008 and 31/03/14 will be calculated at 1/60th</p> <p>Service prior to this date will be calculated at 1/80th plus lump sum.</p>
Tax Free Lump Sum	Lump sum by commutation at the rate of £1 annual pension for £12 lump sum, up to HMRC limit of 25% of capital value.
Death in Service	Lump sum of three times salary at date of death
Death Benefits after retirement	Death on pension lump sum of ten times pension less pension already paid
Dependents Benefits	<p>Long-term pension benefits payable to the member's spouse, civil partner, or nominated co-habiting partner.</p> <p>Long-term children's pension</p>

Period in which members can cancel membership and reclaim contributions	Members can terminate their membership of the pension scheme and reclaim the contributions paid up to 2 years after joining.
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The employee rate bandings have been revised and will be based on the actual pensionable pay including non-contractual overtime.

Below is a table showing the bandings effective from 1 April 2014.

Pay Bands	Contribution Rate
Up to £13,500	5.5%
£13,501 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
More than £150,000	12.5%

MEMBERSHIP SUMMARY

The London Borough of Redbridge Pension Fund had twenty five contributing employers in the Fund during the financial year 2015/16, including the Council itself. Employers are classified as either scheduled (who have automatic right to join the fund) or admitted bodies (who are admitted at the Council's discretion) as defined by Regulations.

During 2015/16 the Council received a number of other applications for admission to the Pension Fund. These included four nurseries, two cleaning companies and a catering company.

The table below outlines the membership profile as at 31 March 2016 for all employers in the Fund as well as their status.

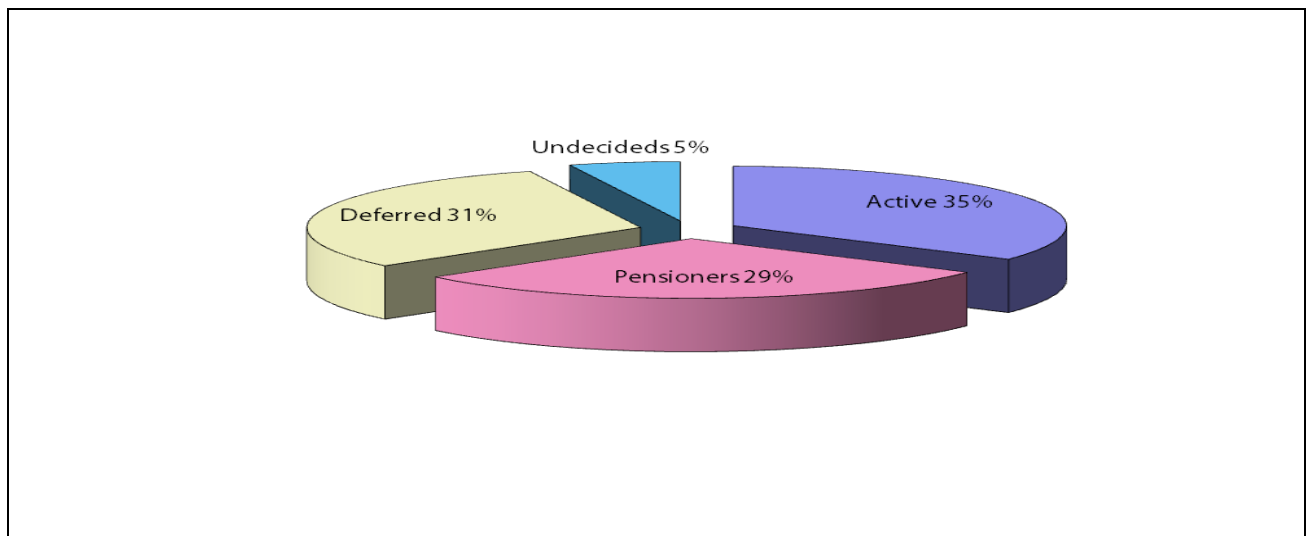
Table 2 – Profile of Employers in the Fund at 31 March 2016

Employer	Status	Active	Deferred	Undecided	Pensioner	Total	%
LB Redbridge	Scheduled	4,654	4,546	666	4,514	14,380	89.76%
Aldborough E-Act School	Scheduled	13	3	2	0	18	0.11%
Avanti Court Academy	Scheduled	18	0	1	0	19	0.12%
Beal/Forest Academy Trust	Scheduled	136	18	61	11	226	1.41%
Chadwell Heath Academy	Scheduled	40	25	1	11	77	0.48%
Isaac Newton Academy	Scheduled	38	3	8	1	50	0.31%
Little Heath School	Scheduled	57	21	17	11	106	0.66%
Loxford Academy	Scheduled	98	1	33	1	133	0.83%
Mayfield School	Scheduled	71	54	4	17	146	0.91%
Palmer Academy	Scheduled	32	14	3	8	57	0.36%
Redbridge College	Scheduled	83	137	34	46	300	1.87%
St. Aidan's Academy	Scheduled	38	3	3	2	46	0.29%
Ursuline Academy	Scheduled	18	42	1	11	72	0.45%
Barney Bears Nursery	Admitted	5	0	1	0	6	0.04%
Blenheim CPD	Admitted	6	0		0	6	0.04%
Caterlink Ltd	Admitted	10	0		0	10	0.06%
Chestnuts Nursery	Admitted	4	1		0	5	0.03%
Dizzy Ducks Nursery	Admitted	7	0		0	7	0.04%
East London Foundation Trust	Admitted	1	0		0	1	0.00%
Imagine Independence	Admitted	3	1		1	5	0.03%
Lewis & Graves	Admitted	13	0		0	13	0.08%
Little Bicks Nursery	Admitted	2	0	1	0	3	0.02%
Morrison Facility Services	Admitted	37	11		26	74	0.46%
Town & Country Ltd	Admitted	10	0		0	10	0.06%
Vision – Redbridge Culture & Leisure	Admitted	142	46	26	36	250	1.52%
		5,536	4,926	862	4,696	16,020	100%

A deferred member is a former employee who has decided not to transfer their accrued benefits to an alternative pension scheme and they will therefore receive pension benefit upon normal retirement.

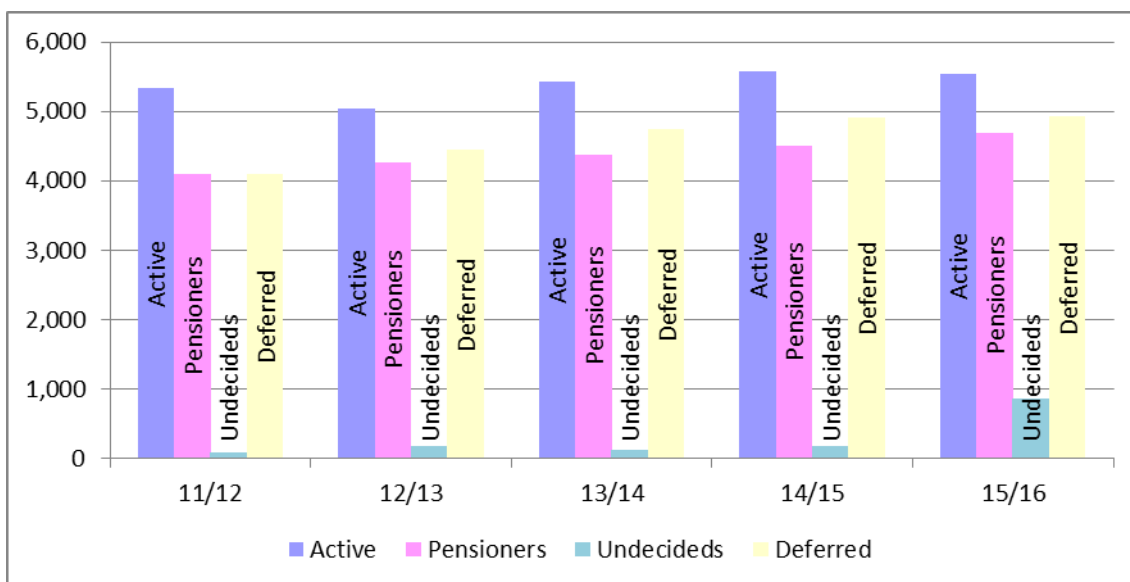
Chart 1 shows the breakdown of the total membership by the classification of the employer.

Chart 1 – Membership classification by employer type as at 31 March 2016



Overall the Fund membership has increased over the last seven years from 13,087 to 16,020 - an increase of 22.4%. However, the profile of the membership has changed. The membership profile is set out in Chart 2.

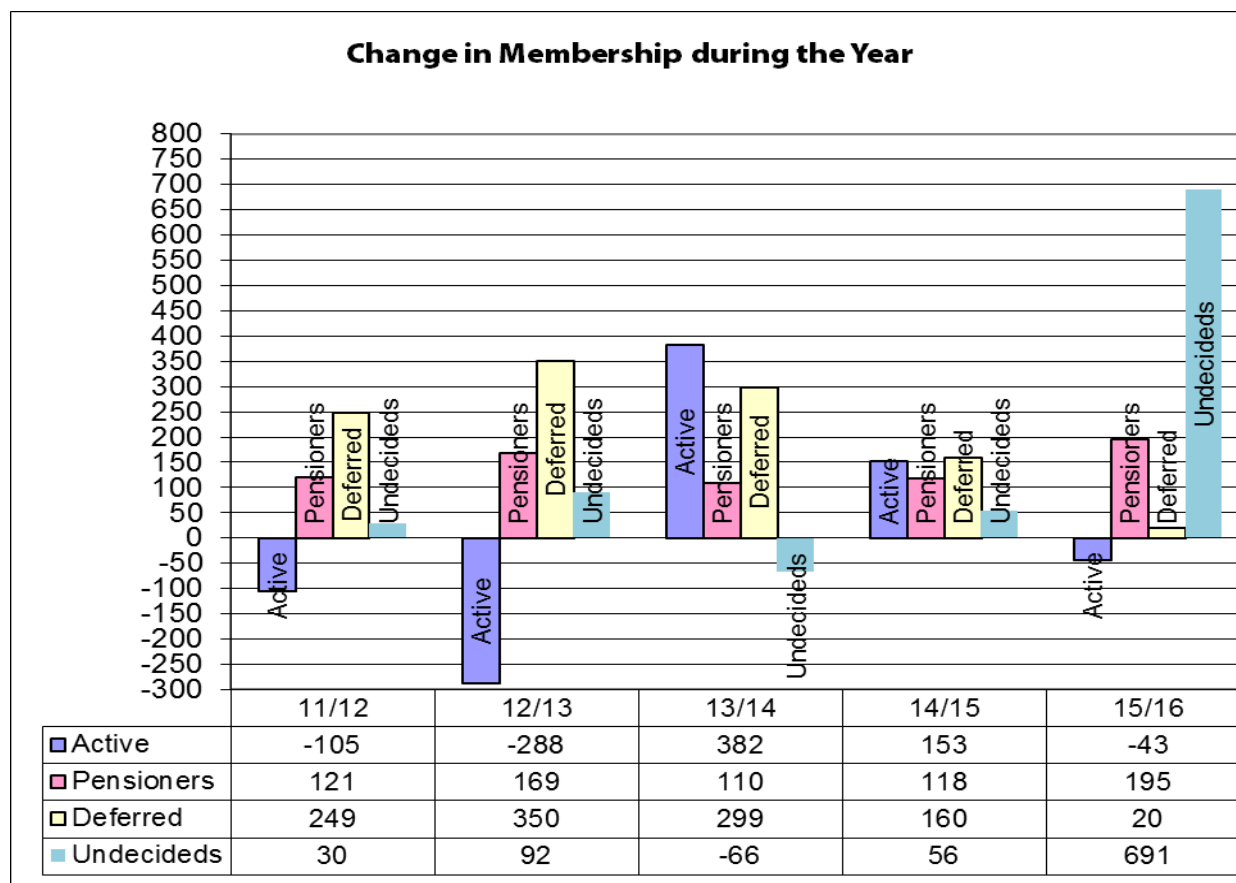
Chart 2 – Membership Composition



As the number of active members has reduced the Pension Fund is becoming more mature with more pensioners in the Fund than active members.

To demonstrate this change in profile, the Chart 3 shows the change in membership numbers each year for the past seven years.

Chart 3 – Changes in Membership Profile



Auto-Enrolment

Under the terms of the Occupational and Personal Pension Schemes (Automatic – Enrolment) Regulations 2010 (as amended), employers must automatically enrol eligible employees into a work-place pension scheme from a staging date set by the employer size. For Redbridge this date was 1 March 2013 and all new employees since then have been automatically enrolled into the pension scheme unless they specifically request not to be in the scheme – “opt-out”.

On 12 February 2013 Cabinet decided that Redbridge would use the Transitional Provisions in the legislation to defer the application of auto enrolment for existing employees to 1 October 2017. Using this option the Council will not automatically enrol existing eligible employees before 1 March 2013 until 1 October 2017. Thereafter the Council will then be required to automatically enrol all employees who have been subject to the transitional provisions from 1 October 2017. Employees will then need to opt-out if they do not wish to remain in the scheme.

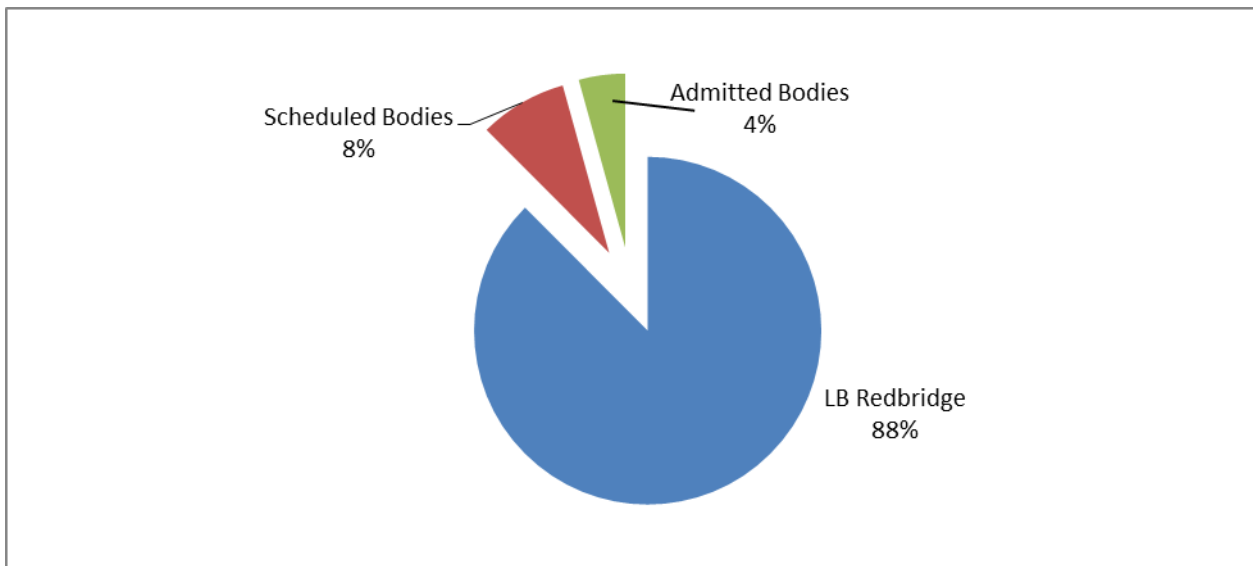
Under the legislation eligible employees who have opted out of the scheme must be automatically re-enrolled every three years.

Contributions to the Fund

The Council monitors the receipt of pension contributions from the various other employers in the Scheme to ensure compliance with the regulations. During 2015/16 £33.701 million of contributions were received by the due date which equates to 99.71%. The remaining 0.29% was due to issues arising from new admission agreements. A breach to the Regulations in respect of one employer was reported to the Local Pension Board. To date the Council has not invoked any charges to any employer in the scheme for late payment of contributions.

Chart 4 shows the breakdown of the employee and employer contributions by the classification of employer.

Chart 4 – Employee & Employer Contributions classified by employer type



GOVERNANCE STRUCTURE

Investment Powers and Duties:

The Local Government Pension Scheme Regulations require the London Borough of Redbridge, as the administering authority, to invest any monies not immediately required to pay pensions and other benefits. This legislation also governs the manner in which investments are made and controlled.

Investment Panel:

The London Borough of Redbridge Pension Fund Investment Panel, comprising of five councillors, meet at least four times a year to monitor the performance of the fund and the various fund managers, to approve the annual business plan, to review and approve the Statement of Investment Principles and to review the investment strategy. The Investment Panel also receives a presentation at each meeting from one of the fund managers on the current position of the portfolio and other topical issues. The Members of the Investment Panel have full voting rights.

Pension Fund Investment Panel Members as at 31 March 2016



Councillor Hatfull

Labour
(Vice Chair)



Councillor Merry

Labour



Councillor Norman

Labour
(Chair)



Councillor O'Shea

Conservative



Councillor Ryan

Conservative

Substitute Members: Councillor Chowdhury (Labour), Councillor Hussain (Labour), and Councillor McLaren (Conservative).

Meetings - The Pension Fund Investment Panel held five meetings during 2015-16. Councillors Hatfull, Merry, Norman, and Ryan attended all five meetings. Councillor O'Shea attended four meetings and Councillor McLaren substituted for Councillor O'Shea at one meeting.

Conflicts of Interest – The Council has in place a “Members’ Code of Conduct” which Councillors are required to comply with. At each Panel Meeting, Members are required to disclose any declarable pecuniary or personal interest in an agenda item and if such a declaration is made, then the Member is not permitted to take part in the debate on that specific agenda item. At the Panel Meetings, one Member disclosed membership of the scheme, however these declarations were not considered warranting the exclusion of the Member from any of the agenda items.

Training – The Investment Panel’s Annual Business Plan includes a training programme to ensure that Members continue to develop their knowledge and skills to ensure compliance with best practice.

The Pension Fund Investment Panel participated in a series of training events which coincided with the Investment Panel Meetings. The topics of the training sessions covered during 2015/16 were as follows:

- Alternative Bond portfolios
- Smart Beta – enhancing returns without increasing risk
- Introduction to Infrastructure
- Managing Equity Market Volatility

Local Pension Board

In accordance with Regulations a new Local Pension Board was formed. This board comprises of two employee representatives, two employer representatives and an independent Chair.

The Local Pension Board has held four meetings so far and during these meetings they have reviewed various policies associated with pension administration including the Administration Strategy and Communication Statement. The Local Pension Board has also reviewed the administration performance reports and the process for reporting breaches.

A report on the work of the Local Pension Board will be published as a separate document.

Investment Administration

Day to day monitoring of pension fund investments and manager performance is delegated to the Corporate Director of Resources, who is responsible for ensuring the preparation of reports in relation to this activity. These reports are presented to the Pension Fund Investment Panel. Senior Officers within the Council also meet with the fund managers on a regular basis to review the performance of the portfolios and consider other topical issues.

The Corporate Director of Resources, in consultation with the Head of Finance, is also responsible for ensuring that any surplus cash is invested to obtain the best possible return within the agreed investment strategy.

Pensions Administration Function

The Head of Human Resources is responsible for dealing with the payment of pensions and benefits, whilst also ensuring the collection of contributions and other such income from employees.

The Pension administration is undertaken by a team of 5.76 full time equivalents, who are responsible for communicating with scheme members, pensioners and employers in the scheme. The CLG publish the Government’s Scheme Funds Accounts (SF3) statistics on pension schemes and the latest statistics available are for 2014/15. These showed that for Redbridge the cost per active member for administration was £106.47, which is one of the lowest in London. Tasks undertaken by the administration team included:

- Processing Retirements
- Issuing Statutory Notifications

- Responding to pension enquiries
- Providing Retirement estimates
- Finalising Cash Equivalent Transfer Values
- Issuing Annual Benefit Statements

During the course of 2015/16 there has been an increase in the workload caused in part by the significant number of restructures that has been carried out within the Council. This has created a greater awareness of pension's implications by employees resulting in more requests for pension information being processed. The workload has also been increased following the changes to the Guaranteed Minimum Pensions (GMPs) and the introduction of a new pension administration system, Altair.

The Council monitors the performance of the Administration Team against a number of KPIs on a monthly basis. These KPIs were agreed as a standard across the London Boroughs. Details of the performance for the year ending 31 March 2016 are set out in the table below:

Table 3 – Pension Administration cases and performance

The percentage of:	No of Cases Received	No. Achieved	Target	Percentage Achieved
Pension transfers out processed within 12.5 working days of all relevant paperwork being received	78	43	85%	55%
Pension transfers in processed within 10 working days of all relevant paperwork being received	159	31	88%	19%
Pension estimates processed within 10 working days of all relevant paperwork being received	550	323	90%	59%
Retirements processed within 5 working days of all relevant paperwork being received	312	155	92%	50%
Pension transfer out quotes processed within 15 working days of all relevant paperwork being received	103	58	85%	56%
Pension transfer in quotes processed within 10 working days of all relevant paperwork being received	119	64	83%	54%
Pension contribution refunds processed within 10 working days of all relevant paperwork being received	46	19	80%	41%
Death in service cases processed within 5 working days of all relevant paperwork being received	5	5	80%	100%
Death on pension cases processed within 5 working days of all relevant paperwork being received	244	156	90%	64%
Pension scheme starters processed within 10 working days	328	177	80%	54%
Deferred benefit cases processed within 15 working days of all relevant paperwork being received	246	90	90%	37%

Letters, emails and forms processed on a daily basis	2,343	1,586	100%	68%
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Team Resourcing

Workloads are kept under regular review and appropriately prioritised. The KPIs are reviewed each month by the HR Senior Management Team and a critical review of resourcing is now underway. This includes looking at benchmarking data from other Councils.

The table below demonstrates the workload of the administration team as a whole and by team member:

Task	Total Number	Number per team member
Annual Benefits Statements	9,275	1,610
Retirement Grants	312	54
General Enquiries	2,343	407

Additional Work Pressures

Following the implementation of the new Altair pensions' software system a new piece of software was introduced. Unfortunately, the implementation had complications which impacted on the workload and impacted on the production of the Annual Benefits Statements which meant that, like many authorities, the statements were not issued in-line with statutory regulation timescales.

A critical review was undertaken to identify the amount of resources needed for business as usual activities, requirements for business critical projects and developing technological solutions to modernise the service. The budget is regularly reviewed to ensure that the service remains cost effective whilst retaining the ability to adjust resources as required.

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 (IDRP) has been established. During 2015/16, the Council received 3 appeals which were processed via this facility.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative scheme and the NFI has identified 37 potential pension overpayments where the records indicate that the pensioner has subsequently died. Of these cases 26 were processed and the remaining cases are currently being investigated to seek the next of kin and death certificates.

Investment Management:

The management of the Fund's assets is determined by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The regulations enable authorities to appoint investment managers to manage and invest Pension Fund monies on their behalf, subject to being satisfied with their experience, competence and risk control with appropriate arrangement for monitoring performance. The Regulations governing the Pension Fund require the Fund to publish a Statement of Investment Principles (SIP) setting out the main parameters and responsibilities for the management of the Fund. The statement also includes details of the proposed asset allocation, restrictions on investment types, the type of investment management used, the investment risk and performance monitoring. It also sets out the Fund's approach to responsible investment and corporate governance issues. The SIP is attached at Appendix 4.

During 2015/16, the Pension Fund Investment Panel endorsed a revised long term strategy which is being implemented as opportunities arise. The new strategy resulted in the termination of the two mandates that were held with BlackRock along with some asset allocation changes to the remaining investment mandates. The appointment of a new active global equity manager is to be undertaken in 2016/17. Whilst awaiting this appointment of this new manager, the investment is being held with State Street Global Advisors with the objective of benefitting from the equity markets. The mandates for the fund managers are set out in Table 4. In addition to these mandates, the Council is investing 0.5% of the Fund in cash accounts. The investment strategy incorporates a 5% flexibility variance between the strategic allocation and the actual allocation to allow for fluctuations in market conditions.

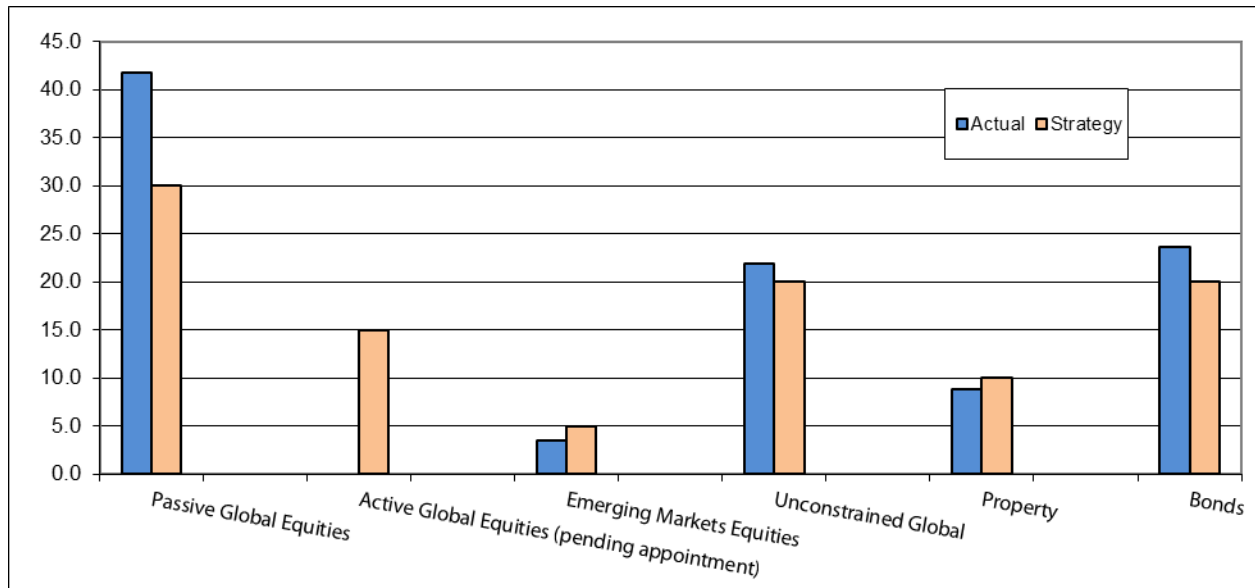
The actual asset allocation varied from the strategy allocation as demonstrated in Table 4.

Table 4 – compares the strategic asset allocation with the actual allocation

Manager	Strategic Proportion %	Actual Allocation %	Mandate	Target
State-Street	30.0	41.8	Passive Global Equities	Track the various market indices
To be appointed	15.0	0.0	Active Global Equities (pending appointment)	To out-perform the MSCI AC World Index by 3%
Schroders (Equities)	5.0	3.5	Emerging Markets Equities	To out-perform the MSCI Emerging Markets index by 3%
Newton	20.0	21.9	Unconstrained Global	Absolute return of 4% above LIBOR
Schroders (Property)	10.0	8.8	Property	Outperform the IPD All Balanced Property Fund Index by 1%
Standard Life	10.0	11.9	Index Linked	To outperform UK Index Linked over 5 years by 0.75%
Standard Life	10.0	11.6	Bonds	To outperform 3 month LIBOR by 0.75%

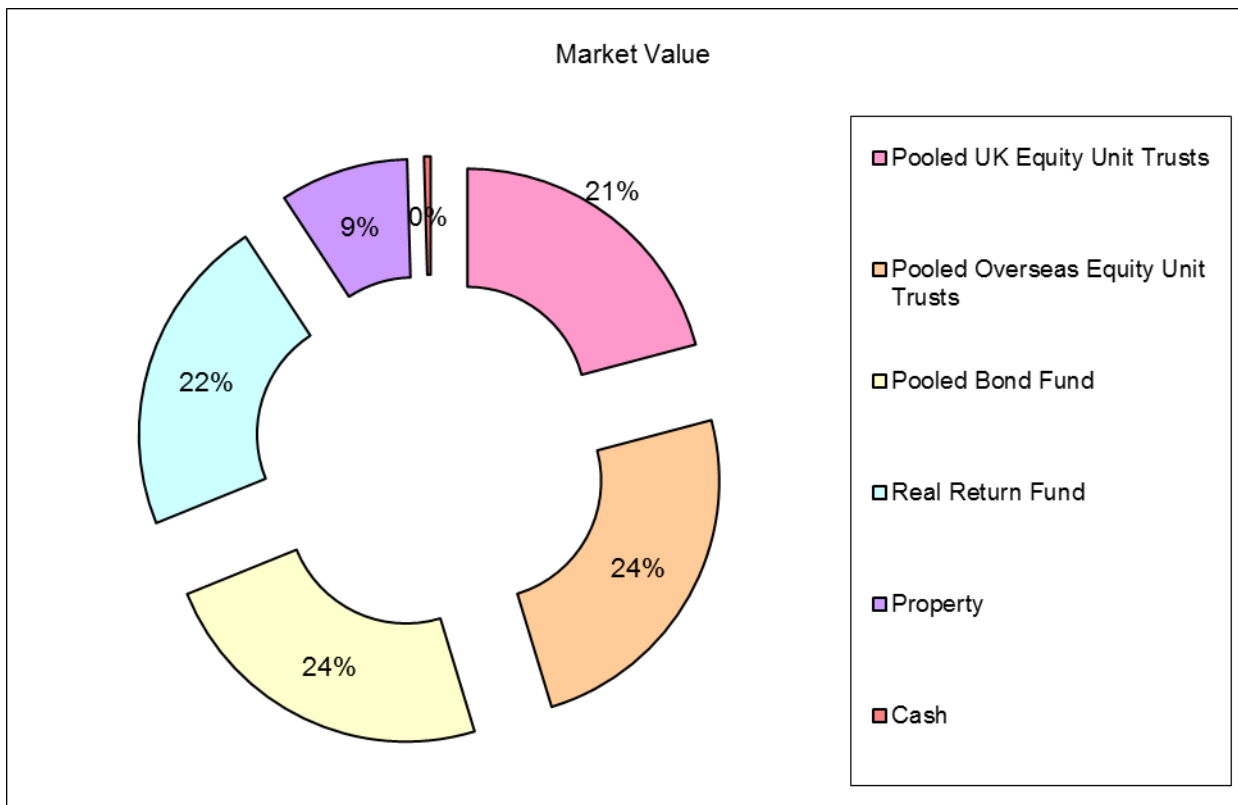
-MSCI – Morgan Stanley Capital International

Chart 5 - compares the Strategic Asset Allocation with the Actual Allocation



The overall strategic asset allocation is 80% in equity type assets and 20% in bond type assets as set out in the SIP. In order to reduce risk the Real Return Pooled Units with Newton has the flexibility to invest across a range of asset classes and can alter the asset allocation to adapt to market conditions. Chart 6 shows how the Pension Fund has been invested between the various different types of investment mandate.

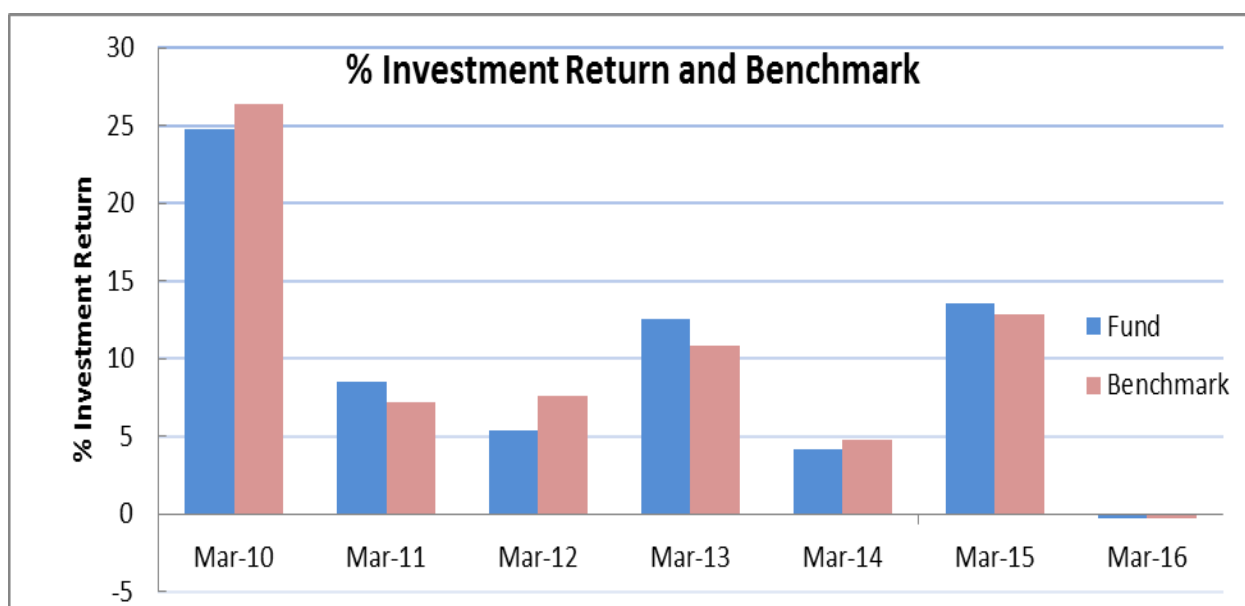
Chart 6 – The Distribution of Assets by Market Value



The performance of the Fund is measured by the State Street Analytics Company against our strategic benchmark and Chart 7 provides details of this performance for the past seven years. The Chart shows that in 2015/16, the return on the Fund matched the strategic benchmark.

The Fund aims to balance minimisation of risk with the achievement of our investment objectives.

Chart 7 – shows the investment return of the Fund relative to the combined benchmarks.



Corporate Governance and Responsible Investing

The Pension Fund has instructed its Fund Managers to vote its shares in accordance with the Fund Manager's Voting Policies as these policies are compliant with the UK Stewardship Code. The Fund Managers provide quarterly reports of the voting activity undertaken together with any engagement undertaken with companies. These reports are provided to the Members of the Investment Panel. The policy on corporate governance is reviewed by the Investment Panel periodically.

The mandates with the various Fund Managers set out the objectives of the investment portfolio. However, the Fund does not apply restrictions on the Fund Managers with regard to responsible investing. This policy of non-restrictive investing is reviewed periodically as part of the review of the Statement of Investment Principles.

In 2015/16 the Redbridge Pension Fund was not a member of any of the national bodies for corporate governance or other pension matters.

Risk Management

The Fund's primary long-term risk is that its assets are not sufficient to meet its liabilities. The investment objectives have been set with the aim of maximising investment returns over the longer term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

The Pension Fund Investment Panel receives an annual review of the Fund and its various Fund Managers from State Street Global Services, which assists the Members to determine whether to continue with the appointment of the Fund Managers. The annual review also provides analysis showing the level of risk being undertaken by the Fund as well as the level of risk being associated with each investment mandate.

The investment strategy incorporates flexibility of up to 5% between asset classes to reflect normal market volatility. However when market conditions are highly volatile, the rebalancing of the Fund in-line with the strategy may be suspended to avoid exposure to greater risk from market conditions.

The Pension Fund's Investment Advisers, Mercer, undertake regular investigations of the Investment Managers and provide reports to the Council of their findings. Mercer also provide news alerts on issues that may be of interest regarding the Fund's Investment Managers. Clarification with the Investment Managers would be sought on any concerns raised.

The Pension Fund has also appointed an independent company, Institutional Protection Service, who provide the following services:

- Report on corporate fraud or mismanagement where it affects shareholder interest.
- Assess any potential claim by shareholders due to the misconduct by companies and identify options for recovering this loss.

The Council has access to copies of the Fund Managers' audited internal control reports and also has access to web-site alerts from professional pension publications.

A Risk Register for the Pension Fund has been developed and is included within the Funding Strategy Statement (Appendix 2) that sets out the key risks including demographic, regulatory and governance. The actuary reports on these risks at each triennial valuation or more frequently if required.

FINANCIAL SUMMARY

The Council, as the administering authority, is responsible for ensuring that sufficient funds exist to meet current and future benefit payments. Investment Managers, Members of the Pension Fund Investment Panel, Council Officers, the Actuary and Independent Investment Specialists work together to deliver optimal returns whilst also balancing the risk on the Fund and maintaining affordable employers' contribution rates.

Table 5 – Annual Income & Expenditure Summary since 2011/12

Financial Summary	11/12 £'m	12/13 £'m	13/14 £'m	14/15 £'m	15/16 £'m
Contributions (1)	32.756	36.495	33.572	35.539	36.834
Investment Income (2)	14.990	12.148	12.432	12.893	9.212
Realised Profits/(Loss)	11.116	5.392	8.564	2.594	34.549
Benefits & Expenses (3)	(28.213)	(30.321)	(32.982)	(31.273)	(35.307)
Net Annual Surplus(Deficit)	30.649	23.714	21.586	19.753	45.288
Unrealised Profits/(Loss)	(3.026)	44.027	0.132	59.932	(47.496)
Asset Market Value at 31 March	467.138	534.879	556.597	636.282	634,074

1 includes cessation payments

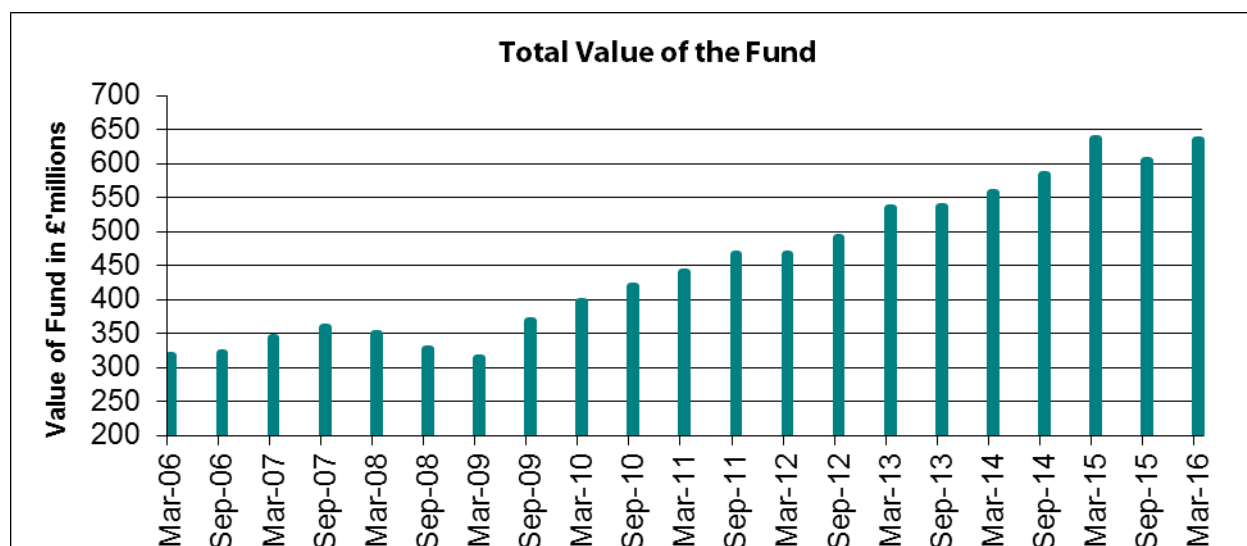
2 includes Transfer Values received

3 includes Transfer Values paid

As Table 5 shows, the value of the fund has fluctuated over the years reflecting the improved market conditions following the turmoil in 2008.

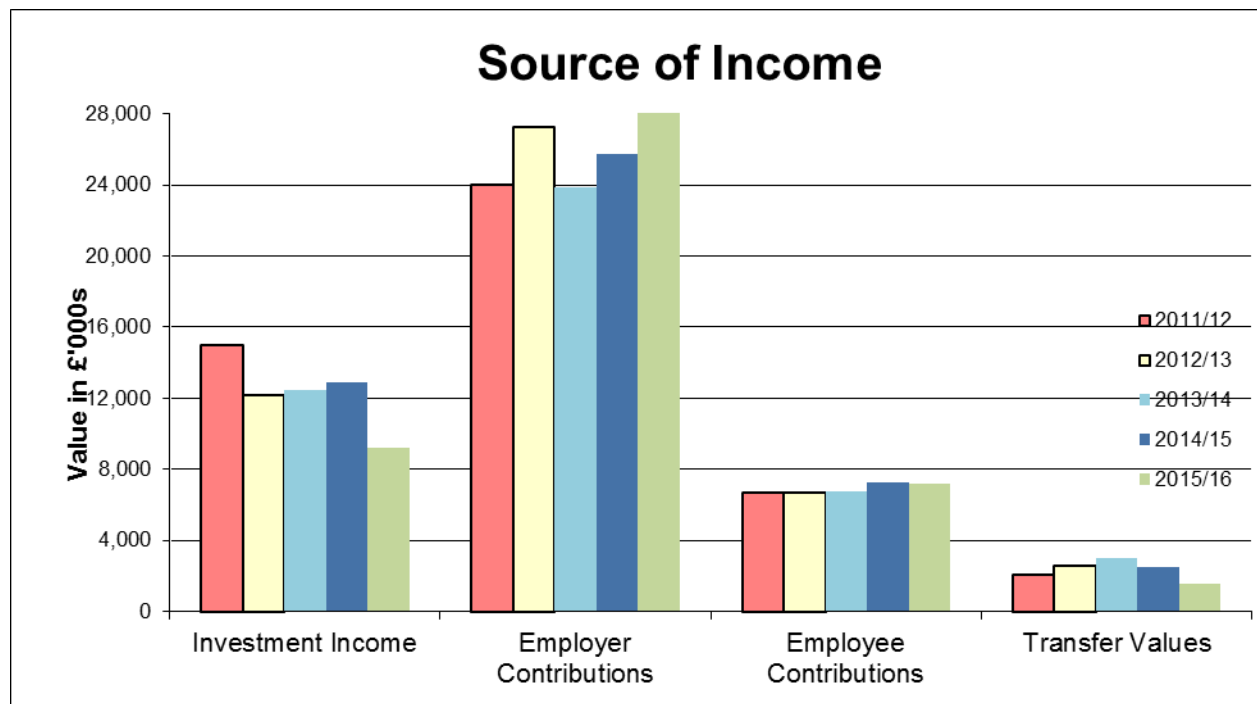
Chart 8 shows the value of the Fund since March 2006 and demonstrates the market volatility of the markets over recent years. The chart also shows that since the severe market falls in 2008/09, the Fund has more than doubled in value.

Chart 8 - Change in the value of the Fund since March 2006 in £'millions



The Fund receives income from various sources. The main source of income received relates to employee and employer contributions. The employee contribution rate is set by Regulations, whereas the employer contribution rate is calculated by the Fund's Actuary and is set as a result of the triennial valuation. The valuation was undertaken as at 31 March 2013 and is used to set the employers' contribution rate for three years from 1 April 2014. Chart 9 provides details of the various income streams.

Chart 9 – Source of Income

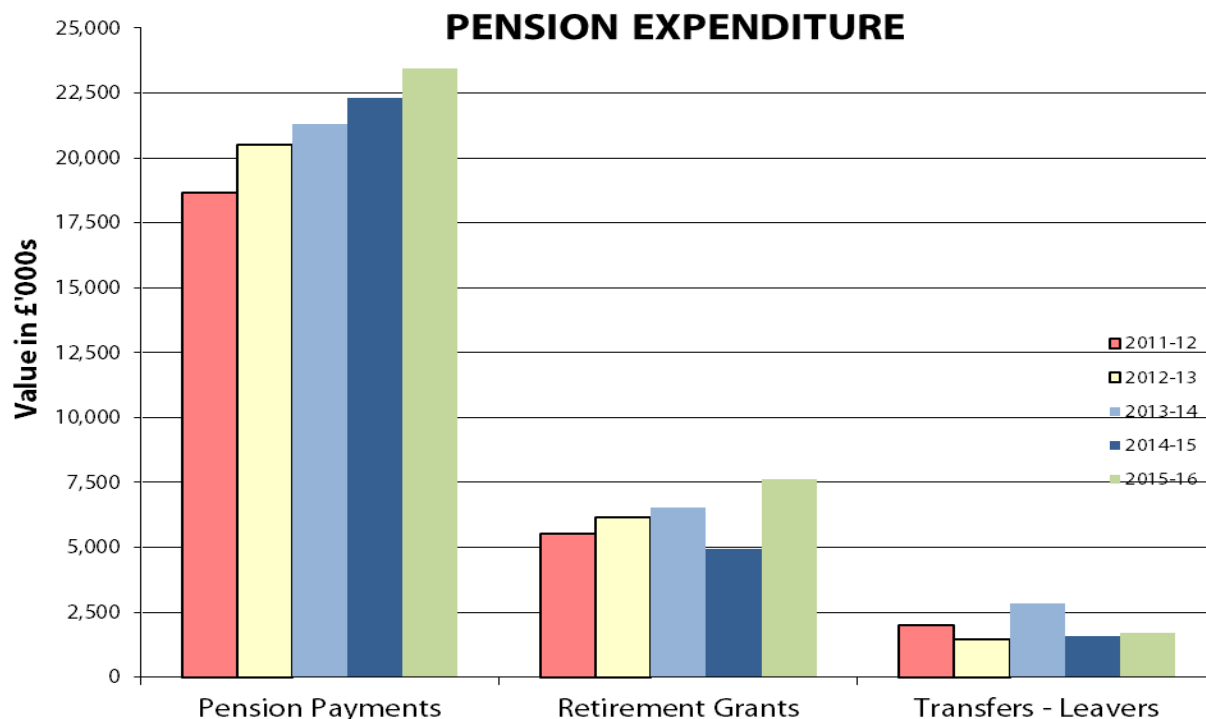


The amount of investment income received has reduced in recent years. This is due to the change in the investment strategy that has resulted in investment in unit trusts. With this style of investment product, the income generated is re-invested and is therefore reflected in the value of the unit trust. As at the end of March 2016 these re-investing income unit trusts accounted for 90% of the Pension Fund.

The above chart shows a spike in employer contributions in 2012/13. This was as a result of the cessation payment by London & Quadrant, who terminated their admission to the fund following the retirement of their last employee. The increase in employer contribution income in 2014/15 and 2015/16 was due to the increase in the contribution rate by 1% each year in accordance with the Actuarial Valuation as demonstrated in Chart 11 overleaf.

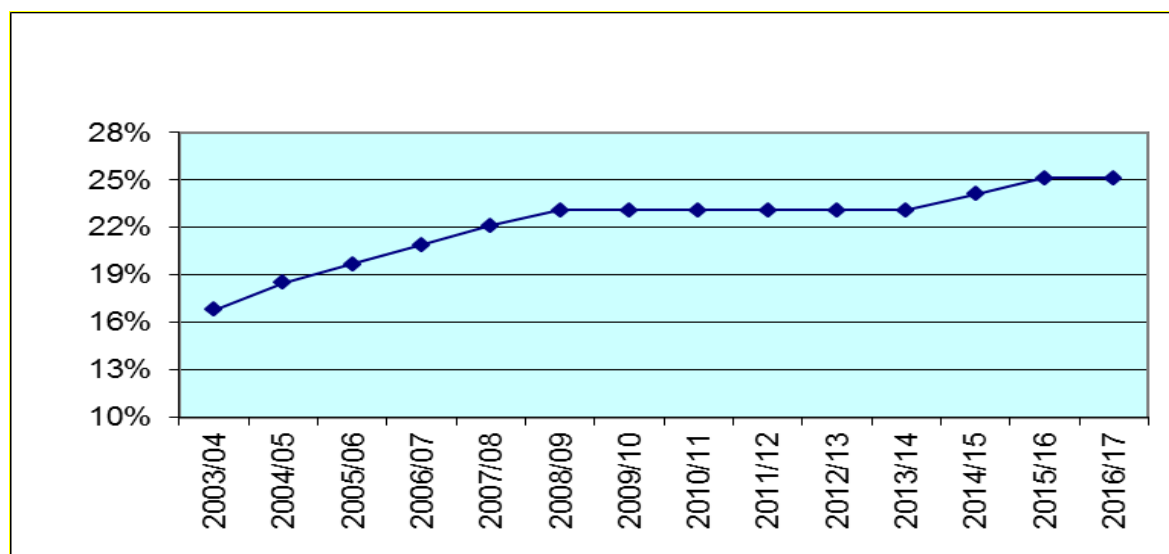
Over the past year, the cost of pension payments has increased by 5.1%, mainly due to an increase in the number of pensioners. However despite an inflation increase to pensions of 1.2%, the current average pension paid only increased by £37 per annum from last year and now averages at £4,993 per year. The increase in pension expenditure is shown in Chart 10.

Chart 10 – Pension Expenditure



As well as looking to ensure that employer contribution rates remain affordable, the Council also seeks to avoid volatility in the rates. Chart 11 shows the movement of the contribution rates over the past twelve years and for the next two years as set by the Fund's Actuary:

Chart 11 – London Borough of Redbridge Contribution Rates



Comparison of Budget Forecast and Actual Income and Expenditure

The Council monitors the Pension Fund's cash flow on an annual basis, comparing trends on income and expenditure against previous years to ensure that the Fund remains cash positive, effectively having sufficient income to meet its liabilities. Table 6 sets out actual income and expenditure along with the estimated budget for 2015/16.

Table 6 – Income and Expenditure 2015/16

	Actual £'000	Budget £'000	Variance £'000	Comment
Income				
Contributions	33,799	33,770	29	
Early Retirements	1,467	1,000	467	Implementation of workforce restructuring resulted in increased levels of capitalisation receipts.
Transfers In	1,568	1,700	(132)	Less transfers received than originally assumed.
TOTAL INCOME	36,834	36,470	364	
Expenditure				
Pensions	23,453	22,800	649	Increased pensioners due to restructure of workforce
Retirement Grants	6,772	5,900	872	Cost and number of retirements higher than assumed.
Death Grants	840	800	40	
Transfers Out	1,686	2,500	(814)	Transfers out fewer than originally anticipated.
TOTAL EXPENDITURE	32,600	31,200	747	

The Council's Human Resources department provides the administration service for the Pension Fund and recharges the Pension Fund for this service. In addition, the Pension Fund incurs costs as part of delivering administrative services. Table 7 sets out details of these addition costs together with the original budget estimate.

Table 7 – Cost of Pension Administration

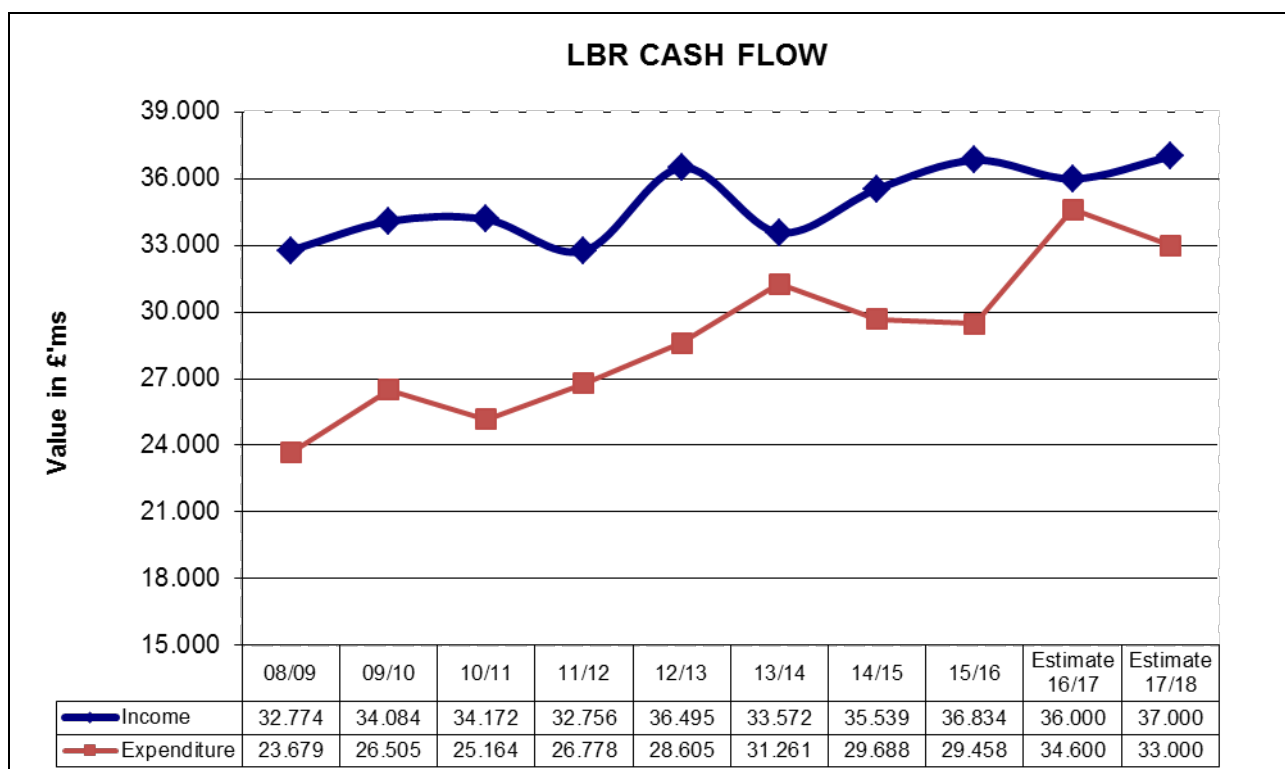
	Actual £'000	Budget £'000	Variance £'000	Comment
HR Recharge	429	411	18	Additional costs for producing Annual Benefits Statements
Computer System	200	120	80	Implementation of new Altair system including member self service
Actuarial Services	29	25	5	New admission body enquiries & valuations
Training	3	3	0	
Audit	21	21	0	

Cash Flow

The previous charts have shown how the various different sources of income and expenditure have changed over the past few years as demonstrated in Chart 12..

The cash flow for 2016/17 predicts that as further staff reductions are implemented the level of excess income over expenditure will reduce, however once the restructuring of the workforce has been completed and auto-enrolment is implemented it is anticipated that the difference between income and expenditure will change, thereby maintaining a cash-positive position.

Chart 12 – LBR Cash Flow



London Borough of Redbridge Pension Fund ("the Fund")

Actuarial Statement for 2015/16

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

- ensure that sufficient resources are available to meet all pension liabilities as they fall due;
- help employers recognise and manage pension liabilities as they accrue;
- maximise the returns from investments within reasonable risk parameters; and
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, and admission bodies whilst achieving and maintaining fund solvency which should be assessed in light of the risk profile of the fund and the risk appetite of the Administering Authority and employers alike.
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £534 million, were sufficient to meet 77% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £159 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 10 March 2014.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	5.00%	2.50%
Pay increases	3.30%	0.80%
Price inflation/Pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.1 years
Future Pensioners*	24.3 years	26.7 years

*Aged 45 as at the 2013 formal valuation.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from London Borough of Redbridge, the Administering Authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Barry McKay FFA

**Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
2 September 2016**

**Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB**

DRAFT Independent auditor's report to the members of London Borough of Redbridge on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 29 to 43.

Respective responsibilities of the Corporate Director of Resources and the auditor

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities the Corporate Director of Resources is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of London Borough of Redbridge, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of London Borough of Redbridge for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts 12 September 2016 and the date of this report.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Philip Johnstone
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
12 September 2016

STATEMENT OF RESPONSIBILITIES

The London Borough of Redbridge as Administering Authority of the London Borough of Redbridge Pension Fund is required to:

- ☐ make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Corporate Director of Resources.
- ☐ Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ☐ Approve the Statement of Accounts.

In the Council's Constitution, the following responsibilities have been delegated to the Corporate Director of Resources:

- ☐ the duty to maintain and manage a Pension Fund in accordance with the Local Government Pension Scheme Regulations. This power shall be exercised in accordance with the recommendations of the Pension Fund Investment Panel.
- ☐ to ensure that the Council's accounting records are kept in accordance with the appropriate accounting standards and mandatory guidance and that the Statement of Accounts is prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards.
- ☐ the statutory duty to arrange for a triennial Actuarial Valuation of the Fund; to obtain an Actuary Certificate and to send a copy to the Minister; and to supply a copy of the Pension Fund audited accounts to admitted employing authorities.
- ☐ the duty to comply with and to exercise and perform any powers and duties under the various Pension Acts and the Superannuation Act 1972 which fall to be exercised or performed by the Council by virtue of its being an employer (powers and duties relating to supervision of pension schemes).

Statement of the Corporate Director of Resources

I certify that the Accounts set out on pages 29 to 43 have been prepared in accordance with proper practices and present a true and fair view of the transactions of the London Borough of Redbridge Pension Fund during the year ended 31 March 2016 and financial position of the Fund at the date of its assets and liabilities, other than liabilities to pay pensions and benefits after the year end.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
12 September 2016

Pension Fund Account for the Year Ended 31 March 2016

2014/15 £'000		Notes	2015/16 £'000
	Dealings with members, employers and other directly involved in the Fund.		
33,020	Contributions receivable	6	35,266
2,519	Transfers in	7	1,568
35,539			36,834
	<i>Less:</i>		
(27,244)	Benefits payable	8	(31,074)
(1,577)	Leavers	9	(1,718)
(28,821)			(32,792)
6,718	Net additions from dealings with members		4,042
(2,452)	Management Expenses	10	(2,515)
	Returns on Investments		
13,384	Investment income	11	9,534
(491)	Irrecoverable withholding tax	11	(322)
62,526	Change in market value of investments	12(b)	(12,947)
75,419	Net returns on Investments		(3,735)
79,685	Net increase in the Fund during the year		(2,208)
556,597	Net Assets of the scheme at 1 April 2015		636,282
636,282	Net Assets of the scheme at 31 March 2016		634,074

Net Assets Statement as at 31 March 2016

2014/15 £'000		Notes	2015/16 £'000
641,464	Investment Assets	12	634,600
(4,811)	Investment Liabilities	12	0
636,653			634,600
130	Current Assets	16	141
(501)	Current Liabilities	16	(667)
636,282	Net Assets of the Scheme at 31 March 2016		634,074

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial present value of promised retirement benefits is disclosed at Note 20.

I certify that the Pension Fund Account and Net Assets Statement present a true and fair view of the income and expenditure in 2015/16 and the Pension Fund's financial position as at 31 March 2016.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
12 September 2016

Notes to the Pension Fund Account

1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations by the London Borough of Redbridge. The scheme is a contributory defined benefit pension scheme that provides pensions and other benefits to former Council employees (except teachers, who have a separate scheme) and to various scheduled and admitted bodies.

During 2015/16 the Council out-sourced a number of services which resulted in an increase to the number of admitted bodies in the scheme.

The scheduled bodies in the scheme as at 31 March 2016 were: Redbridge College, Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Palmer Academy, Isaac Newton Academy, Aldborough Free School, Loxford Academy, St Aidan's Academy and Beal Multi Academy.

The admitted bodies in the scheme as at 31 March 2016 were: Redbridge Theatre Company Limited, Morrison Facility Management Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Dizzy Ducks Nursery, Chestnuts Nursery, Barney Bears Nursery, Lewis & Graves, Caterlink Ltd, Town & Country Cleaners Ltd and Blenheim CPD.

As at 31 March 2016 the membership of the scheme was as follows:

Active Members	As at 31 March 2015	As at 31 March 2016
Redbridge Council	4,818	4,654
Scheduled Bodies	562	642
Admitted Bodies	199	240
TOTAL	5,579	5,536

Pensioners	As at 31 March 2015	As at 31 March 2016
Redbridge Council	4,339	4,514
Scheduled Bodies	106	119
Admitted Bodies	56	63
TOTAL	4,501	4,696

Deferred Members	As at 31 March 2015	As at 31 March 2016
Redbridge Council	4,686	5,212
Scheduled Bodies	331	489
Admitted Bodies	60	87
TOTAL	5,077	5,788

The Fund is financed by contributions as well as interest, dividends and profits from realised investments. The contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

Five Councillors are appointed annually by the Council to the Pension Fund Investment Panel, which has the role of dealing with the management of the Pension Fund's investments in accordance with regulations laid down in statute and the Fund's Statement of Investment Principles.

In line with the provisions of the Public Service Pension Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. The Board Members are independent of the Pension Fund Investment Panel.

The administration of the scheme is managed in-house by the London Borough of Redbridge.

The Pension Fund's financial statements provide a stewardship report on the Fund, together with a statement of the assets position at the financial year-end.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16 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. The accounting requirement under International Accounting Standard (IAS) 26 is disclosed at Note 20.

3. Summary of Significant Accounting Policies

Fund account – revenue recognition

- A) **Contribution Income** – Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation and pension strain contributions are accounted for in the period that the liability arises. Any amount due in year but unpaid is treated as a current financial asset.

- B) **Transfers to and from other schemes** – Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid.

- C) **Investment Income** –

(i) **Interest Income** – Interest income is recognised in the Fund account as it accrues.

(ii) **Dividend Income** – Dividends have been accounted for on an accrual basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

(iii) **Distributions from pooled equity funds** – Pooled investment vehicles are accumulation funds and as such the change in market value includes income, net of withholding tax which is re-invested in the fund.

(iv) **Distributions from pooled property funds** – Income distributions from the pooled property fund investments have been accounted for on an accrual basis.

(v) **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

- D) **Benefits Payable** – pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

- E) **Taxation** – the fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments

incurs withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

- F) **VAT** – VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.
- G) **Management Expenses** – Pension Fund management expenses are accounted for in accordance with the CIPFA Guidance Accounting for Local Government Pension Scheme Management Costs. All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with the Council's policy.
- H) **Investment Management Expenses** - All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.
- I) **Oversight and Governance Costs** - The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

The costs of the Council's in-house fund management team are charged direct to the fund and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the fund and is included within oversight and governance costs.

Net assets statement

- J) **Financial Assets** – financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i) Market quoted investments – the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
 - ii) Fixed Interest Securities – are recorded at net market value based on their bid price.
 - iii) Pooled Investment Vehicles – these are valued at either the closing bid price where a bid price exists or on the single unit price provided by the investment managers.
 - iv) Cash – the cash held in the Pension Fund current account is invested by the Council in accordance with its Treasury Management policy.
- K) **Foreign Currency Transactions** – 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 any 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.
- L) **Derivatives** – the fund uses derivative financial instruments to manage its exposure to specific risk arising from its investment activities. The fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivatives contracts are included in change in market value.

The value of forward foreign exchange contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the contract were matched at the year-end with an equal and opposite contract.

Derivatives were used by the Fund Managers as part of their investment strategy to enable them to achieve our investment mandate objective.

- K) **Cash and cash equivalents** – cash comprises of cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash that is invested for longer than an overnight deposit is recognised as an investment asset.
- L) **Financial Liabilities** – the Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.
- M) **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 in accordance with the requirements of IAS 19 and relevant actuarial standards.
- As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).
- N) **Additional Voluntary Contributions** – AVCs are not included in the accounts which is in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but are disclosed as a note only (Note 21).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Pension fund liability – the pension fund liability is calculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Events after the Year End Date

There have been no events since 31 March 2016 and up to the date when these accounts were authorised that require any adjustment to these accounts.

6. Contributions Receivable

Contributions represent those amounts receivable from the various employing bodies in respect of their own contributions and those of their contributing employees. Under the provisions of the scheme, employees' rates are based on pay bandings and range from 5.5% to 12.5% of pensionable pay. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 12.5% to 24.1% plus any additional lump sum contributions required in respect of funding shortfalls at the time of the triennial actuarial valuation.

Early retirement - All capital costs, such as employee and employer contributions foregone, and the cost of making pension payments early in respect of non-ill-health early retirements, are met by the employer that approved the early retirement.

		2014/15 £'000	2015/16 £'000
Employers	LBR	22,636	24,898
	Scheduled Bodies	1,977	2,075
	Admitted Bodies	1,117	1,108
		25,730	28,081
Members	LBR	6,285	6,145
	Scheduled Bodies	648	686
	Admitted Bodies	357	354
		7,290	7,185
		33,020	35,266

Contributions split between normal, deficit funding and augmentation are outlined below:

	2014/15 £'000	2015/16 £'000
Normal Employer Contributions	20,394	20,924
Deficit Payments *	5,153	5,690
Cessation Payment	0	0
Augmentation (Early Retirements)	183	1,467
	25,730	28,081

* The deficit recovery policy is set out in the Scheme's Funding Strategy Statement

7. Transfers In

Sums received for scheme members from other pension schemes that relate to periods of previous pensionable employment.

	2014/15 £'000	2015/16 £'000
Individual Transfers from other schemes – LBR	2,519	1,568
	2,519	1,568

8. Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme regulations.

	2014/15 £'000	2015/16 £'000
Pensions – LBR	21,090	22,132
– Scheduled Bodies	517	585
– Admitted Bodies	700	732
Commutation of Pensions and Lump Sum Retirement Benefits	4,359	6,772
Lump Sum Death Benefit	559	840
Interest	19	13
	27,244	31,074

9. Payments to and on Account of Leavers

Regulations permit a refund of employee contributions to be made to new members with less than three months initial scheme membership. Individual transfers are payments of accrued pension benefits in respect of scheme members who have left the scheme and joined a pension scheme elsewhere.

	2014/15 £'000	2015/16 £'000
Refunds to members	15	32
Individual Transfers to other Schemes	1,562	1,686
	1,577	1,718

10. Management Expenses

The table below shows a breakdown of the management expenses incurred during the year. The London Borough of Redbridge carries out the administrative function in-house.

	2014/15 £'000	2015/16 £'000
Administrative Costs	594	700
Investment Management Expenses	1,585	1,522
Oversight and Governance	252	272
Audit Fees	21	21
	2,452	2,515

11. Investment Income

Interest, dividends and other income shown in the Fund Account have been broken down as follows:

	2014/15 £'000	2015/16 £'000
Fixed interest securities	7,194	4,106
Index Linked	66	71
Equities	3,528	3,008
Property Unit Trusts	2,394	1,836
Cash Deposits	30	25
Other Investment Income	172	488
	13,384	9,534
Less irrecoverable withholding tax	(491)	(322)
	12,893	9,212

12. Investments

During 2015-16 the Pension Fund implemented a new strategy which resulted in the transfer of three segregated funds into three pooled unit funds.

The table below shows the Fund's investments by asset class reflecting the change to pooled units:

	2014/15 £'000	2015/16 £'000
Investment Assets		
Fixed interest securities (including index-linked)	208,226	136
Equities	95,942	0
Pooled Investments	255,081	575,636
Pooled Property Investments	59,824	55,806
Derivatives		
Options	249	0
Currency Forwards	2,481	0
Commodities	6,887	0
Cash Deposits	10,548	2,833
Investment Income Due	2,188	189
Amounts Receivable for sales	38	0
Total Investment Assets	641,464	634,600
Investment Liabilities		
Derivatives		
Options	(247)	(0)
Index Futures	(176)	(0)
Currency Forwards	(1,861)	(0)
Amounts Payable for purchases	(2,527)	(0)
Total Investment Liabilities	(4,811)	(0)
Net Investment Assets	636,653	634,600

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2016 with comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2015.

	Value at 31/03/15 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/16 £'000
Equities	95,942	30,925	(124,658)	(2,209)	0	0
Fixed Interest Securities	205,604	125,401	(322,263)	(8,742)	0	0
Index Linked	2,622	751	(3,149)	(88)	0	136
Pooled Equity Unit Trusts	255,081	326,808	(2,157)	(4,096)	0	575,636
Property Unit Trusts	59,824	16,320	(23,237)	2,899	0	55,806
Commodities	6,887	2,633	(9,994)	474	0	0
	625,960	502,838	(485,458)	(11,762)	0	631,578

Derivative Contracts

Options & Index Futures	(174)	139,598	(139,556)	132	0	0
Currency Forwards	620	798,704	(796,802)	(2,522)	0	0

626,406	1,441,140	(1,421,816)	(14,152)	0	631,578
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Other Balances

Cash Deposits	10,548	0	0	1,205	(8,920)	2,833
Receivable – Sales	38				(38)	0
Receivable - Investment						
Income	2,188				(1,999)	189
Payable - Purchases	(2,527)				2,527	0

636,653	1,441,140	(1,421,816)	(12,947)	8,430	634,600
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	Value at 31/03/14 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/15 £'000
Equities	95,610	53,090	(60,541)	7,783	0	95,942
Fixed Interest Securities	164,275	122,609	(107,005)	25,725	0	205,604
Index Linked	2,455	0	0	167	0	2,622
Pooled Equity Unit Trusts	227,190	2,112	0	25,779	0	255,081
Property Unit Trusts	49,281	4,600	0	5,943	0	59,824
Commodities	3,902	2,728	0	257	0	6,887
	542,713	185,139	(167,546)	65,654	0	625,960

Derivative Contracts

Options	90	5,528	(2,063)	(3,553)	0	2
Index Futures	0	121,283	(140,309)	18,850	0	(176)
Currency Forwards	611	152,532	(152,532)	(20,422)	20,431	620

543,414	464,482	(462,450)	60,529	20,431	626,406
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Other Balances

Cash Deposits	13,923	0	0	1,997	(5,372)	10,548
Receivable – Sales	258				(220)	38
Receivable - Investment						
Income	2,223				(35)	2,188
Payable - Purchases	(2,824)				297	(2,527)

556,994	464,482	(462,450)	62,526	15,101	636,653
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The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investments and changes in the sterling value of assets caused by changes in exchange rates. In the case of the pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes, amounting to £0.1 million (£0.2 million in 2014/15). In addition to transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

As shareholders of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £150,000 of regulatory capital. It is anticipated that during 2016/17 some of the investment portfolio will be transferred to the London Collective Investment Vehicle (CIV).

Cash balances invested by the Council on behalf of the Pension Fund are included within cash deposits. As at 31 March 2016 the Council invested cash amounting to £1.8 million (£3.3 million at 31 March 2015).

	2014/15 £'000	2015/16 £'000
Equities		
UK Quoted	17,786	0
Overseas Quoted	78,156	0
	95,942	0

Fixed Interest Securities		
UK – Public Sector	100,303	0
Overseas – Public Sector	27,419	0
UK - Other	42,105	0
Overseas- Other	35,777	0
	205,604	0
Index Linked Securities		
UK – Public Sector	1,972	136
Overseas – Other	650	0
	2,622	136
Pooled Investment Vehicles		
Unit trusts – UK Equities	139,590	132,277
Unit trusts – Overseas Equities	115,491	155,017
Fixed Income (Absolute Return Fund)	0	73,728
Index Linked	0	75,619
Real Return Fund	0	138,845
London CIV	0	150
	255,081	575,636
Property Unit Trusts		
UK	59,824	55,806
	59,824	55,806
Cash		
Sterling Deposits	10,548	2,833
	10,548	2,833
Commodities		
Commodities	6,887	0
	6,887	0
Investment Balances		
Investment Income Due	2,188	0
Outstanding Sales	38	0
Outstanding Purchases	(2,527)	0
	(301)	0

A summary of individual investments exceeding 5% of the Fund's total net assets is set out below:

Investment	31 March 2016	% of net assets
UK Equity Index Unit Trust	132,277	20.9%
North America Equity Index Unit Trust	44,883	7.1%
Europe ex UK Equity Index Unit Trust	31,773	5.0%
Global Equity Index Unit Trust	42,441	6.7%
Absolute Return Fund	73,728	11.6%
Index Linked Bond Fund	75,618	11.9%
Real Return Fund	138,845	21.9%
Schroder Property Fund	38,958	6.1%

12(a) Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

2014/15			2015/16		
Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000	Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
205,604			Financial Assets		
2,622			Fixed Interest Securities	0	
95,942			Index Linked Securities	136	
255,081			Equities	0	
			Pooled Investments	575,636	
59,824			Pooled Property		
6,887			Investments	55,806	
249			Commodities	0	
2,481			Options contracts	0	
	10,548		Currency Forwards	0	
	2,356		Cash		2,833
			Debtors		330
628,690	12,904	0	TOTAL	631,578	3,163
					0
			Financial Liabilities		
(247)			Options Contracts	0	
(176)			Index Futures		
(1,861)			Currency Forwards		
		(2,527)	Unsettled trades		
		(501)	Creditors		(667)
(2,284)	0	(3,028)	TOTAL	0	(667)
626,406	12,904	(3,028)	GRAND TOTAL	631,578	3,163
636,282				634,074	

12 (b) Net Gains and Losses on Financial Instruments

31.03.15 £'000	Financial Assets	31.03.16 £'000
84,504	Fair value through profit & loss	(11,763)
1,997	Loans and receivables	1,205
86,501		(10,558)
	Financial Liabilities	
(23,975)	Fair value through profit & loss	(2,389)
62,526	TOTAL	(12,947)

12 (c) Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair value.

31.03.15 Carrying Value £'000	31.03.15 Fair Value £'000	31.03.16 Carrying Value £'000	31.03.16 Fair Value £'000
493,580	628,690	540,499	631,578
12,774	12,774	3,022	3,022
506,354	641,464	543,521	634,600
	Financial Assets		
	Fair value through profit & loss		
	Loans and Receivables		
	Total Financial Assets		

(2,284)	(2,284)	Financial Liabilities		
(2,527)	(2,527)	Fair value through profit & loss	0	0
		Financial Liabilities at amortised cost	0	0
(4,811)	(4,811)	Total Financial Liabilities	0	0
501,543	636,653		543,521	634,600

12 (d) Valuation of Financial Instruments carried at fair value

The valuation of financial instruments has been classified into two levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Level 2

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

Values as at 31 March 2016

Financial Assets

Financial Assets at fair value through profit & loss

Loans and receivables

Total Financial Assets

Financial Liabilities

Financial liabilities at fair value through profit & loss

Financial liabilities at amortised cost

Total Financial Liabilities

Net Financial Assets

Level 1 £'000	Level 2 £'000	TOTAL £'000
287,294	344,284	631,578
3,022	0	3,022
290,316	344,284	634,600
0	0	0
0	0	0
0	0	0
290,316	344,284	634,600

Assets as at 31 March 2015

Financial Assets

Financial Assets at fair value through profit & loss

Loans and receivables

Total Financial Assets

Financial Liabilities

Financial liabilities at fair value through profit & loss

Financial liabilities at amortised cost

Total Financial Liabilities

Net Financial Assets

Level 1 £'000	Level 2 £'000	TOTAL £'000
362,298	266,392	628,690
12,774	0	12,774
375,072	266,392	641,464
(2,284)	0	(2,284)
(2,527)	0	(2,527)
(4,811)	0	(4,811)
370,261	266,392	636,653

12(e) Risk and Risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's forecast cash-flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Market Risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Exchange traded option contracts on individual securities were used during 2015-16 to manage market risk on equity investments.

Other Price Risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund's investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected instrument return movements during the financial year, in consultation with the fund's performance monitoring advisers, the Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Asset Type:

Potential Market movement (+/-)	
UK Equities	10.11%
Overseas Equities	9.17%
Fixed Income	7.31%
Real Return Fund	4.70%
Property	2.08%
Cash	0.01%

If the market price of the fund investments had increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Price Risk:

Asset Type	Value £'000	% Change *	Value on Increase £'000	Value on Decrease £'000
UK Equities	132,427	10.11%	145,815	119,039
Overseas Equities	155,017	9.17%	169,232	140,802
Fixed Income	149,483	7.31%	160,410	138,556
Real Return Fund	138,845	4.70%	145,371	132,319
Property	55,806	2.08%	56,967	54,645
Cash	2,833	0.01%	2,833	2,833

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the fund, i.e. £Sterling.

A 6.01% fluctuation in the currency is considered reasonable based on the Fund's performance monitoring adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

A 6.01% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Risk (by asset class):

Asset Type	Value £'000	% Change *	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	155,017	6.01%	164,327	145,707

* % change has been rounded to 0.01 decimal point

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The pension fund has immediate access to its cash holdings that are invested by the Council. The levels of cash held are reviewed by the Council as part of the periodic cash-flow forecasting and form part of the fund's investment strategy. The fund's investment strategy ensures that the majority of the fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

13. Fund Management

As at 31 March 2015, the fair value of assets under management was £634 million. The Fund has undertaken work in conjunction with the Fund's external adviser to implement a long-term strategy to match the objective of being fully funded in the longer term. The structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's Statement of Investment Principles, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Investment Panel. As at 31 March 2016, the Fund was allocated as shown in the table below:

Manager	Mandate	Value of Portfolio £'000	% of the Fund %
Standard Life	Fixed Income Mandate	149,347	23.6
Newton	Real Return Mandate	138,981	21.9
SSgA	Global Equity Index Tracking Mandate	265,214	41.8
Schroders	Emerging Markets Equity Mandate	22,080	3.5
Schroders	Property	56,056	8.8
LBR	Cash	2,396	0.4
		634,074	100

14. Investments as at 31 March 2016

Investments: the Fund's asset mix was as follows:

	2014/15	2015/16
Equities	55%	66 %
Bonds	33%	24 %
Property	9%	9 %
Cash and other investments	3%	1 %
	100%	100%

15. Statement of Investment Principles

The Council is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement sets out the Fund's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated. A copy of the SIP can be found on the Council's website www.redbridge.gov.uk.

16. Current Assets and Liabilities

	2014/15 £'000	2015/16 £'000
Contributions due	130	129
Prepaid Expenses	0	12
Total of Current Assets	130	141
Accrued benefits	(50)	(150)
Accrued expenses	(451)	(517)
Total of Current Liabilities	(501)	(667)

17. Stock Lending

The Fund does not participate in stock lending arrangements.

18. Related Party Transactions

The London Borough of Redbridge is the single largest employer of members in the Pension Fund and contributed £24.898m to the Fund in 2015/16 (£22.636m in 2014/15).

During the year no Councillors or Chief Officers with direct responsibility for Pension Fund issues have undertaken any declarable transactions with the Pension Fund, other than the following.

- Administrative services undertaken by the Council of the Pension Fund were £428,974 (£449,732 in 2014/15).
- Investment services undertaken by the Council of the Pension Fund were £119,000 (£117,100 in 2014/15).

There is one member of the Pension Fund Investment Panel (Councillor O'Shea) that is in receipt of pension benefits from the Redbridge Pension Fund. Each member of the Pension Fund Investment Panel is required to disclose their interest at each meeting.

19. Actuarial Valuation

In 2015/16, the contribution paid by the Council as an employer was determined following an actuarial valuation of the Fund as at the 31 March 2013. The valuation as at 31 March 2013 set the employer's contribution rates for the years 2014/15, 2015/16 and 2016/17. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund which is open to new members.

For this valuation the actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. Those assumptions, which have the most significant effect on the results of the valuation, are:

Assumption

	Rate
The rate of increase in pensionable earnings	2.5%
"Gilt-based" discount rate	5.0%
The level of increase in earnings growth	3.3%

The result of the 2013 valuation was that the value of the Fund's assets was actuarially assessed as £534 million, which was sufficient to meet 77% of its accrued liabilities. The employer's contribution rate required as a result of the valuation incorporates a phased increase in the balance of the Fund to meet 100% of future benefit liabilities, as required by Pension Fund regulations. As a result of the 2013 valuation, those employers within the Fund that have funding shortfalls are required to make repayment over an agreed period in accordance with the policies set out in the Pension Fund's Funding Strategy Statement (available on the Council's web site www.redbridge.gov.uk), and certified by the Actuary in the Actuarial Report. The new employer contribution rates and shortfall payments commenced from 1 April 2014.

20. Actuarial Present Value of Promised Retirement Benefits

The Fund's Actuary prepares reports for the purposes of IAS19 for the Council and other employers participating in the Pension Fund upon request. Further information pertaining to the Council is included at note 42 of the Notes to the Core Financial Statements on pages 75 to 79 of the Council's Accounts.

The Actuary has calculated that the liabilities at 31 March 2016 for the entire Fund comprises of:

Type of Member	2014/15 Liability £'million	2015/16 Liability £'millions
Employees	486	503
Deferred Members	172	160
Pensioners	330	304
Total	988	967

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS19 information).

	31 March 2015 £'millions	31 March 2016 £'millions
Present value of funded obligations	(988)	(967)
Fair value of Fund Assets	636	634
Net Liability for the whole Fund	(352)	(333)

These calculations have been determined using the following financial assumptions:

Year Ended	31 March 2015 % p.a.	31 March 2016 % p.a.
Inflation / Pension Increase Rate	2.1	2.2
Salary Increase Rate	3.0	3.2
Discount Rate	3.1	3.5

21. Additional Voluntary Contributions (AVC's)

The Council has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. A total of 19 members of the Pension Fund contribute to the AVC schemes. In 2015/16 £43,658 of contributions were made to the AVC Scheme (£38,964 in 2014/15).

Market Value 31 March 2015 £'000	AVC Provider	Market Value 31 March 2016 £'000
260	Equitable Life	167
242	Clerical Medical	123
341	Standard Life	237
843	TOTAL	527

The Council, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the Council's Pension Fund accounts.

22. Contingent Liabilities

There were no material contingent liabilities or contractual commitments at the year-end.

PUBLICATIONS

The Pension Fund publishes the following documents on the Council's website www.redbridge.gov.uk within the section "The Council" : "Our Finance" : "Pension Fund".

1. Annual Business Plan

The Pension Fund Investment Panel undertakes a review of the activities of the Panel over the previous twelve months and sets out the tasks for the forthcoming year. This would include reviewing policy statements and monitoring the performance of the Fund. The Annual Business Plan is agreed each year at the Investment Panel meeting held in May.

2. Annual Review

This review sets out details of the activities of the Investment Panel over the Committee cycle and assesses this work with the objectives as set out in the Annual Business Plan. This Review is presented to the Investment Panel meeting held in September and is distributed to the members of the Council's Cabinet for their information.

A copy of these documents can be obtained by contacting the Corporate Accounting Team.

3. Communication Policy Statement (Appendix 1)

This statement is produced by the Pension Administration Team and is revised periodically to ensure that it remains consistent with recommended practices. The statement sets out the Council's policy for:

- ☐ communicating with interested parties including members and other employers within the scheme;
- ☐ the method and frequency of communications used;
- ☐ promoting the LGPS to seek to increase membership within the scheme;
- ☐ performance objectives for administering the scheme.

4. Fund Strategy Statement (Appendix 2)

This statement is prepared in collaboration with the Fund's Actuary and after consultation with the Fund's employers and investment advisers and sets out:

- ☐ the strategy for the Pension Fund to show how the pension liabilities are to be met whilst seeking to achieve a constant and affordable employer contribution rate;
- ☐ shows details as to how the Fund is seeking to achieve its objectives and the risk associated with the strategy;
- ☐ details of the responsibilities for each key party, including the employers, employees and actuary.

The Funding Strategy Statement is reviewed periodically to coincide with the valuation. The next valuation is due 31 March 2016.

5. Governance Compliance Statement (Appendix 3)

The objective of this statement is to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders. It therefore provides details of:

- ☐ how the Council, as Administering Authority maintains and manages its pension fund function in accordance with regulatory requirements,
- ☐ the structure for the decision making process, which includes details of the various responsibilities for administering the Pension Fund,
- ☐ the frequency of Investment Panel meetings,
- ☐ the voting rights of the Panel members,
- ☐ accessibility to information and training.

6. Statement of Investment Principles (SIP) (Appendix 4)

Administering Authorities are required to prepare, maintain and publish a written statement of the principles governing their decisions about investments. This document therefore sets out details of:

- ☐ the framework of the Redbridge Fund;
- ☐ the responsibilities of the various parties involved with the Pension Fund, including the Investment Panel and the Director of Finance & Resources, together with the services of the actuary and independent investment advisers;
- ☐ the investment objective and style;
- ☐ the various fund managers, the terms of the mandates, the risks associated with the investments and the measures undertaken to reduce the risk and the role of the custodian;
- ☐ the fund's compliance with the Investment Principles.

The Agenda and Minutes of the Investment Panel meetings are also available on the Council's website "Redbridge i".

CONTACT DETAILS

Registered Address

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IG1 1NN

Pension Enquiries

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Investments Enquiries

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London Borough of Redbridge Pension Fund

Communications Policy Statement

March 2006

Introduction

This is the Communications Policy Statement of the London Borough of Redbridge Pension Fund, (the Administering Authority).

The Fund liaises with 5 employers and over 10,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

It is effective from 1 April 2006.

Any enquiries in relation to this Communications Policy Statement should

be sent to: Doug Falconer
HR Manager - Pensions
London Borough of
Redbridge Human
Resources
Lynton House
255 – 259 High Road
Ilford
Essex
IG1 1NY

Email: doug.falconer@redbridge.gov.uk

Telephone : 020 8708 3549

Regulatory Framework

This policy statement is required by the provisions of Regulation 106B of the Local Government Pension Scheme Regulations 1997. The provision requires us to:

"...prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members.*
- (b) representatives of members.*
- (c) prospective members.*
- (d) employing authorities."*

In addition it specifies that the statement must include information relating to:

- "(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;*
- (b) the format, frequency and method of distributing such information or publicity; and*
- (c) the promotion of the Scheme to prospective members and their employing authorities."*

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. Previously the disclosure requirements have been prescriptive, concentrating on timescales rather than quality. From 6 April 2006 more generalised disclosure requirements are to be introduced, supported by a Code of Practice. The type of information that pension schemes are required to disclose will remain very much the same as before, although the prescriptive timescales are being replaced with a more generic requirement to provide information within a *"reasonable period"*. The draft Code of Practice¹ issued by the Pensions Regulator in September 2005 sets out suggested timescales in which the information should be provided. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met. A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Management section of this document, alongside those proposed by the Pension Regulator in the draft Code of Practice.

¹ Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005.

Responsibilities and Resources

Within the Pension Section the responsibility for communication material is performed by our Pension Manager working in collaboration with the Pensions Manager at LB Havering, with the assistance of Senior Pensions Officers at both boroughs.

Some of our communications, including web based or electronic material, are written and designed by the Pensions Group in conjunction with LB Havering. Other items, such as newsletters, are prepared with the assistance of external consultants or, as in the case of the scheme booklets, purchased direct from outside companies.

Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- employing authorities (scheme employers and admission bodies);

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, the Office of the Deputy Prime Minister, solicitors, the Pensions Advisory Service, senior officers, unions and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

How we communicate

General communication

We will continue to use paper based communication as our main means of communicating, for example, by sending letters to our scheme members. However, we will complement this by use of electronic means such as our website www.redbridge.gov.uk and intranet site <http://insidelbr/>. We will accept communications electronically, for example, by e-mail and, where we do so, we will respond electronically where possible.

Our pension section staff are responsible for dealing with queries from our customers. Any phone calls or visitors are then passed to the relevant person within the section. Direct line phone numbers are advertised to allow easier access to the correct person.

Branding

Although the Pension Fund is administered by the London Borough of Redbridge, pension administration links are continually being developed with the London Borough of Havering and therefore wherever possible literature and communications will conform with the branding of both authorities.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically.

Policy on communication with Active, Deferred and Pensioner Members

Our objectives with regard to communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- for our employers to be employers of choice.
- to increase take up of the LGPS employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of issue</i>	<i>Method of Distribution</i>	<i>Audience Group (Active, Deferred,</i>
Scheme booklet	Paper based	At joining and major scheme changes	Post to home address/via employers	Active

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Newsletters	Paper based	Annually and after any scheme changes	Post to home address/via employers	Active
Pension Fund Report and Accounts	Paper based and on website	Annually	On request	All
Annual Report to Scheme Members	Paper based and on website	Annually	Post to home address/via employers	All
Estimated Benefit Statements	Paper based	Annually	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
Factsheets	Paper based	On request	On request	Active and deferred
Intranet site and website	Electronic	Continually available	Continually available	All
Individual education sessions	Face to face	On request	On request	All
Joiner packs	Paper based	On joining	Post to home addresses	Active members

Explanation of communications

Scheme booklet - A booklet providing an overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Newsletters - An annual newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as national changes to pensions, contact details, etc.

Pension Fund Report and Accounts – These are included within the Statement of Accounts for the London Borough of Redbridge. Details of the value of the Pension Fund at the end of the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.

Annual Report to Scheme Members – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other information related to the administration of the pension scheme.

Estimated Benefit Statements – For active members these include the current value of benefits as well as the projected benefits at age 65. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.

Factsheets – These are leaflets that provide some detail in relation to specific topics.

Intranet site and website – The intranet and web sites will provide scheme specific information, forms that can be printed or downloaded, access to documents, links to related sites and contact information.

Individual education sessions – These are education sessions that are available on request for individual members. For example, where an employer is going through a restructuring, it may be beneficial for employees to understand the impact any pay reduction may have on their pension rights.

Joiner packs – These complement the Scheme booklet, and includes the latest version of the Annual Report to Scheme Members.

Policy on promotion of the scheme to Prospective Members and their Employing Authorities

Our objectives with regard to communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.

As we, in the Pension Section, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Scheme Booklet	Paper based	On commencing employment	Via employers	New employees

Explanation of communications

Scheme booklet - A booklet providing an overview of the LGPS, including who can join, how much it

Policy on communication with Employing Authorities

Our objectives with regard to communication with employers are:

- to improve relationships.

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- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS. Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Newsletters	Paper based	As necessary	Post	Main contact for all employers
Pension Fund Report and Accounts	Paper based and on website	Annually	Post and electronically	Main contact for all employers
Employer Communication	paper based	As an when required, but at least annually	post	Main contact for all employers
Meeting with adviser	Face to face	On request	Invite sent by post or email	Senior management involved in funding and HR issues.

Explanation of communications

Newsletters – A technical briefing newsletter that will include recent changes to the scheme, the way the Pension Section is run and other relevant information so as to keep employers fully up to date.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Employer Communication – to consult on and discuss developments of the Funds statement of investment principles, funding strategy statement, governance policy and other similar documents, as well as to discuss the outcome of the actuarial valuation exercise.

Adviser meeting- Gives employers the opportunity to discuss their involvement in the scheme with advisers.

Policy on communication with senior managers

Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention tool

Our objectives will be met by providing the following communications:

<i>Method of communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues or developments relating to the LGPS and the Fund.

Policy on communication with union representatives

Our objectives with regard to communication with union representatives are:

- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme,
- to engage in discussions over the future of the scheme,
- to provide opportunities to educate union representatives on the provisions of the scheme

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Our objectives will be met by providing the following communications:

<i>Method of communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Individual face to face education sessions	Face to face	On request	On request	All

Explanation of communications

Individual face to face education sessions – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

Policy on communication with elected members/the Pensions Panel

Our objectives with regard to communication with elected members/the Pensions Panel are:

- to ensure they are aware of their responsibilities in relation to the scheme,
- to seek their approval to the development or amendment of discretionary policies, where required,
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	Any members as appropriate
Annual Report to Scheme Members	Paper based	Annually	Post to home address/via employers	All members participating in the pension scheme
Scheme and investment updates/training sessions	Paper based and electronic	As an when required	Email, hardcopy report or presentation	All members of the Investment Panel
Investment Panel meetings	Meeting	Quarterly	N/A	All members of the Investment Panel

Explanation of communications

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund. Annual Report to Scheme Members – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other information related to the administration of the pension scheme.

Scheme and investment updates/training sessions – providing a broad overview of the main provisions of the LGPS, and elected members responsibilities within it.

Investment Panel meetings – a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the pension fund's investments are taken.

Policy on communication with pension section staff

Our objectives with regard to communication with pension section staff are:

- to ensure they are aware of changes and proposed changes to the scheme
- to provide on the job training to new staff
- to develop improvements to services, and changes to processes as required
- to agree and monitor service standards

Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Face to face training sessions	Face to face	As required	By arrangement	All
Staff meetings	Face to face	As required, but no less frequently than monthly	By arrangement	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All

Explanation of communications

Face to face training sessions – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme

Staff meetings – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales

Attendance at seminars – to provide more tailored training on specific issues

Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme

Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Pension Fund Report and Accounts	Paper based and on Pension Fund website	Annually	Post and electronically	All, on request
Public Committee Papers	Paper based and on Pension Fund website	As and when available	Post and electronically	All, on request

Explanation of communications

Pension Fund Report and Accounts – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members

Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholders/interested parties are:

- to meet our obligations under various legislative requirements,
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes,
- to administer the Fund's AVC scheme.

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Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Pension Fund valuation reports • R&A certificates • Revised R&A certificates • Cessation valuations	Electronic	Every three years	Via email	Office of the Deputy Prime Minister ODPM)/Her Majesty's Revenue and Customs (HMRC)/all scheme employers
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	ODPM/HMRC
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	ODPM/HMRC/the Pensions Regulator

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years by the Fund's actuary setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer.

Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (e.g. following the admission of third party service providers into the scheme).

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

Completion of questionnaires – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the makeup of the Fund.

Performance Measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will monitor the following:

Timeliness

We will measure against the following target delivery timescales:

<i>Communication</i>	<i>Audience</i>	<i>Statutory delivery period</i>	<i>Target delivery period</i>
Annual Benefit Statements	Active and Deferred members.	Annually	Annually in accordance with legislation.
Individual estimates of benefits	Active members	On request	Fifteen working days
Telephone calls	All	Not applicable	80% of phone calls to be answered within 12 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	Retirement benefits to be issued within five working days of retirement
Transfers out	Leavers	Within two months of withdrawal	Within fifteen working days of receiving complete information
Transfers in	Joiners/active members	Within two months of request	Within five working days of receiving complete information

Results

Details of our performance will be reported to our Human Resources Management Team regularly throughout the year.

Review Process

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website at www.redbridge.gov.uk and paper copies will be available on request.



LONDON BOROUGH OF REDBRIDGE PENSION FUND

FUNDING STRATEGY STATEMENT

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The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues.

If you have any queries please contact Jan Grant in the first instance at corporate.accounting@redbridge.gov.uk or **020 8708 3030** or by writing to her at

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Introduction

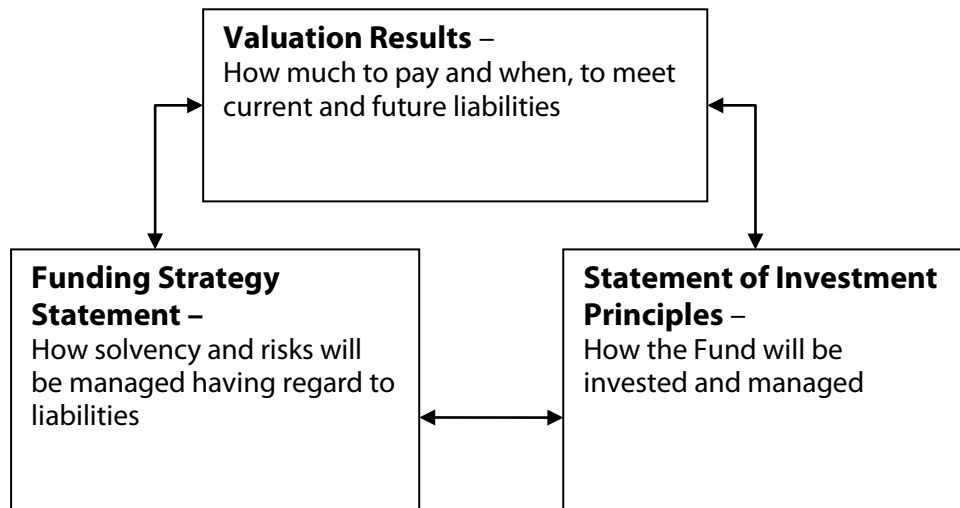
This is the Funding Strategy Statement (FSS) of the London Borough of Redbridge Pension Fund ("the Fund"), which is administered by the London Borough of Redbridge as the Administering Authority ("the Authority"). It has been prepared in collaboration with the Fund's actuary, Hymans Robertson, and after consultation with the Fund's employers and investment advisers.

The funding principles contained within this statement were the subject of consultation with employers for the 2013 valuation exercise and agreed with the actuary to guide the outcome. The revised version replaces the previous FSS and is effective from 31 March 2013.

Regulatory Framework

Members' accrued pension benefits are guaranteed by statute. Members' contributions are also set by statute. From 1 April 2008, employee rates become tiered based on annual pensionable income. The balance of the cost of delivering pension benefits to members is met from investment income as well as from employer contributions. The FSS focuses on the pace at which these employer liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS provides the link between the work undertaken by the Actuary, in particular the production of the Valuation and the Statement of Investment Principles (SIP).



The FSS forms part of a framework which includes:

- the Local Government Pension Scheme (Administration) Regulations 2008 (regulations 35, 36 and 37 are particularly relevant – see Annex 1);
- the Rates and Adjustments Certificate, which is appended to the Fund's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles (SIP).

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provide recommendations to the Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

Purpose of the Funding Strategy Statement in policy terms

The Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- "to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant common contribution rate as possible; and
- to take a prudent longer-term view of funding those liabilities."

These objectives are desirable individually, but may be mutually conflicting. This statement, therefore, sets out how the London Borough of Redbridge has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

Aims and purpose of the Pension Fund

The aims of the Fund are to:

- ensure that sufficient resources are available to meet all pension liabilities as they fall due;
- help employers recognise and manage pension liabilities as they accrue;
- maximise the returns from investments within reasonable risk parameters; and
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, and admission bodies whilst achieving and maintaining fund solvency which should be assessed in light of the risk profile of the fund and the risk appetite of the Adminstrating Authority and employers alike.
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income;
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, and

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- hold investments to meet the future costs of pension promises made to members of the Scheme

The Local Government Pension Scheme Regulations and, in particular, the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 define these purposes.

Responsibilities of the key parties

The sound management of the Pension Fund can only be achieved if all interested parties exercise their statutory duties and responsibilities conscientiously and diligently. Although a number of these parties, including investment fund managers and external auditors, have responsibilities to the Fund, the following may be considered to be of particular relevance for inclusion as a specific reference:-

The Administering Authority should: -

- operate a pension fund;
- collect employer and employee contributions;
- pay from the pension fund the relevant entitlements as stipulated in the Local Government Pension Scheme (LGPS) Regulations;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- notify employers of the expected timing of key events and actions related to completion of the valuation process;
- prepare and maintain an Funding Strategy Statement (FSS) and a Statement of Investment Principles (SIP), both after proper consultation with interested parties; and
- monitor all aspects of the fund's performance and funding and amend the FSS/SIP;
- to effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer.

The Individual Employer should: -

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions within the regulatory framework;

Appendix 2

- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;
- notify the Authority promptly of all changes to membership or, as may be proposed, which affect future funding; and
- comply with the valuation timetable where required and respond to communications as necessary to complete the process.

The Fund actuary should: -

- prepare valuations including the setting of employers' contribution rates at a level to ensure solvency after agreeing assumptions with the Authority and having regard to the FSS and the LGPS Regulations;
- agree a timetable for the valuation process with the Authority to provide timely advice and results;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- provide advice and valuations on the termination of admission agreements;
- provide advice to the administering authority on bonds other forms of security against the financial effect on the fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations;
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

Solvency issues and key funding levels

Employer Contributions

The Fund's actuary is required to undertake a full valuation of the Pension Fund every three years. The latest valuation exercise was undertaken as at 31st March 2010. The actuary calculates employer contribution rates for each individual employer participating in the Fund. Employer contributions are made up of two elements:

- i) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus
- ii) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target ("*past service adjustment*"). If there is a surplus there may be a contribution reduction, if a deficit a contribution addition.

For those employers with less than ten contributing members, the employers' contribution in respect of the past service adjustment will be calculated as an annual monetary amount.

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The actuary is also required to adjust the contribution rate for circumstances that are deemed specific to an individual employer.

Any costs of non ill-health early retirements may be paid by instalments shortly after the decision in accordance with the Administering body's requirements.

Academies will be provided with their own individual contribution rate, however, they will have the option to adopt the contribution rate applicable to the Authority.

Employer contributions are expressed as a minimum, with employers able to pay regular contributions at a higher rate. Employers should contact the Authority if they wish to do so or make one-off capital payments.

Solvency

The actuary is required to report on the "solvency" of the whole Fund at least every three years.

"Solvency" for employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits determined on the Fund's actuary's ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each valuation with the Authority.

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis. The actuary will adopt different treatment for employers who wish to terminate their agreement to participate in the Fund.

The overall solvency of the Fund at the 2010 valuation is 71% which compares with 74% at the 2007 valuation.

The ongoing funding basis has traditionally been used for each triennial valuation for all employers in the Fund. The ongoing funding basis assumes a long-term participation in the Fund and this basis is described in the next section.

In the circumstances where:

- the employer is an Admission Body but not a Transferee Admission, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe.

The Administering Authority may vary the discount rate used to set employer contribution rates. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using gilt yields) by the time the agreement terminates or the last active member leaves in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibilities of a final deficit payment being required when a cessation valuation is carried out.

Appendix 2

The Administering Authority also reserves the right to adopt the above approach in respect of those Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease.

The London Borough of Redbridge Pension Fund

The Fund is comprised of the liabilities of all employers participating in the Redbridge Pension Fund. The Fund is targeting a funding level of 100% over time.

The funding principles are as follows:

Investment Returns

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for an anticipated out-performance of returns from equities relative to Government bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long-term view of prospective returns from equities is taken. For the 2013 valuation, it is assumed that the Fund's investments will deliver an average additional return of 2.0% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. This is an increase from the previous formal valuation, where an assumption was used of investment returns of 1.8% p.a. in excess of the return on government bonds.

Inflation

At the previous valuation, the Actuary derived the assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. To calculate CPI, this was adjusted downwards by 0.5% p.a. to allow for the "formula-effect" of the difference between RPI and CPI. At this valuation, the Actuary proposes to adjust this market-derived rate of RPI downwards by 0.8% p.a. A larger gap between RPI and CPI will serve to reduce the value placed on the Fund's liabilities.

The pension increase assumption at the 2013 valuation was 2.5% (3.3% in 2010). Whilst the pay increase assumption at the 2010 valuation was RPI plus 1% over the longer term (with allowance for a short term pay restriction of 1% per annum to 2013), this has been revised at that 2013 formal valuation with salary increases set at RPI.

General

The same financial assumptions are adopted for all ongoing employers. All employers are assumed to have their assets invested in the same proportions as the whole fund asset allocation.

Staff turnover and retirements

This assumption is based on the actuary's investigations of a large portion of the local government pension scheme population as it applies to urban funds.

The actuary's funding basis makes no allowance for premature retirement except on the grounds of ill-health. Capitalised payments will be required to neutralise the impact on the Fund of un-reduced pensions paid early. Early retirement through ill-health will be properly managed in accordance with the regulations and agreement with each admitted body at the time of the valuation. There is also the possibility for employers to insure against the additional costs associated with ill-health early retirements.

Longevity

It is acknowledged that future life expectancy and in particular the allowance for future improvements in morality is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. The base tables adopted are based on Hymans Robertsons' proprietary data collection set, ClubVita, with adjustments for the Fund's own membership profile. Allowances for future improvements in life expectancy are based on the CMI2010 model with peaked improvements and a 1.25% per annum minimum underpin to future reductions in mortality rates.

Employers should be made aware that their contributions are likely to rise in future if longevity exceeds the funding assumptions.

Admission Bodies

Future service contribution rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service.

The future service rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. Where it is considered appropriate to do so, the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a lower discount rate.

Some Admission Bodies, dependant upon the terms of their admission agreements and employment contracts, have the power not to automatically admit all eligible new staff to the Fund. The actuarial approach for the calculation of future service contribution rates therefore depends upon whether new entrants are admitted to the Fund or not.

Employers that admit new entrants – the employer's future service rate are derived by using the "Projected Unit Method" of valuation. If future experience is in line with assumptions, and the employer's membership profile remains stable, this methodology should result in a broadly stable contribution rate over time. If the membership of employers matures (e.g. because of lower recruitment) the rate would rise.

Employers that do not admit new entrants – in a closed scheme it is expected that the average age of employee members will increase over time and hence, all other things being equal, the future service rate will increase as the membership ages. To give more stability to such employer contributions, the "Attained Age" funding methodology is adopted. This limits the degree of future contribution rises by paying a higher rate at the outset.

Both future service rates will include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill-health retirement.

Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position. The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of benefits that have accrued
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual)
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities
- any different deficit/surplus spreading periods or phasing of contribution changes

- the difference between actual and assumed rises in pensionable pay
- the difference between actual and assumed increases to pensions in payment and deferred pensions
- the difference between actual and assumed retirements on grounds of ill-health from active status
- the difference between actual and assumed amounts of pension ceasing on death
- the additional costs of any non ill-health retirements relative to any extra payments made

over the period between each valuation. Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation when calculating the share of the Fund's assets attributable to each employer – see section 3.6 below, including, but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

Agreements

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These admission agreements can be terminated at any point.

If the admission agreement is terminated due to an Admission Body having no active members, the Authority will instruct the Fund actuary to carry out a special valuation. This would crystallise any deficit and possibly give rise to significant payments being required.

Asset share calculations for individual employers

The Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the Fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities

between employers participating in the Fund, but does make a number of simplifying assumptions.

The split is calculated using an actuarial technique known as “analysis of surplus”. The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The limitations in the process are recognised, but, given the small number of employers within the Fund and having regard to the extra administration cost of building in new protections, it considers that the Fund actuary’s approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Stability of Employer Contributions

General Comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range (“stabilisation”)
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

These and associated issues are covered in the remainder of this section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. The Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis but will at all times be cognisant of its statutory obligations in regard to the securing the solvency of the Fund.

Stabilisation

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" and are therefore paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on all three of the following:

- net cash inflow
- investment strategy
- strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

On the basis of extensive modelling carried out at the 2010 valuation,

- employer contributions are fixed to 31 March 2014, when increases will be limited to 1% of salaries; and
- employer contribution reductions each year are limited to 1% of salaries following 31 March 2014.

The stabilisation criteria and limits are reviewed at the 31 March 2013 valuation, to take effect from 1 April 2014. This will take into account the maturing of the Fund's membership profile, the issues surrounding employer security, and other relevant factors.

Eligible employers	Ineligible employers
London Borough of Redbridge and Schools	All other employers including Academies

Contribution phasing

The rise in contribution rates may be phased in over three years (i.e. to the next valuation) to achieve a steady rise and less volatility in the short term.

Transferee Admission Bodies are not eligible for phasing in of contribution rises

Deficit (surplus) recovery periods

Varying periods for different types of employer have been established to meet past service deficits and these are set out in Annex 2. The Authority is required to take a prudent view when setting funding arrangements for liabilities, and in line with guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA), takes into account the differences between those employers with tax raising powers and those without. It is recognised that this approach may cause some conflict between the need for the prudent funding of liabilities and the ability to maintain a stable employer contribution rate.

Any employer deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the same periods as set for deficit recovery. However, to help meet the stability requirement, employers may prefer not to take such reductions.

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is an admitted body with a relatively large deficit recovery contribution rate (e.g. 15% or more), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

The effect of contribution phasing and deficit spreading

Employers who phase in contribution changes and/or elect to use longer deficit spreading periods will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus deferring paying contributions will lead to higher employer contributions in the long-term.

Academy Schools

Academies are separate scheme employers under the LGPS. They are “scheduled body” employers, being listed in Part 1 schedule 2 to the LGPS Administration Regulations 2008 (as amended). They are not “admitted bodies”.

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Effectively for any new academy conversion from 30 August 2010, any deficit in respect of the pensionable service of the transferring staff prior to conversion transfers from the Local Authority to the Academy. The actuarial calculation of the contribution rate will take into account the amount needed to meet the past service deficit over the recovery period as shown in Annex 2.

This policy is in accordance with the guidance note published by the Department for Education in August 2010.

Pooling of Employers

The Administering Authority may at its sole discretion group smaller employers into pools that are assessed as a whole and have a common contribution rate. This is a way for smaller employers (of similar types) to share experience and smooth out the effects of costly but relatively rare events such as ill-health retirements and death in service.

The Fund will not pool transferee or community admission bodies other than in cases where they have a shared group structure. Unless there is a formal agreement to the contrary and funding evaluation for an admitted body on cessation will not be assessed on a pooled basis.

Regular Reviews

The Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals. These intervals may be annual, in the case of Admission Bodies and/or in the last few years of the employer's contract. Such reviews may be triggered by significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions payable (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), an increased level of security or guarantee, or some combination of these.

Termination Valuations

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended but can be terminated at any point subject to the terms of the agreement.

Notwithstanding the provisions of the Admission Agreement, the Administering Authority considers any of the following as triggers for the termination of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;

Appendix 2

- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

If an Admission Body's admission agreement is terminated, the Administering Authority will instruct the Fund actuary to carry out a termination valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

The approach adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

- (a) For Transferee Admission Bodies, the assumptions applying at the contract end would normally be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.
- (b) For non Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in section 32. Where such a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This could give rise to significant payments being required.
- (c) For Admission Bodies with guarantors, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a lump sum payment unless there are alternative sources of funds such as guarantees or bonds in place.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond, indemnity or guarantor, then:

Appendix 2

- (i) in the case of Transferee Admission Bodies the Awarding Authority will be liable for future deficits and contributions arising. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the Awarding Authority's contribution rate over an agreed period, outside any stabilisation mechanism in place.
- (ii) in the case of other Admission Bodies where there is no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date

As an alternative to (ii) above, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing valuation basis: deficit recovery payments would be derived from this cessation amount. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

Early Retirement Costs

Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. With the agreement of the Administering Authority the payment may be spread.

Transferee Admission Bodies are not permitted to spread early retirement contributions.

Links to investment policy

Funding and investment strategy are inextricably linked. Investment strategy is set after taking investment advice, to reflect the liabilities of the Fund.

Investment Strategy

The investment strategy is described in the Fund's Statement of Investment Principles. The investment strategy is set for the long-term, but is reviewed from time to time to ensure that it remains appropriate to the Fund's liability profile. The Authority has adopted a benchmark, which sets the proportion of the Fund to be invested in key asset classes such as equities and bonds.

The investment strategy of lowest risk – but not necessarily the most cost effective in the long term – would be one that provided cashflows which replicate the

expected benefit cashflows (ie the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy.

The same investment strategy is currently followed for all employers.

Consistency with funding basis

The funding basis adopts an asset out-performance assumption of 2% per annum over and above the redemption yield on government fixed-interest gilts. The Fund's investment strategy is currently to aim to achieve a real return of at least 3.5% p.a. sub-divided between bond and equity related assets

Both the Fund's actuary and its investment adviser consider that the funding basis does conform to the requirement to take a "prudent longer-term" approach to funding.

In this way, the employers' contributions anticipate returns from Fund assets which in the Fund's actuary's opinion there is a better than 50:50 chance of delivering over the long-term (measured over periods in excess of 20 years).

However, in the short term – such as the three yearly assessments at formal valuations – there is scope for considerable volatility and there is a material chance that in the short term and even medium term, asset returns could fall short of this target. The stability measures described in Annex 3 will dampen down but not remove, the effect on employers' contributions. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

Balance between risk and reward

Prior to implementing its current investment strategy, the Authority considered the balance between risk and reward when setting the level of investment in potentially higher yielding, but more volatile asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates for the Fund as a whole.

The Fund operates a single investment strategy. Enabling other employer specific investment strategies will require investment in new systems and higher ongoing costs, which would have to be borne by the employer. The potential benefits of multiple investment strategies need to be assessed against the costs.

Monitoring and review

The investment performance of the Fund will be monitored relative to the growth in the liabilities by means of inter-valuation reports prepared by the Fund's actuary.

The key funding principles will be monitored on an annual basis and reported as appropriate.

As a policy statement, the FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be started by 31st March 2016 in order to inform the valuation process due as at that date. A

revised statement will be issued in the event of any significant or material change arising

Key risks and controls

The London Borough of Redbridge has an active risk management programme in place to control key financial, demographic, regulatory, and governance risks. This is summarised in the risk register in Annex 3.

Consultation and publication

The London Borough of Redbridge has prepared the FSS in collaboration with the Fund's actuary, and has consulted the employers in the Fund through written correspondence at various stages in the process.

A copy has been sent to each employer, the Fund's actuary, investment managers and advisers and will be published on the Authority's web site.

Scheme members will be informed of the publication and the key elements of the strategy in the annual report to members. A summary of the funding principles, which underpin the strategy, will also be published in the Annual Report and Accounts.

EXTRACT FROM THE LGPS REGULATIONS**35 Funding Strategy Statement**

1. This regulation applies to the funding strategy statement prepared and published by an administering authority under regulation 76A of the 1997 Regulations.
2. The authority must
 - (a) Keep the statement under review
 - (b) Make such revisions as are appropriate following a material changes –
 - (i) in its policy on the matters set out in the statement or
 - (ii) to the current version of its statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (statement of investment principles)
 - (c) If revisions are made, publish the statement as revised
3. In reviewing and making revisions to the statement, the Authority must
 - (a) Have regard to the guidance set out in the document published in March 2004 by CIPFA and called “CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement (Guidance not issue No. 6)” and
 - (b) Consult such persons as it considers appropriate

36 Actuarial valuations and certificates

- (1) Each Administering Authority must obtain;
 - (a) an actuarial valuation of the assets and liabilities of each of their Pension Funds as at 31st March 2010 and in every third year afterwards;
 - (b) a report by an actuary; and
 - (c) a rates and adjustments certificate.
- (2) Each of those documents must be obtained before the first anniversary of the date (“the valuation date”) as at which the valuation is made or such later date as the Secretary of State may agree.
- (3) A report under paragraph (1)(b) must contain a statement of the demographic assumptions used in making the valuation, and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.
- (4) A rates and adjustments certificate is a certificate specifying;
 - (a) the common rate of employer’s contribution; and
 - (b) any individual adjustments, for each year of the period of three years beginning with 1st April in the year following that in which the evaluation date falls.

Appendix 2

- (5) The common rate of employer's contribution is the amount which in the actuary's opinion should be paid to the Fund by all bodies whose employees contribute to it so as to secure its solvency, expressed as a percentage of the pay of their employees who are active members.
- (6) The actuary must have regard to;
 - (a) the existing and prospective liabilities of the Fund arising from circumstances common to all those bodies; and
 - (b) the desirability of maintaining as nearly constant a rate as possible.
 - (c) The actuary must have regard to the Administering Authority's Funding Strategy Statement published under regulation 35.
- (7) An individual adjustment is any percentage or amount by which, in the actuary's opinion, contributions at the common rate should in the case of a particular body be increased or reduced by reason of any circumstances peculiar to that body.
- (8) A rates and adjustments certificate must contain a statement as to the assumptions on which the certificate is given as respects
 - (a) the number of members who will become entitled to payment of pensions under provisions of the Scheme, and
 - (b) the amount of the liabilities arising in respect of such members, during the period covered by the certificate.
- (9) The authority must provide the actuary preparing a valuation or a rates and adjustment certificate with the consolidated revenue account of the Fund and such other information as he requests.

Future Costs

36A

- (1) Administering and employing authorities shall have regard to guidance issued by the Secretary of State about how the future costs of the Scheme will be met.
- (2) To enable the Secretary of State to calculate those costs for the purpose of that guidance, each administering authority shall provide to the Secretary of State by 31st August 2010 and in every third year afterwards all the data used for the purposes of providing an actuarial valuation under regulation 36.

- (3) For the purposes of that guidance, the Government Actuary shall provide to the Secretary of State by 31 October 2010 and in every third year afterwards:
 - (a) an actuarial valuation of the assets and liabilities of the Scheme as at 31 March 2010 and in every third year afterwards, based on the information provided to the Secretary of State under paragraph (2)
 - (b) a report in respect of the valuation ("the valuation report") and
 - (c) an overall cost certificate
- (4) The valuation report must contain a statement of the financial and demographic assumptions used in making the valuation and the statement must show how the assumptions relate to the events to which have actually occurred in relation to the members of the Scheme since the last valuation
- (4A) The assumptions used in making the valuation under paragraph (4) shall be determined by the Secretary of State after consultation with the Government Actuary and such other persons with whom consultation appears to the Secretary of State to be desirable.
- (5) An overall cost certificate is a certificate:
 - (a) specifying the cost of the future accrual of pension liabilities and
 - (b) adjusted where appropriate to reflect surpluses or deficits arising from variations between events which have actually occurred in relation to the members of the Scheme and the assumptions used in making valuations for each year beginning with 31 March 2007.

Supply of copies of valuations, certificates etc

37

- (1) An administering authority must send copies of any valuation, report, certificate or revised certificate obtained under regulation 36 to 38 to:
 - (a) the Secretary of State
 - (b) each body with employees who contribute to the fund in question and
 - (c) any other body which is or may become liable to make payments to that fund
- (2) An administering authority must also send to the Secretary of State
 - (a) a copy of the consolidated revenue account with which the actuary was provided under regulation 36(9) and
 - (b) a summary of the assets of the fund at the valuation date (unless such a summary is contained in the report under regulation 36(1)(b).

EMPLOYER FUNDING CATEGORIES

Types of Employer		Maximum Length of Deficit Recovery Period
A	Statutory bodies with tax raising powers.	20 years
B	Community Admission Bodies with funding guarantees	A period equivalent to the expected remaining working lifetime (RWL) of the scheme members allowing for expected leavers, subject to a maximum 15 years
C	Admission Bodies that are closed to new entrants.	A period equivalent to the expected remaining working lifetime (RWL) of the scheme members allowing for expected leavers, subject to a maximum of 8 years in line with the whole Fund RWL.
D	Transferee Admission Bodies	A period from the start of the revised contributions to the end of the employer's contract
E	All other types of Employer	A period equivalent to the expected remaining working lifetime of the scheme members allowing for expected leavers.

Notes

1. In any case an appropriately shorter funding period will be substituted by the London Borough of Redbridge where the body is known to be of short or fixed-term life (e.g. the duration of the relevant service contract held by the "Admitted Body").
2. The London Borough of Redbridge may choose to apply a longer funding term or different funding basis for a given employer as a result of specific advice received from the Fund's actuary.
3. Employers have the option to request a shorter funding period over which the prevailing deficiency is recovered.
4. Category A and B employers can request that the London Borough of Redbridge accept a shorter funding period over which any prevailing surpluses can be defrayed.
5. It is the known / evidenced position for a given employer at the time in question that will inform funding decisions taken under the above and the position will be kept under review.

6. ANNEX 3

RISK REGISTER

Financial Risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
Inappropriate long-term investment strategy	L	H	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consider measuring performance and setting managers' targets relative to absolute returns or a Liability Benchmark Portfolio and not relative to indices.	M
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	M	H	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between formal valuations at whole fund/employer level, monitored on an annual basis against returns.	M
Fall in risk-free returns on Government bonds leading to rise in value placed on liabilities	L	M	Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.	M
Active investment manager under-performance relative to benchmark over medium term	M	M	Short term (quarterly) investment monitoring analyse market performance and active managers relative to their index benchmark. Supplement with an analysis of absolute returns against those under-pinning the valuation.	L

Financial Risks (continued)	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
Pay and price inflation significantly more than anticipated	L	H	<p>Focus actuarial valuation process on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and will be advised of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>	M
Insufficient funds to meet liabilities as they fall	L	M	Cash flow is monitored monthly and remains with a net inflow position for the foreseeable future	M
Effect of possible increase in employer's contribution rate on service delivery and admission / scheduled bodies	H	M	<p>Seek feedback from employers on scope to absorb short-term contribution rises.</p> <p>Mitigate impact through deficit spreading and phasing in of contribution rises.</p>	M

Demographic risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
Period of paying pensions lengthening	M	M	<p>Set realistic longevity assumptions and consider some allowance for future increases in life expectancy.</p> <p>Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.</p>	M

Demographic risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
Deteriorating patterns of early retirements	M	M	Employers are charged the extra capital cost of non ill health retirements on each decision. Employer ill health retirement experience will be monitored between valuations.	M
Ill health retirements significantly more than anticipated	M	M	Monitoring of each employer's ill health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill health assumption built in. Monitoring the effect of the change in the regulations resulting in assessing ill health retirements in tiers	M

Regulatory risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
Changes to Local Government Pension Scheme regulations	H	M	Monitor the potential creation of additional liabilities and administrative difficulties for employers and London Borough of Redbridge.	M
Changes to national pension requirements and / or Inland Revenue Rules	H	M	Consider all consultation papers issued by the CLG and comment where appropriate. Consult employers where appropriate.	M

Governance Risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms	Residual Risk Level
London Borough of Redbridge unaware of structural changes in an employer's membership	L	L	Monitor membership movements on a quarterly basis.	L
London Borough of Redbridge not advised of an employer closing to new entrants	L	L	Review the rates and adjustments certificate to increase an employer's contributions (under regulation 36) between triennial valuations. Deficit contributions expressed as monetary amounts rather than percentage of pensionable pay.	L
London Borough of Redbridge failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a deficit	L	M	Monitor contribution payments to trigger notification. Operate a diary system to monitor short life or term bodies.	L
An employer ceasing to exist with insufficient funding or adequacy of a bond	L	M	The risk is mitigated by a prudent admissions policy which; <ul style="list-style-type: none"> • Sets out the employer obligations clearly • Seeks a funding guarantee from another scheme employer, external body, or government. • Encourages the employer to take independent actuarial advice. • Requires vetting of financial standing. • Where permitted under the regulations, requires a bond to protect the scheme. 	L



London Borough of Redbridge Pension Fund

Governance Compliance Statement

Introduction

This is the Governance Compliance Statement of the London Borough of Redbridge Pension Fund, which is administered by the London Borough of Redbridge as the Administering Authority (the Authority). The purpose of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders. It sets out the way that the Council, as an Administering Authority maintains and manages its pension fund function in accordance with regulatory requirements.

This statement is effective from 1st December 2013 and will be reviewed and revised in light of material changes or regulatory requirements.

Regulatory Framework

The Local Government Pension Scheme Regulations 1997 required Local Government Pension Scheme (LGPS) Administering Authorities to publish details of their governance and stewardship arrangements by 1 April 2006. On 30 June 2007, the 1997 regulations were further amended to require Administering Authorities to prepare, maintain and publish a statement detailing the extent of compliance against a set principles set as detailed in the draft guidance from Communities and Local Government (CLG). Where an authority does not comply with these principles, they are required to state the reason for not doing so. The Authority's statement is attached at Annex 1.

The Governance Compliance Statement is required by the provisions of Regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (the regulations).

(1) The Authority must

- (a) Keep the statement under review;**
- (b) Make such revisions as are appropriate following a material change in respect of any of the matters mentioned in paragraph 2 and**
- (c) if revisions are made**
 - (i) publish the statement as revised, and;**
 - (ii) send a copy to the Secretary of State.**

(2) The matters are

- a) Whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee, or an officer of the authority;**
- b) If it does so:**
 - (i) The terms, structure and operational procedures of the delegation;**
 - (ii) The frequency of any committee or sub-committee meetings;**
 - (iii) Whether such a committee or sub-committee includes representatives of employing authorities, including authorities which are not scheme employers, or members, and, if so, whether those representatives have voting rights.**
- (c) The extent to which a delegation, or the absence of a delegation, complies with the guidance given by the Secretary of State, and, to the extent it does not so comply, the reasons for not complying.**

(3) In reviewing and making revisions to the statement, the authority must consult with such persons, as it considers appropriate.

Governance Compliance Statement

Constitution

The Constitution of the London Borough of Redbridge, published in June 2002, sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The law stipulates some of these processes, while others are a matter for the Council to choose.

The Constitution sets out the framework under which the Pension Fund is to be administered. Part 2, Section 12 of the Constitution allows for the appointment of a Pension Fund Investment Panel to deal with the management of the Superannuation Fund Investment in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972.

In the Schedule to Part 2 – Scheme of Delegation to Officers, the Constitution sets out the powers and responsibilities delegated to the Director of Finance and Resources. These include:

- The responsibility to comply with and to exercise and perform any powers and duties contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended; and
- The responsibility to comply with and to exercise and perform any powers and duties contained in the Local Government Pension Scheme Regulations 1997 (as amended).

The Constitution and the more detailed procedures and delegations relating to the responsibilities and operation of the Council's functions include the arrangements for the management and administration of the Council's Pension Fund. A copy of the Constitution can be obtained from the Council's website www.redbridge.gov.uk, local libraries or by writing to the Council at the address shown on page 5.

Management Arrangements

Scheme Administration – The Human Resources Service Area is responsible for the day-to-day administration of the Pension Fund. Responsibilities include membership arrangements, the calculation of benefits, and the maintenance of records for scheme members and employers. These functions are carried out in accordance with the pension regulations and Council policies. The Chief Human Resources Officer meets regularly with the Director of Finance and Resources to report on pension scheme administration matters.

Scheme Management and Investments – in accordance with the Council's Scheme of Delegations, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, the responsibility for the management and investment of the Pension Fund is delegated to the Director of Finance and Resources. These powers are exercised in accordance with the recommendations of the Pension Fund Investment Panel.

Appendix 3

The Pension Fund Investment Panel has recommended that the management of the Fund's assets be delegated to specialist investment management firms on a discretionary basis. Investment managers are appointed in accordance with the pension regulations and the Council's Standing Orders. Each investment manager is required to carry out its investment activities within the appropriate regulatory requirements and as set out in the manager's Investment Management Agreement and the Fund's Statement of Investment Principles.

Although the management of the Fund's assets have been delegated to investment managers, the Pension Fund Investment Panel has the ultimate responsibility for the investment strategy.

Performance and management activities are monitored by the Director of Finance and Resources and reported to the Investment Panel on a quarterly basis. The Investment Panel on an annual basis considers the continued employment of each investment manager.

Scheme Discretions – The Council has an agreed policy on the exercise of discretions available to it under the regulations. Discretions are considered and awarded on a case-by-case basis within the policies agreed. The Discretionary Payments Panel has been established to consider the award of discretionary benefits and, must have regard to the advice of the Chief Human Resources Officer, the Director of Finance and Resources, the Borough Solicitor and Secretary. Except where the discretionary payment is in respect of a Chief or Deputy Chief Officer.

Where appropriate the award of discretionary benefits is referred to the Council's Appointments Committee.

The Discretionary Payments Panel is made up of senior officers from the Finance, Legal and Human Resources Areas. Meetings are held on a monthly basis.

Each employer body participating in the Pension Fund is required to have a policy on the exercise of discretions and are responsible for the financial implications of awarding discretionary benefits.

Financial Standing Orders - Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure one of its officers has responsibility for this. In Redbridge the responsible officer is the Director of Finance and Resources. These standing orders set out the regulatory framework for financial administration within the Council setting out the duties of the Director of Finance and Resources and Chief Officers and identifying the financial decisions which require Executive or Council approval.

The Director of Finance and Resources is responsible for ensuring that the Council's financial affairs are administered in a proper manner, in accordance with all statutory obligations, and in compliance with all professional codes of practice.

There are a number of standing orders in relation to the Pension Fund including the need for a triennial actuarial valuation.

Standing orders are reviewed as required by Legal Services.

Annual Report and Accounts - The Director of Finance and Resources is responsible for ensuring record keeping and accounts are maintained in a proper manner for the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes – Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Investment Panel and the Regulatory Committee and is incorporated in the Statement of Accounts for the Council.

A separate annual review of the activities of the Pension Fund Investment Panel is prepared by the Director of Finance and Resource, and approved by the Pension Investment Panel for distribution to interested parties, and is available on the London Borough of Redbridge web site.

Pension Fund – The Council has set up the Pension Fund Investment Panel to oversee the management of the Fund's investments. The Panel consists of five local Councillors who are appointed by the Council on an annual basis. All Members have full voting rights. The Director of Finance and Resources provides advice to Members of the Pension Fund Investment Panel. In addition, advice is also provided by a number of pensions professional which includes the Fund's Actuary, an Independent Investment Adviser and WM Company who provide performance measurement services.

Councillors, who are members of the pension scheme, may sit as a Member of the Panel. There are no representatives from scheme employer bodies or employee members on the Investment Panel.

The Pension Fund Investment Panel has the following terms of reference;

"to deal with the management of the Superannuation Fund Investments in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972".

Meetings - The dates of meetings of the Pension Fund Investment Panel are fixed in accordance with the constitution. The Panel meet a minimum of four times a year. The quarterly meetings are generally held at the Offices of the Investment Managers as decided by the Panel. Extraordinary meetings are held when necessary. Whilst all meetings are open to the public, the discussion of some investment and fund management business is categorised as exempt from public disclosure under Part 3 of Part 1 of Schedule 12A to the Local Government Act 1972. On these occasions the public are excluded from the meeting whilst these matters are considered.

The Council will give at least five clear working days notice of any meeting by posting details of the meeting at the Ilford Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

Appendix 3

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting.

Training and Development –

One of the requirements of CIPFA's Principles for Investment Decision Making is that all Members of the Pension Fund Investment Panel have sufficient knowledge to make investment decisions and challenge the advice that they are given. This requires the Pension Fund Investment Panel to have gained a familiarity with pension issues through a programme of training and development.

The Pension Fund Investment Panel receives training and development in accordance with the training programme which is set out in the Investment Panel's Business Plan. Training is commissioned from a variety of sources such as:

- External courses
- Training courses delivered by Investment Consultants
- Training courses sponsored by the Investment Managers
- Training included as part of the service received from the Performance Measurement provider and Actuary
- National conferences

Public Policy Statements

In addition to the Governance Compliance Statement, the regulations require the Authority publish a number of policy statements relating to pension fund and administrative issues, these are:

- A Statement of Investment Principles;
- A Funding Strategy Statement;
- A Communication Policy Statement; and
- The Exercise of Discretions under the Local Government Pension Scheme regulations.

Copies of these are available from the Council's web site www.redbridge.gov.uk or via the contact points detailed below.

Contact Points

Any enquiries in relation to this Governance Compliance Statement should be sent to the Director of Finance and Resources.

By email to corporate.accounting@redbridge.gov.uk

By telephone to **020 8708 3021**, or

In writing to: **Corporate Accounting, Lynton House, 255 – 259 High Road, Ilford, Essex, IG1 1NN**

GOVERNANCE COMPLIANCE STATEMENT – STATEMENT OF PRINCIPLES

The Principles set out in this statement are based on the 'draft governance compliance statutory guidance' published by the CLG. This guidance was issued to all administering authorities in England and Wales with statutory responsibilities under the LGPS Regulations. It deals with the compliance standards against which LGPS Committees are to measure themselves. Where compliance does not meet the published standard, there is a requirement under regulations to provide in the governance compliance statement the reasons for not complying.

Principle A: Structure

(a) The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing council.

Compliant - In accordance with the Council's Scheme of Delegations, the Chief Human Resources Officer is responsible for the day-to-day administration of the pension scheme. Where appropriate the awarding of benefits or application of discretions permissible under the regulations to senior staff is referred to the Appointments Committee.

The responsibility for the management and investment of the Pension Fund is delegated to the Director of Finance and Resources. These powers are exercised in accordance with the recommendations of the Pension Fund Investment Panel.

Part 2, Section 12 of the Council's Constitution allows for the appointment of a Pension Fund Investment Panel to deal with the management of Superannuation Fund Investments in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972.

(b) The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

Not compliant - There are currently no representative arrangements for employers or scheme members of the Fund under the current constitution. This matter will be addressed as part of the review of governance in 2014/15.

(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

Not Compliant - Not applicable as no secondary committee has been established.

(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Not Compliant - Not applicable as no secondary committee has been established.

Principle B: Representation

- (a) **That all key stakeholders are afforded the opportunity to be represented with the main or secondary committee structure. These include: -**
- i) **Employing authorities (including non-scheme employers, eg, admitted bodies);**
 - ii) **Scheme members (including deferred and pensioner scheme members);**
 - iii) **Where appropriate independent professional observers, and**
 - iv) **Expert advisers (on an ad-hoc basis)**

Partial compliance - Under the current constitutional arrangements of the Authority, there are no representation arrangements for employers or scheme members of the Fund. The Director of Finance and Resources and other pension professionals that attend meetings provide advice as required.

- (b) **That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.**

Compliant - Minutes from the meetings are published in the intranet and are therefore accessible by interested parties. Scheme employers are consulted on occasions concerning some specific policy statements, such as the Funding Strategy Statement. There are no lay members on the Pension Fund Investment Panel at present so this is relevant now but may become so following the governance review.

Principle C: Selection and role of lay members

- (a) **That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**

Compliant - Members on the Pension Fund Investment Panel are fully aware of their role on the panel.

- (b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda

Compliant – **In accordance with the Council’s Constitution, Members of the Investment Panel are required to declare any interest relating to the pension fund at the start of each meeting that is then duly noted in the minutes of the meeting.**

Principle D: Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees

Compliant - All Members of the Pension Fund Investment Panel have full voting rights.

Principle E: Training

(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

Compliant - The Pension Fund Investment Panel receive training and development in conjunction with each of the key tasks as set out in the annual Business Plan. Training sessions are generally provided by the Investment Managers immediately after Panel meetings. Additional training is commissioned as and when required and is sourced from:

- External courses
- Training courses delivered by Investment Consultants
- Training courses sponsored by the Investment Managers
- Training included as part of the service received from the Performance Measurement provider and Actuary
- National conferences

Training and development is a legitimate expense that is chargeable to the Pension Fund.

(b) That where such a policy exists, it applies equally to all members of committees, advisory panels or any other form of secondary forum.

Compliant - All members of the Pension Fund Investment Panel have equal access to training.

(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

Compliant – Pension Fund training is continually reviewed and a programme is prepared and agreed as part of the annual business plan.

Principle F: Meetings

(a) That an administering authority's main committee or committees meet at least quarterly.

Compliant - The Pension fund Investment Panel hold a minimum of four quarterly meetings. Additional extraordinary meetings may be held where necessary.

(b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

Not Compliant - Not applicable as there is no secondary committee.

(c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Partial Compliance - Although there is no forum provided under the current governance arrangements, scheme employers have been consulted with regards to specific policy statements.

Principle G: Access

That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Compliant - All Members of the Pension Fund Investment Panel have equal access to committee papers and documents. Committee papers are also published on the intranet and are therefore accessible to all interested parties.

Principle H: Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Partial Compliance - The publication of the Pension Fund Annual Report that is presented to the Investment Panel incorporates the wider scheme issues. The Director of Finance and Resources provides a quarterly update to Members of developments affecting the Pension Fund.

Principle I: Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Partial Compliance - The Pension Fund Governance Compliance Statement is published on the Council's website. Scheme members and employers are made aware of the governance compliance statement via the Pension Fund's Annual Report and the Members Annual Pension Panel Review. The Council is seeking to identify further ways of consulting with other employers within the scheme.

GOVERNANCE COMPLIANCE STATEMENT – STATEMENT OF PRINCIPALS

The Principal's set out in this statement are based on the 'draft governance compliance statutory guidance' published by the CLG. This guidance was issued to all administering authorities in England and Wales with statutory responsibilities under the LGPS Regulations. It deals with the compliance standards against which LGPS Committees are to measure themselves. Where compliance does not meet the published standard, there is a requirement under regulations to provide in the governance compliance statement the reasons for not complying.

Principal A: Structure

(a) The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing council.

Compliant - In accordance with the Council's Scheme of Delegations, the Chief Human Resources Officer is responsible for the day-to-day administration of the pension scheme. Where appropriate the awarding of benefits or application of discretions permissible under the regulations is referred to the General Purposes Committee or Council.

The responsibility for the management and investment of the Pension Fund is delegated to the Director of Finance and Resources. These powers are exercised in accordance with the recommendations of the Pension Fund Investment Panel.

Part 2, Section 12 of the Council's Constitution allows for the appointment of a Pension Fund Investment Panel to deal with the management of Superannuation Fund Investments in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972.

(b) The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

Not compliant - There are currently no representative arrangements for employers or scheme members of the Fund under the current constitution.

(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

Not Compliant - Not applicable as no secondary committee has been established.

(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Not Compliant - Not applicable as no secondary committee has been established.

Principal B: Representation

- (b) That all key stakeholders are afforded the opportunity to be represented with the main or secondary committee structure. These include: -**
- v) Employing authorities (including non-scheme employers, eg, admitted bodies);**
 - vi) Scheme members (including deferred and pensioner scheme members);**
 - vii) Where appropriate independent professional observers, and**
 - viii) Expert advisers (on an ad-hoc basis)**

Partial compliance - Under the current constitutional arrangements of the Authority, there are no representation arrangements for employers or scheme members of the Fund. The Director of Finance and Resources and other pension professionals that attend meetings provide advice as required.

- (b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.**

Partial Compliance - Not applicable as there are no lay members on the Pension Fund Investment Panel. Minutes from the meetings are published in the intranet and are therefore accessible by interested parties. Scheme employers are consulted on occasions concerning some specific policy statements, such as the Funding Strategy Statement.

Principal C: Selection and role of lay members

- (a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**

Compliant - Members on the Pension Fund Investment Panel are fully aware of their role on the panel.

- (c) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda**

Compliant – In accordance with the Council’s Constitution, Members of the Investment Panel are required to declare any interest relating to the pension fund at the start of each meeting that is then duly noted in the minutes of the meeting.

Principal D: Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees

Compliant - All Members of the Pension Fund Investment Panel have full voting rights.

Principal E: Training

- (a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**

Compliant - The Pension Fund Investment Panel receive training and development in conjunction with each of the key tasks as set out in the annual Business Plan. Training is commissioned as and when required and is sourced from:

- External courses
- Training courses delivered by Investment Consultants
- Training courses sponsored by the Investment Managers
- Training included as part of the service received from the Performance Measurement provider and Actuary
- National conferences

Training and development is a legitimate expense that is chargeable to the Pension Fund.

- (b) That where such a policy exists, it applies equally to all members of committees, advisory panels or any other form of secondary forum.**

Compliant - All members of the Pension Fund Investment Panel have equal access to training.

- (d) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken**

Partial Compliance – A review of pension fund training is to be undertaken and once completed, all training will be logged.

Principal F: Meetings

- (d) That an administering authority's main committee or committees meet at least quarterly.**

Compliant - The Pension fund Investment Panel meet five times a year including four quarterly meetings and an annual meeting. Additional extraordinary meetings may be held where necessary.

- (e) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.**

Not Compliant - Not applicable as there is no secondary committee.

- (f) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.**

Partial Compliance - Although there is no forum provided under the current governance arrangements, scheme employers have been consulted with regards to specific policy statements.

Principal G: Access

That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advise that falls to be considered at meetings of the main committee.

Compliant - All Members of the Pension Fund Investment Panel have equal access to committee papers and documents. Committee papers are also published on the intranet and are therefore accessible to all interested parties.

Principal H: Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Partial Compliance - The publication of the Pension Fund Annual Report that is presented to the Investment Panel, incorporates the wider scheme issues. Officers are developing a process to keep members of the Investment Panel informed of developments affecting the pension fund.

Principal I: Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Partial Compliance - The Pension Fund Governance Policy Statement is published on the Council's website. Scheme members and employers are made aware of the governance compliance statement via the Pension Fund's Statement of Accounts and the Members annual pension fund report. The Council is seeking to develop a process to improve the consultation with other employers within the scheme.



London Borough of Redbridge Pension Fund

Statement of Investment Principles

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1 Background

Legislation

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 require administering authorities to prepare, maintain and publish a written statement of the principles governing their decisions about investments, including a statement of compliance with Myner's principles of investment management. The purpose of this document is to meet these requirements.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Principles for Investment Decision Making in the Local Government Pension Scheme in the UK" provides guidance.

The Pension Fund Investment Panel (Investment Panel) reviews the Scheme's compliance with the Statement of Investment Principles at least annually, or more frequently should any significant change occur.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) was established in accordance with statute to provide death and retirement benefits for all eligible employees and their dependents. Eligible employees are mainly local government staff, except teachers who have separate pension arrangements, and a number of other bodies as permitted by Local Government Pension Scheme Regulations 2008 (and amendments thereto).

From the 1st April 2014, the LGPS is a funded "career average re-valued earnings" (CARE) basis scheme. Employee contributions range between 5.5% and 12.5%. Employer contribution rates vary depending on the funding level assessed every three years by the Fund actuary.

Benefits are defined in law and uplifted in line with the annual increase in the Consumer Price Index (CPI) as at September. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not immediately needed to pay benefits. The London Borough of Redbridge is a designated administering authority.

Pension Fund Investment Panel

The Investment Panel consists of five local Councillors who are appointed by Council annually. The Investment Panel advises the Council, as the Administering Authority, on the investment policies most suitable to meet the liabilities of the Pension Fund and the management and monitoring of the investment strategy. The Investment Panel meets at least four times a year.

Advice

The Investment Panel obtains and considers advice from the Council's Director of Finance and Resources, and from the Fund's actuary, investment managers and independent investment consultants as required.

Management

The management of the Pension Fund's investments has been delegated to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Local Pension Board

The Public Services Pension Act 2013 outlined new governance structures for public sector pension schemes, which included the requirement for the Council to establish a Local Pension Board by the 1st April 2015

The role of the Pension Board covers all aspects of governance and administration of the LGPS, including funding and investments. The Pension Board will not make decisions or carry out duties that are the responsibility of the Administering Authority and those of the Pension Fund Investment Panel.

The Pension Board will comprise two employer representatives two scheme member representatives and one independent member. No officer or elected member of the Council who is responsible for the discharge of any function under the pension regulations (apart from those of the Local Pension Board and the new National Scheme Advisory Board) may be a member of this Council's Local Pension Board.

The Pension Board will be operational by July 2015.

2 Investment Responsibilities

The Investment Panel is responsible for:

- Advising on overall investment strategy with regard to the suitability and diversification of investments in order to meet the fund's long term funding requirements.
- Monitoring compliance with the Statement of Investment Principles and reviewing its contents.
- Advising on the appointment of investment managers, an independent custodian, and external advisers as necessary.
- Reviewing investment manager performance against appropriate benchmarks and objectives on a regular basis and being satisfied as to manager expertise and the quality of their internal systems and controls.
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights by Fund Managers.

The Investment Panel is advised by the Director of Finance and Resources who is also responsible for:

- Ensuring compliance with statutory requirements and the investment principles set out in this document, and reporting any breaches to the Investment Panel.
- Ensuring resources are available to meet the London Borough of Redbridge Pension Fund responsibilities.

The Investment Managers are responsible for:

- The investment of pension fund assets in compliance with legislation and the detailed Investment Management Agreements.
- Appropriate asset allocation around the individual mandate objectives set by the Investment Panel and stock selection with asset classes.
- Preparation of monthly and quarterly reporting including a review of investment performance.
- Attending meetings of the Investment Panel as required.
- Exercising voting rights in accordance with their voting policies

The Investment Advisers are responsible for:

- Providing advice to the Investment Panel and officers on a suitable investment policy and investment management arrangements.
- Providing reports and commentaries on external manager activities, performance data and investment transactions at regular intervals.
- Contribution to investment meetings and specific reviews.

The Independent Custodian is responsible for:

- Providing monthly accounting data summarising details for all investment transactions during the period.
- Settlement of all investment transitions, collection of income, tax reclaims and the administration of corporate actions.

The Actuary is responsible for:

- Undertaking a triennial valuation of the Fund's assets and liabilities.
- Providing advice as required so that the Investment Panel can consider both funding and investment objectives.

3 Fund Liabilities

Scheme Benefits

Pension benefits are based on a “career average re-valued earnings” (CARE) basis as specified in the regulations, and are unaffected by the investment return achieved on the Fund’s assets. Prior to 1st April 2014 the scheme was a defined benefit final salary scheme. Full details of the LGPS benefits are set out in the Regulations.

Financing Benefits

All active members are required to make pension contributions that are banded based on pensionable pay as defined in the LGPS regulations.

The Pension Fund is responsible for meeting the balance of costs necessary to finance the benefits payable from the Fund by applying employer contributions, additional lump sum contributions, and capital appreciation and income from the Fund’s investments.

The London Borough of Redbridge has published a Funding Strategy Statement as required by the Scheme regulations.

Actuarial Valuation

The Fund is valued by the actuary every three years in accordance with the LGPS regulations and monitored each year.

4 Investment Approach

Investment Objective

The investment objective is to minimise the long-term cost of funding commensurate with an appropriate level of risk and volatility.

The investment objective will be achieved through the formulation of an appropriate investment strategy that takes into account the assumptions made within the actuarial valuation, which are linked to the liabilities of the Fund.

The investment strategy will aim to achieve a real return of at least 3.5% p.a. sub-divided between bond and equity related assets so that:

- Equity type assets achieve a real return of 4.25% p.a.
- Bonds achieve a real return of 1.8% p.a.

Strategic Benchmark

The strategic asset allocation of the fund is currently broadly split 80% equity type investments (including property) and 20% bonds. During times of market volatility the asset allocation may vary.

Investment Fees

The fees for investment managers are flat fees based on an agreed percentage of the market value of portfolio at month end.

The fees for investment advisers are agreed relative to experience and time input required.

Investment Style

External investment managers have been appointed to manage the Fund's investments. Each investment manager has clear performance objectives and is held accountable for performance against those objectives. The Fund is actively managed and invests in a wide range of assets in order to give diversification and spread risk.

Reporting

The investment managers' current investment decisions and actions are reported at each meeting of the Investment Panel.

Performance

Performance targets are set in relation to the benchmark and (where appropriate) weighted indices specified. The investment managers' performance data is provided at quarterly and annual intervals by State Street Analytics (formerly the WM Company) and reviewed by the Investment Panel.

5 Investments and their management

The power and duties of the Administering Authority to invest Fund monies are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations -2009 (as amended). The Fund is required to invest any monies which are not required immediately to pay pensions and any other benefits and, in so doing, take account of the need for a suitable diversified portfolio of investment and the advice of persons properly qualified on investment matters. During periods of market volatility, the Council may retain any surplus cash balances to invest in the money market in accordance with the Council's Treasury Management Strategy.

Types of Investments

In broad terms, investments may be made in accordance with the regulations in equities, fixed interest and other bonds, and property, in the UK and overseas markets and in accordance with the investment manager's agreements.

The Regulations also specify certain limitations on investments. Principally, these place a limit of 10% of the total value of the fund in any single holding, or deposits with a single bank or institution, or investments in unlisted securities. At present, no use is made of the "headroom" provisions, which permit, in appropriate circumstances, extension of the percentage limits indicated in the Regulations.

Investment Management

Investment Managers has been appointed under the terms of the Regulations to manage the Fund's investments as described below. The investment managers are required to select appropriate types of investments to determine a suitable balance between different kinds of investment (within agreed parameters) relative to their individual benchmarks, and where appropriate to maintain a diversified portfolio (as shown at Annex 1).

State Street Global Advisors – Index Tracker Equity Mandate

State Street Global Advisors manage the global equity mandate with the objective to achieve a return in-line with the various market indices.

Newton Investment Management Limited – High Alpha Unconstrained Mandate

Newton Investment Management manage the high alpha unconstrained mandate. A performance objective of 4.0% per annum above the sterling 1 month London Inter-Bank Offer Rate (LIBOR) over a rolling five-year period has been set.

Standard Life Pension Funds Limited – Active Bond Mandate

Standard Life Pension Funds manage the active bond mandate. A performance objective of 0.75% per annum above the relevant benchmark over a three-year period has been set.

Schroders Investment Management – Emerging Markets Equity Mandate

Schroders Investment manage the emerging market equity mandate. A performance objective of 3% above the MSCI Emerging Markets Index over a three-year rolling period has been set.

BlackRock Investment – Asia Pacific ex Japan Equity Mandate

BlackRock manage the Asia Pacific equity mandate. A performance objective of 3% above the MSCI AC Pacific ex Japan Index over a three-year rolling period has been set.

Schroders Investment Management – Property Unit Trust Mandate

Schroders Investment manage a property unit trust mandate. A performance objective of 1% above the relevant benchmark over a three-year rolling period has been set.

BlackRock Investments – Property Unit Trust Mandate

BlackRock manage a property unit trust mandate. A performance objective of 1% above the relevant benchmark over a three-year rolling period has been set.

Investment Risk

Allocation and asset risk – Individual manager mandates have been determined recognising the pension fund's overall risk tolerance in relation to funding objectives.

Performance risk – Benchmarks and (where appropriate) targets are used and performance monitored relative to these. This is to ensure the investment manager does not deviate significantly from the Panel's intended approach, while permitting flexibility to manage the portfolio and enhance returns over the longer term.

Controlling risk – Risk diversification supports the decision to appoint a number of managers with specifically tailored mandates. The degree of risk to which the individual portfolios are exposed is also monitored.

Choosing Investments

The Investment Panel pays close attention to the risks that may arise through a mismatch between the Fund's assets and its liabilities, and the risks that may arise from a lack of diversification of investments. For the time being, the Fund's long-term asset allocation will follow the benchmark specified above, and that an equity-biased approach will be maintained. A higher weighting in equities is held in the expectation that superior returns will be achieved in the long term. This reflects the need to keep the Council's cost of the Fund at reasonable levels, even at the risk of possible adverse and volatile returns in the shorter term.

It is considered that the asset allocation policy in place, determined following an asset liability investigation undertaken by the Fund's independent adviser, provides an adequately diversified distribution of assets. Additional diversification is achieved by employing more than one investment manager. Further diversification is present in the portfolio by investing in certain smaller companies and property pooled funds (unit trusts) operated by the investment managers. With the size of the Fund in mind, investment in these pooled unit trusts leads to lower volatility of returns and a wider spread of investments than would be possible from direct investment in these sectors.

Investments are made subject to the statutory limits and restrictions, which are set out in the Regulations. The main provisions are set out in annex 2. The Investment Panel has not set any additional investment guidelines or restrictions.

Realisation of Investments

The realisation of investments is left to the investment managers' discretion. However, the majority of investments held are quoted on major stock markets and could be realised quickly if required. The Fund's investments in certain unit trust and pooled vehicles do take longer than equities or fixed interest stocks to realise, e.g. property. These investments are well within the ranges specified in the regulations and are operated or overseen by the Fund's investment managers. Whilst there is a risk in holding assets that are not readily realisable, the results of the asset liability study

indicate that the Fund is unlikely to be a forced seller of investments for some time to come, and therefore it is considered that the benefits of diversification gained by investing part of the Fund in pooled vehicles outweigh the disadvantage of a slower realisation process.

Custody Arrangements

State Street has been appointed as custodian to the Fund.

State Street is regulated by the FCA. Stocks are held as designated holdings or in designated nominee accounts, via CREST or as appropriate. The Custodian also provides banking facilities for the settlement of trades and the collection of income.

The separation of investment management from custody is a crucial aspect of security of the pension fund assets.

Cash balances held by the Council on behalf of the pension fund are invested in accordance with the Council's Treasury Management Strategy.

Stock Lending

Consideration has been given to the advantages and disadvantages from stock lending, however it has been decided that stock lending is not appropriate for the Pension Fund. The Investment Panel will review this decision periodically.

6 Social, Environmental and Ethical Considerations

The Regulations require the Council to state its policy on the extent (if at all) to which social, environmental or ethical considerations (commonly and below, referred to as socially responsible investment) are taken into account in the selection, retention and realisation of investments.

The Investment Panel has considered socially responsible investment in the context of its legal and fiduciary duties, and the obligations that these place upon it. In view of the principal objectives described earlier in this Statement, the view has been taken that non-financial factors should not drive the investment process at the cost of financial return on the Council's Pension Fund. Therefore, the Investment Panel holds a policy of non-interference with the day-to-day decision making of the investment managers.

Over the longer term, the Investment Panel considers that encouraging companies to demonstrate an awareness of the wider issues could enhance shareholder value. Therefore, the Investment Panel has asked the investment managers to take into account the following issues as part of the investment process:

- When evaluating companies for investment, the investment manager must also consider those activities, which may be deemed to be socially responsible or socially irresponsible and could therefore have a financial impact on the company's performance.
- If the assessment of companies for investment indicates that socially responsible activities could have an impact on a company's financial performance (positively or negatively), the investment managers must assess and take account of the associated risk and, where appropriate, seek to encourage companies to pursue better business practices.

Investment managers should provide assurances that these issues are being taken into account on an agreed basis.

7 Corporate Governance

The Pension Fund's direct holdings in UK and overseas equities have associated with them the right to vote on resolutions at company general meetings. The Investment Panel believes in encouraging good corporate governance which is a belief shared by our Investment Managers. Following a review of the Investment Manager's voting policies the Panel agreed that voting on both UK and overseas holdings should be undertaken by the Investment Managers in accordance with their voting policies.

The Fund Managers provide quarterly reports that provide details of the voting activity together with details of meetings held with companies as part of their engagement process.

8 CIPFA – Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom

A review by the Department of Communities and Local Government of the Myners' principles has been undertaken which resulted in the creation of six principles. As the revised principles seek to improve the quality of the decision making process, CIPFA has published guidance on the new principles. The Fund's compliance with Myners principles of investment practise is set out at Annex 3. The Fund will continue to review its processes to work towards compliance with the principles.

INVESTMENT MANDATES ASSET ALLOCATION BANDS**Annex 1****State Street Global Advisors – 32.8% of Fund**

Asset Class	Lower Limit	Benchmark	Upper Limit	Index
Equities	%	%	%	
UK Equities	57.0	62.0	67.0	FTSE All Share
North American	11.5	16.5	21.5	FTSE All World North America
Europe ex-UK	11.5	16.5	21.5	FTSE All World Developed Europe ex-UK
Japan	0.0	5.0	10.0	FTSE All World Japan
Cash	0.0	0.0	5.0	GBP 7 day LIBID deposit

Newton Investment Management Limited - 30% of Fund**High Alpha/Unconstrained Mandate.**

Benchmark: an absolute return of 4% nett of fees above the sterling 1 month London Inter-Bank Offer Rate (LIBOR).

Standard Life Pension Funds Limited – 20% of Fund

Asset Class	Lower Limit	Benchmark	Upper Limit	Index
Bonds	%	%	%	
Long Gilts	30.00	50.00	70.00	FTSE A Government Over 15 Years
Long UK Corporate Bonds	30.00	50.00	70.00	IBOxx £ Non- Gilts 10/15 + Years Index

Schroders Investment Management - 4.2% of Fund**Emerging Markets Equity Mandate.**

Benchmark: a return of 3%, gross of fees, above the MSCI Emerging Markets Index.

BlackRock Investments - 3% of Fund**Asia Pacific Equity Mandate.**

Benchmark: a return of 3%, gross of fees, above the MSCI AC Pacific, ex Japan Index.

Property – 10% of the Fund

Schroder Investment Management : To outperform the IPD All Balanced Property Fund Index weighted average by 1%
BlackRock Investment Management - To outperform the IPD All Balanced Property Fund Index weighted average by 1%

Statutory Restrictions on Investments

1% limit	2% limit	10% limit	15% limit	25% limit	Other Limits
Any single sub-underwriting contract.	All contributions to any single partnership.	<p>All deposits with:</p> <ul style="list-style-type: none"> a) any local authority, or b) anybody with power to issue a precept or requisition to a local authority, or to the expenses of which a local authority can be required to contribute, <p>which is an exempt person (within the meaning of the Financial Services and Markets Act 2000 (4) in respect of accepting deposits as a result of an order made under section 38(1) of that Act, and all loans (excluding Government loans).</p> <p>All investments in unlisted securities of companies.</p> <p>Any single holding but not if an external investment manager is appointed and the single holding is in units or other shares of the investments subject to the trusts of any one unit trust scheme (See schedule 1 part II for details).</p> <p>All deposits with any single bank, institution or person (other than the National Savings Bank).</p>	All sub-underwriting contracts.	<p>All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by anybody (see schedule 1 part 11 p.14 for exceptions).</p> <p>Open-ended investment companies (OEICS) where any one body manages the collective investment scheme constituted by the companies.</p> <p>Any single insurance contract.</p> <p>All securities transferred (or agreed to be transferred).</p>	<p>The Occupational Pensions Schemes (Investment) regulations 1996 (SI 1996/3127), which impose restrictions on the amount of an occupational pension scheme, which may be invested in employer-related investments, may further restrict or limit investments of fund monies. Those regulations are made under powers conferred by amongst others, section 40 of the Pensions Act (restrictions on employer related investments).</p> <p>All contributions to partnerships (30%).</p>

MYNERS PRINCIPLES OF INVESTMENT PRACTICE

	Description of Principle	Redbridge Position	Further Development Opportunity
1	Effective Decision Making Administering Authorities should ensure that decisions are taken by persons or organisations with skills, knowledge, advice and resources necessary to take them effectively and monitor their implications	Compliant Elected members have a fiduciary duty to the Fund, scheme members and local council tax payers in relation to the LGPS. Functions can be delegated to officers but they retain overall responsibility for the management of the fund and its investment strategy and the individual decisions about investments. Under the Council's Constitution investment functions for the Pension Fund has been delegated to the Pension Fund Investment Panel. This panel act as "quasi trustees". The Investment Panel comprises of five experienced Councillors who are advised by the Director of Finance & Resources. The Fund's Actuary and Investment Adviser also provides advice to the Investment Panel. Training is provided as required on a range of topics to ensure that the Panel members are able to make informed decisions and to be able to challenge the advice being provided.	Members and Officers have developed a training programme as part of the business plan which seeks to increase the knowledge and skills of all those responsible for pension matters.
2	Clear Objectives An overall investment objective(s) should set out for the scheme that takes account of the scheme's liabilities, the potential impact on local tax-payers, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly	Compliant The Panel receives an annual presentation from the Fund's Actuary on the funding position and changes affecting the Fund's liabilities. The Panel also receives an annual presentation from the Performance Monitoring Advisors that reports on the individual managers as well as the Fund as a whole.	

	communicate these to advisers and investment managers.	The Investment Panel also receives quarterly reports as well as regular presentations from the Investment Managers on the performance of the fund against their respective benchmarks. The Fund's Advisers periodically provide reports to the Investment Panel reviewing the investment strategy to ensure that the strategy continues to achieve the Fund's objectives as well as providing advice on changes to the mix of asset classes.	
3	<p>Risks and Liabilities</p> <p>In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax-payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p>Compliant</p> <p>The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund.</p> <p>The Investment Panel reviews the investment strategy in consultation with the Fund's Actuary, to ensure that the strategy reflects the profile of the Fund's liabilities whilst seeking to achieve stable contribution rates for the various participating employers.</p> <p>New Admission Agreements are not granted without the presence of a suitable guarantor.</p>	
4	<p>Performance Assessment</p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</p>	<p>Compliant</p> <p>In 2006 following advice from the Investment Advisers a new strategy was introduced and after having been in place for three years a review was undertaken that demonstrated that the recommendations of the advisers had added value to the Fund.</p>	Development in line with changes in legislation concerning the governance of pension schemes. These changes seek to strengthen monitoring, decision-making and performance.

	<p>Administrating authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<p>The investment advisory contract is periodically reviewed and in 2013 the Fund signed up to the National Framework for Investment Advisory Services.</p> <p>The contract for Actuarial services is subject to a separate tender process.</p> <p>The performance of the Investment Managers and assets held are monitored on a quarterly basis but the emphasis is on the long-term investment objective.</p> <p>A review of the effectiveness of the investment strategy introduced in May 2006 has been undertaken as part of the Annual Business Plan. Whilst it demonstrated that changes in strategy had added value to the fund, in order to ensure that the strategy continues to meet the Fund's objectives some changes to the asset allocation and the managers were required. A revised strategy was agreed and implementation remains in progress as investment opportunities arise. Periodic reviews will continue to be undertaken to ensure that the investment strategy continues to meet the long-term investment objective and that the benchmarks continue to remain appropriate for the Fund.</p> <p>An Annual Report together with an Annual Review along with other publications provide details to scheme members and employers of the activities of the Pension Fund and the Investment Panel along with the decisions that have been taken throughout the year.</p>	
5	<p>Responsible Ownership Administrating Authorities should:</p>	Partial Compliance	

	<ul style="list-style-type: none"> • Adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles on the responsibility of shareholders and agents • Include a statement of their policy on responsible ownership should be included in the Statement of Investment Principles • Report periodically to scheme members on the discharge of such responsibilities 	<p>The Investment Panel would encourage, rather than insist that the investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles. The Fund Managers have clear policies with regards to corporate governance which have been reviewed and considered appropriate for the Redbridge Fund.</p> <p>The Investment Panel has an approved policy on voting which places responsibility for voting on the Fund Managers in accordance with their policies. Details of the voting activity by the Fund Managers are presented on a quarterly basis to the Investment Panel.</p>	
6	<p>Transparency and Reporting Administrating authorities should:</p> <ul style="list-style-type: none"> • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, it's governance and risks, including performance against stated objectives. • Provide regular communication to scheme members in the form they consider most appropriate. 	<p>Compliant</p> <p>Redbridge maintains a Communication Policy that sets out how the Fund communicates with all stakeholders in the Fund.</p> <p>All policy statements relating to the Pension Fund are published on the Council's website. The Pension Fund produces an Annual Review that is published on the website that provides full details of the activities of the Fund, including details of the various policy statements and the activities of the Investment Panel. The Pension Fund also produces an Annual Report that incorporates the Fund's Annual Accounts which is also published on the website as well as being distributed to the various participating employers within the scheme.</p> <p>The Investment Panel meetings are open to the public and agendas, papers and minutes are available on the Council's website – www.redbridge.gov.uk</p>	<p>A review of the governance arrangements for the LGPS is being considered by CLG following the new Pension Act. These new arrangements are expected to consider enhancing the scrutiny of the activities of the Panel by a body of equal representation from both employees and employers.</p>