

Croydon Pension Fund 2020/21

31st March 2021

CROYDON
www.croydon.gov.uk

PENSION FUND ACCOUNTS

FUND ACCOUNT

Dealings with members, employers and others directly involved in the fund

Contributions
Individual Transfers in from Other Pension Funds

Benefits

Pensions
Commutation, Lump Sum Retirement and Death Benefits

Payments to and on Account of Leavers

Individual Transfers Out to Other Pension Funds
Refunds to Members Leaving Service

Net additions/(withdrawals) from dealings with members

Management Expenses

RETURNS ON INVESTMENTS

Investment Income
Profit and loss on disposal of investments and changes in the market value of investments

Net returns on investments

Net increase/(decrease) in the Fund during the year

Net assets at the start of the year

Net assets at the end of the year

Notes	2020/21 £'000	2019/20 £'000
8	69,056	52,208
	8,002	14,179
	77,058	66,387
9	(47,837)	(46,540)
9	(9,374)	(10,310)
	(6,839)	(10,641)
	(192)	(128)
	(64,242)	(67,619)
	12,816	(1,232)
10	(14,561)	(11,425)
	(1,745)	(12,657)
11	7,309	9,425
13	275,295	1,912
	282,604	11,337
	280,859	(1,320)
	1,256,839	1,258,159
	1,537,698	1,256,839

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT

Investments held by the Fund Managers:

Equities - segregated funds

Equities - pooled funds

Private equity funds

Infrastructure funds

Fixed Interest funds

Pooled Property funds

Total Investments held by the Fund Managers

Other Balances held by the Fund Managers

Cash held by the Fund Managers

Investment income due

Total Other Balances held by the Fund Managers

Total Assets held by the Fund Managers

Current Assets

Current Liabilities

Net Assets of the fund available to fund benefits

Notes	31 March 2021 £'000	31 March 2020 £'000
13	150	150
13	693,780	425,959
13	151,782	114,466
13	170,925	167,135
13	303,734	288,816
13	181,250	177,291
	1,501,621	1,173,817
13	10,578	9,809
13	666	1,271
	11,244	11,080
	1,512,865	1,184,897
16	29,567	93,415
17	(4,734)	(21,473)
	1,537,698	1,256,839

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial position of the fund which does take into account such obligations is dealt with in note 22.

1. GENERAL INFORMATION

In addition to acting as a Local Authority, Croydon Council administers the Local Government Pension Scheme. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As an administering authority for the LGPS it is accountable both to employees who are members of the Pension Fund, and to past employees in receipt of a pension, for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented as a supplementary statement to clearly demonstrate the distinction.

The London Borough of Croydon Pension Fund (the Fund) operates a contributory Career Average Revalued Earnings (CARE) scheme whose purpose is to provide benefits to all of the Council's employees, with the exception of teaching and NHS staff, and to the employees of admitted and scheduled bodies who are members of the Fund. These benefits include retirement pensions and lump sums, ill-health retirement benefits and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013, (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The financial statements have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice on Local Authority Accounting in the United Kingdom is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

Admitted:

AXIS Europe plc (Housing Repairs), Brick by Brick Croydon Limited, Capita Secure Information Solutions Limited, Conway Construction & Training Ltd, Churchill Services Limited, Croydon Equipment Services Limited, Croydon Community Mediation, Croydon Voluntary Action, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Hats Group Ltd Olive Dining Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, National Cleaning Service Limited, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1) & (SLWP2), Wallington Cars & Couriers Limited, Arthur McKay Limited, Greenwich Leisure Limited, Idverde Limited, Littlefish Managed IT Services, Westgate Cleaning Services Limited

Scheduled:

Meridian (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, BRIT School, Broadmead Primary Academy, Castle Hill Academy, Chesnut Park Primary School, Chipstead Valley Primary School, Coulsdon College, Crescent Primary Academy, Croydon College, David Livingstone Academy, Orchard Park High School, Fairchildes Academy Community Trust, Forest Academy, Gonville Academy, Good Shepherd Catholic Primary, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Purley Way) Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), Harris Invictus Academy Croydon, Harris Primary Academy Haling Park, Heathfield Academy, New Valley Primary, Norbury Manor Business and Enterprise College, Oasis Academy Byron, Oasis Academy Arena, Oasis Academy Coulsdon, Oasis Academy Ryelands, Oasis Academy Shirley Park, Pegasus Academy Trust, Quest Academy, Riddlesdown Collegiate, Robert Fitzroy Academy, Rowdown Primary School, Shirley High School Performing Arts College, South Norwood Academy, St Chad's Catholic Primary School, Davidson Primary Academy, Krishna Avanti Primary School, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Mark's COE Primary School, St Mary's Infants School, St Mary's Junior School, St Thomas Becket Catholic Primary School, Winterbourne Junior Boys, West Thornton Primary Academy, Paxton Academy, Woodcote High School, The Woodside Academy, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy Folio Education Trust, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust The Beckmead Trust, Tudor Academy

1. GENERAL INFORMATION (continued)

Management of the Fund

The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon and the past and present contributing members and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments: selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of eight voting Members of the Council, two pensioner representatives (one voting), and a non-voting employee representative. In addition, the Committee is supported by officers and external advisors.

2. INVESTMENT STRATEGY STATEMENT

This is published on the Croydon Pension Scheme web page
<http://www.croydonpensionscheme.org/croydon-pension-fund/about-us/forms-and-publications>

3. BASIS OF PREPARATION

Going Concern

The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means, in particular, that the accounts assume that there is no intention to curtail significantly the scale of operations.

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 gives administering authorities the option to disclose information about retirement benefits by reference to the actuarial report. Note 22 refers.

Note 1 (general information) above refers to the International Financial Reporting Standards applicable to this set of accounts. There are no standards issued that have not been adopted in preparation of this statement of accounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contribution income

Normal contributions, both from the 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 deficit funding contributions are accounted for in accordance with the agreement under which they are being paid. Pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

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, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

- ▶ **Interest income:** Interest income is recognised in the fund account as it accrues.
- ▶ **Dividend income:** Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- ▶ **Distributions from pooled funds:** Distributions from pooled funds are recognised by our fund managers at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a financial asset.
- ▶ **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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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

Management expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are recharged at year end from the Authority to the Pension Fund.

Oversight and Governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged to the Fund.

The cost of obtaining investment advice from the external advisors is included in oversight and governance costs.

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 appointments. A proportion of the Council's costs representing management time spent by officers on investment management are recharged to the Fund.

Financial assets

A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. The majority of the Fund's financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. Any gains and losses arising from changes in the fair value are recognised in the change in market value in the Fund Account.

Quoted securities and Pooled Investment Vehicles have been valued at bid price. Quoted securities are valued by the Fund's custodian; Bank of New York Mellon. Pooled Investments, Private Equity Funds, Infrastructure Funds and Pooled Property Funds are quoted by their fund managers.

Loans and receivables consist of cash at bank, other balances investment balances and contributions receivable. They are initially recognised at fair value and subsequently at amortised cost. Impairment losses are recognised where appropriate, although no impairment has been deemed necessary.

Derivatives

Derivatives are valued at fair value on the following basis: assets at bid price and liabilities at offer price.

Changes in the fair value are included in the change in market value in the Fund account.

The value of open futures contracts is determined using exchange prices at the reporting date.

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 the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the year end.

Cash and cash equivalents

Cash comprises cash in hand and term 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 by 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 (see Note 22).

Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential plc as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 21).

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual 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 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of many private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving factors which include the valuations of companies deemed comparable to the asset being valued, the future cash flow expectations and discount factors used.

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER 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 in the forthcoming year.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied.

The effects on the net pension liability can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £239m. A 0.5% increase in the salary increase assumption would result in a £14m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £221m increase to the pension liability.

Unquoted private equity and infrastructure investments

Due to the nature of private equity and infrastructure assets it is difficult to assess their true value until the assets are realised. Assumptions are made in the valuation of Unquoted private equities and infrastructure investments. Investment managers use the guidelines published by various bodies including the Financial Accounting Standards Board, the British Venture Capital Association and the Institutional Limited Partners Association. The value of unquoted private equities and infrastructure at 31 March 2021 was £322.7m (2020: £282m). There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

NOTES TO THE PENSION FUND ACCOUNTS

7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2019 which calculated the total accrued liabilities to be £1,423m (2016: £1,203m). The market value of the Fund's assets at the valuation date was £1,258m (2016: £877m). The Fund deficit was therefore £165m (2016: £326m) producing a funding level of 88% (2016: 73%). The next triennial valuation will be effective as at 31 March 2022.

The contribution rates payable for 2020-21 were set at the Actuarial Valuation effective 31 March 2019.

The table below shows the contribution rates payable by each employer for 2020/21:

	% of pay	Additional sum £
London Borough of Croydon Pool		
London Borough of Croydon	26.2	-
Octavo Partnership Limited	6.5	-
Further Education Bodies		
Croydon College	25.8	-
(Community) Admission Bodies		
Croydon Voluntary Action	17.5	-
Croydon Community Mediation	18	4,000
Admission Bodies		
Impact Group Limited	0	-
London Hire Services Limited	0	-
Churchill Services Limited	0	-
Veolia Environmental Services (UK) Recycling Limited (Croydon)	29.7	-
Hats Group Ltd	33.5	4,000.0
Wallington Cars & Couriers Limited	0	-
Vinci Facilities Limited	40.3	-
Skanska Construction UK Limited	0	-
Sodexo Limited	16.5	-
AXIS Europe plc (Housing Repairs)	25.5	-
Capita Secure Information Solutions Limited	24.6	-
Keyring Living Support Networks	28.6	-
Westgate Cleaning Services Limited	32	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	15.5	-
Veolia Environmental Services (UK) Recycling Limited (SLWP2)	17.5	-
South London Waste Partnership Idverde	17.5	-
Roman Catholic Archdiocese of Southwark	20.3	-
Croydon Equipment Services Limited	26.2	-
Arthur Mckay Limited		-
Greenwich Leisure Limited	4.2	-
Nationwide Cleaning Services Limited	34.2	-
Brick by Brick Croydon Limited	23	18,000
Conway Construction & Training Ltd	31.9	65,000
Olive Dining Limited	29	-
Luttfish Managed IT Services	25.7	-

NOTES TO THE PENSION FUND ACCOUNTS

Academies	% of pay	Additional sum £
Harris Academy (South Norwood)	14.2	
BRIT School	11.1	
Harris City Academy (Crystal Palace)	13.4	
St Joseph's College	27.9	
St Cyprian's Greek Orthodox Primary School	19.2	
Norbury Manor Business and Enterprise College	18.0	
Woodcote High School	19.2	
St James the Great R.C Primary	24.4	
Meridian (Addington) High Academy	17.0	
Riddlesdown Collegiate	18.4	
Shirley High School of Performing Arts College	18.8	
Oasis Academy Byron	19.4	
Robert Fitzroy Academy	15.4	
St Thomas Becket RC Primary	19.8	
Aerodome Primary Academy	18.3	
Oasis Academy Coulsdon	19.8	
Oasis Academy Shirley Park	20.1	
Harris Academy (Purley)	18.5	
The Quest Academy	22.0	
ARK Oval Primary Academy	15.2	
Pegasus Academy Trust	17.2	
Gonville Academy	18.6	
West Thornton Primary Academy	18.8	
David Livingstone Academy	13.2	
Applegarth Academy	17.8	
Harris Primary Academy Benson	20.8	
Harris Academy Primary Kenley	17.5	
Forest Academy	15.9	
Castle Hill Academy	17.9	
Atwood Primary School	23.0	
Winterbourne Junior Boys	36.7	
Oasis Academy Ryelands	22.6	
Chipstead Valley Primary School	20.1	
Fairchildes Primary School	14.5	
Broadmead Primary Academy	27.7	
Rowdown Primary School	21.5	
St Mark's COE Primary School	20.6	
New Valley Primary	22.2	
Archbishop Lanfranc School	30.8	
Harris Invictus Academy Croydon	13.5	
Harris Primary Academy Haling Park	15.5	
Paxton Academy	16.1	
Edenham High School	31.9	
St Mary's Infants School	24.6	
St Mary's Junior School	21.3	
Heathfield Academy	16.0	
Crescent Primary Academy	16.4	
Oasis Academy Arena	15.9	
Good Shepherd Catholic Primary	27.3	
South Norwood Academy	21.4	
Chesnut Park Primary School	16.4	
St Chad's Catholic Primary School	26.0	
St Aidan's Catholic Primary School	22.7	
Davidson Primary School	20.9	51,000
Krishna Avanti Primary School	13.4	
The Woodside Academy	20.8	
Kingsley Primary Croydon	26.3	
STEP Academy Trust	26.2	
Harris Primary Purley Way	14.1	
Tudor Primary Academy	17.4	
Folio Education Trust	19.2	
Courtwood	20.4	
Monks Orchard	22.9	
Keston Primary	23.6	
Gilbert Scott	25.2	
Manor Trust	19.8	
The Beckmead Trust	20.7	

NOTES TO THE PENSION FUND ACCOUNTS

Employees in the scheme are required by the Local Government Pension Scheme Transitional Regulations 2014 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands for 2020/21 are detailed below:

Band	2020/21 Range £	Contribution Rate %
1	0 -14,600	5.5%
2	14,601-22,800	5.8%
3	22,801-37,100	6.5%
4	37,101-46,900	6.8%
5	46,901-65,600	8.5%
6	65,601-93,000	9.9%
7	93,001-109,500	10.5%
8	109,501-164,200	11.4%
9	164,201+	12.5%

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants.

	2020/21	2019/20	% change
Contributing members	10,044	10,064	(0.2%)
Deferred pensioners	11,532	10,923	5.6%
Pensioners	8,523	8,285	2.9%
Total	30,099	29,272	2.8%

8. CONTRIBUTIONS

By Authority:

Administering Authority
Scheduled bodies
Admitted bodies

2020/21 £'000	2019/20 £'000
51,337	32,766
14,615	15,813
3,104	3,629
69,056	52,208

By Type

Employees normal contributions

Employers:

Normal contributions
Deficit recovery contributions
Augmentation contributions

2020/21 £'000	2019/20 £'000
14,743	13,965
52,734	34,759
120	2,616
1,459	868
69,056	52,208

9. BENEFITS

By Authority

Administering Authority
Scheduled bodies
Admitted bodies

2020/21 £'000	2019/20 £'000
49,777	48,945
3,571	3,542
3,863	4,363
57,211	56,850

By Type

Pensions
Commutation and lump sum retirement benefits
Lump sum death benefits

2020/21 £'000	2019/20 £'000
47,837	46,540
7,947	9,076
1,427	1,234
57,211	56,850

NOTES TO THE PENSION FUND ACCOUNTS

10. MANAGEMENT EXPENSES

	2020/21 £'000	2019/20 £'000
Administration	1,368	1,676
Oversight and Governance	818	1,041
Investment management	12,375	8,708
	14,561	11,425

Included in oversight and governance expenses is £25,000 (2020: £25,000) in respect of audit fees. Some investment managers charge fees within the fund's net asset value and these (implicit) fees are not easily identifiable. Investment management fees have been adjusted to reflect the implicit fees charged by managers and a corresponding adjustment has been made to the change in market value. For 2021 the implicit fee was £11,514,671 (2020: £7,949,000) Included in the investment management expenses are £876,835 (2020: £801,571) in respect of transaction costs.

11. INVESTMENT INCOME

	2020/21 £'000	2019/20 £'000
Equity dividends- segregated funds	(274)	(10)
Pooled Equity Income	194	676
Pooled Fixed Income	2,690	3,064
Pooled Property funds income	4,645	5,462
Interest on cash deposits	54	233
Total	7,309	9,425

12. INVESTMENTS

The Fund used the following investment managers during the year.

Asset Category	Fund Managers
Equities	Legal and General Investment Management Limited (LGIM) and London LGPS CIV Limited underlying manager RBC (LCIV RBC)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners and North Sea Capital
Infrastructure	Equitix Limited, Temporis Capital Limited and Green Investment Group Management Limited (GIGM), Access Capital Partners and I-Squared Capital
Fixed Interest	Aberdeen Standard Investments, Wellington Management Company LLP and London LGPS CIV Limited underlying manager PIMCO (LCIV PIMCO)
Property	Schroder Investment Management Limited and M&G Investment Management Limited
Cash	Cash is invested by the in-house team

All managers have discretion to buy and sell investments within the constraints set by the Pension Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Pension Committee has authorised the Executive Director of Resources and Section 151 Officer to exercise delegated powers to vary the Pension Fund's target asset allocation between asset classes as is deemed necessary.

The market value and proportion of investments managed by each fund manager at 31 March 2021 was as follows

	2021		2020	
	Market £'000	Market %	Market £'000	Market %
LGIM	617,105	41.1%	425,959	36.2%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	92,084	6.1%	84,104	7.2%
LCIV RBC	76,675	5.1%	-	-
Pantheon Ventures LLP (Pantheon)	65,783	4.4%	60,899	5.2%
Knightsbridge Advisors LLC (Knightsbridge)	52,584	3.5%	35,581	3.0%
Access Capital Partners (Access)	51,819	3.5%	32,673	2.8%
North Sea Capital	9,621	0.7%	4,829	0.4%
I-Squared Capital	19,742	1.3%	18,619	1.6%
Equitix Limited	73,240	4.9%	78,071	6.7%
Temporis Capital Limited (Temporis)	28,858	1.9%	28,627	2.4%
Green Investment Group Management Limited (GIGM)	21,060	1.4%	22,302	1.9%
Aberdeen Standard Investments (Aberdeen)	141,202	9.4%	132,328	11.3%
Wellington Management Company LLP (Wellington)	70,448	4.7%	72,385	6.2%
Schroder Investment Management Limited (Schroders)	119,136	7.9%	115,351	9.8%
M&G Investment Management Limited (M&G)	62,114	4.1%	61,939	5.3%
Total investments	1,501,621	100.0%	1,173,817	100.0%

NOTES TO THE PENSION FUND ACCOUNTS

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2020	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	425,959	55,194	(1,087)	213,714	693,780
Private equity funds	114,466	17,504	(27,286)	47,098	151,782
Infrastructure funds	167,135	17,376	(13,975)	389	170,925
Fixed Interest funds	288,816	2,762	(1,550)	13,706	303,734
Pooled Property funds	177,291	6,513	(2,993)	439	181,250
	1,173,817	99,349	(46,891)	275,346	1,501,621
Cash deposits	9,809			(18)	10,578
Investment income due	1,271			(33)	666
Net investment assets	1,184,897	99,349	(46,891)	275,295	1,512,865

	Market value 01 April 2019	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	516,037	250,360	(318,229)	(22,209)	425,959
Private equity funds	114,703	9,728	(23,500)	13,535	114,466
Infrastructure funds	145,358	31,933	(19,226)	9,070	167,135
Fixed Interest funds	282,419	3,129	(1,282)	4,550	288,816
Pooled Property funds	178,566	5,359	(3,533)	(3,101)	177,291
	1,237,233	300,509	(365,770)	1,845	1,173,817
Cash deposits	6,452			67	9,809
Investment income due	1,557				1,271
Net investment assets	1,245,242	300,509	(365,770)	1,912	1,184,897

NOTES TO THE PENSION FUND ACCOUNTS

14. ANALYSIS OF INVESTMENTS

		2021			2020		
		UK £'000	Foreign £'000	Total £'000	UK £'000	Foreign £'000	Total £'000
Equities-segregated funds							
London CIV	Unquoted	150	-	150	150	-	150
Total equities		150	-	150	150	-	150
Equities - pooled funds							
LGIM	unit trust	-	617,105	617,105	-	425,959	425,959
LCIV RBC	managed fund	-	76,675	76,675	-	-	-
Total equities - pooled investments		-	693,780	693,780	-	425,959	425,959
Private equity funds							
Pantheon	managed fund	-	65,783	65,783	-	60,899	60,899
Knightsbridge	managed fund	-	52,584	52,584	-	35,581	35,581
Access	managed fund	-	23,794	23,794	-	13,157	13,157
North Sea Capital	managed fund	-	9,621	9,621	-	4,829	4,829
Total private equity funds		-	151,782	151,782	-	114,466	114,466
Infrastructure funds							
Equitix Limited	managed fund	73,240	-	73,240	78,071	-	78,071
Temporis	managed fund	27,700	1,158	28,858	27,322	1,305	28,627
GIGM	managed fund	21,060	-	21,060	22,302	-	22,302
Access	managed fund	-	28,025	28,025	-	19,516	19,516
I Squared	managed fund	-	19,742	19,742	-	18,619	18,619
Total infrastructure funds		122,000	48,925	170,925	127,695	39,440	167,135
Fixed interest funds							
Aberdeen	unit trust	141,202	-	141,202	132,328	-	132,328
Wellington	managed fund	-	70,448	70,448	-	72,385	72,385
LCIV PIMCO	managed fund	-	92,084	92,084	-	84,104	84,104
Total Fixed Interest funds		141,202	162,532	303,734	132,328	156,489	288,817
Pooled property funds							
Schroders	managed fund	119,136	-	119,136	115,351	-	115,351
M&G	managed fund	62,114	-	62,114	61,939	-	61,939
Total pooled property funds		181,250	-	181,250	177,290	-	177,290
Total investments		444,602	1,057,019	1,501,621	437,463	736,354	1,173,817

15. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND

	2021		2020	
	Market £'000	% of Total Net assets	Market £'000	% of Total Net assets
Standard Life SLI Absolute Return Global Bond Strategies			66,659	5.3%
Standard Life Corporate Bond			65,669	5.2%
Wellington Sterling Core Bond Plus Portfolio			72,385	5.8%
LCIV PIMCO Global Bond Fund	92,084	6.0%	84,104	6.7%
LGIM FTSE Ex Tobacco World Equity Index	617,105	40.1%	425,959	33.9%

NOTES TO THE PENSION FUND ACCOUNTS

16. CURRENT ASSETS

	2021 £'000	2020 £'000
Cash balances	24,671	82,124
Other Local Authorities - Croydon Council	1,782	7,462
Other Entities and Individuals	3,114	3,829
	29,567	93,415

17. CURRENT LIABILITIES

	2021 £'000	2020 £'000
Other Local Authorities - Croydon Council	(3,262)	(19,612)
Other entities and individuals	(1,472)	(1,861)
	(4,734)	(21,473)

The amount due to Croydon Council relates to transactions between the Fund and the Council all of which were settled through the Pension Fund bank account after the year end.

NOTES TO THE PENSION FUND ACCOUNTS

18. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related Parties

Related parties include:

- a. Councillors and their close families
- b. certain Officers and Managers
- c. entities controlled by, and associates and joint ventures of, the Scheme itself
- d. companies and businesses controlled by the Councillors or their close families

Councillor Pelling, the Chair of the Pension Committee is the Council Shareholder Representative for the London LGPS CIV Limited.

Officers and Managers

Related parties under this heading include:

- a. key management (senior officers) of the Fund and their close families
- b. companies and businesses controlled by the key management of the Fund, or their close families.

The key management personnel of the fund during the year were the Director of Finance, Investment and Risk (Section 151 Officer) and the Head of Pensions and Treasury.

During the year a charge of £104k (2020: £124k) was made to the Fund for their services.

The only other financial relationship that either Councillors or officers and managers have with the Fund is as prospective or actual pensioners for those who are scheme members.

19. DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER A STOCK LENDING ARRANGEMENT

There was no stock released to third parties under a stock lending arrangement.

20. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had outstanding capital commitments of £123.1m at 31 March 2021 (2020:£102.3m) based on:

USD 56.5m at exchange rate 1.38 equals £41.0m (2020: £37.4m)
EUR 70.2m at exchange rate 1.17 equals £59.8m (2020: £42.8m)
GBP £22.3m (2020: £22.1m)

These commitments related to outstanding call payments due on Private Equity, Infrastructure and Property investments. The amounts 'called' by these funds are both irregular in size and timing over a period of usually 3 to 6 years from the date of the original commitment.

21. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVCs), in total £172,017 for 2020/21 (£172,017 in 2019/20), are sent directly to the relevant AVC provider. The value at 31 March 2021 of separately invested additional voluntary contributions was £1.7m (£1.72m in 2019/20).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS**London Borough of Croydon Pension Fund ('the Fund') Actuarial Statement for 2020/21**

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 May 2021. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £1,258 million, were sufficient to meet 88% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £165 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 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 2019 valuation report.

Method

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

NOTES TO THE PENSION FUND ACCOUNTS

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

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 2019 valuation were as follows:

Financial assumptions	31 Mar 2019
Discount rate	4.0%
Salary increase assumption	2.3%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	23.9 years
Future Pensioners*	22.5 years	25.3 years

*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be broadly similar to that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- ▶ showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- ▶ as a note to the accounts; or
- ▶ by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 Mar 2021 £m	31 Mar 2020 £m
Active members	970	624
Deferred members	650	478
Pensioners	792	732
Present Value of Promised Retirement Benefits*	2,412	1,834

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

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

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

NOTES TO THE PENSION FUND ACCOUNTS

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £474m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £28m.

Financial Assumptions

Year ended	31 Mar 2020 %p.a.	31 Mar 2020 %p.a.
Pensions Increase Rate	2.85%	1.90%
Salary Increase Rate	2.85%	1.90%
Discount Rate	2.00%	2.30%

Longevity Assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a..

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners (assumed to be age 45 at the latest formal	23.0 years	26.0 years

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

Commutation Assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in Pensions Increase Rate	9%	221
0.5% increase in Salary Increase Rate	1%	14
0.5% decrease in the Real Discount Rate	9%	239

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

Professional Notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

23-Jun-21

For and on behalf of Hymans Robertson LLP

NOTES TO THE PENSION FUND ACCOUNTS

23. EVENTS AFTER THE REPORTING PERIOD

24. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2020/21

Asset Class	Benchmark	Weighting
UK and Overseas Listed Equities	FTSE Dev ex Tobacco NetTax (UKPN) MSCI World Index Net (Total Return)	40% + / - 5%
Fixed Interest Securities	Bank of America Merrill Lynch Sterling non gilts all stocks index Bank of America Merrill Lynch Sterling Broad Market index Barclays Aggregate - Credit Index Hedged (GBP)	20% + / - 3%
Property	MSCI/AREF UK Quarterly Property Fund Index All Balanced property Index	10% + / - 3%
Private Rental Sector Property	Target return 6-8%	6%
Private Equity	CPI +5%	10%
Infrastructure	CPI +5%	14%
Cash and Short Term Deposits		0%
Total		100%

NOTES TO THE PENSION FUND ACCOUNTS

24. FINANCIAL INSTRUMENTS (Continued)

Classification of 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 carrying amounts of financial assets and liabilities by category and Net Assets Statement heading. The carrying value for Pension Funds is the same as the Fair Value.

31 March 2021

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	303,734	-	-
Equities - segregated funds	150	-	-
Pooled property funds	181,250	-	-
Private equity funds	151,782	-	-
Infrastructure funds	170,925	-	-
Global equities - pooled investments	693,780	-	-
Other investment balances	-	11,244	-
Current Assets	-	29,567	-
Total Financial Assets	1,501,621	40,811	-
Financial Liabilities			
Current liabilities	-	-	(4,734)
Total Financial Liabilities	-	-	(4,734)
Net Assets	1,501,621	40,811	(4,734)

31 March 2020

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	288,816	-	-
Equities - segregated funds	150	-	-
Pooled property investments	177,291	-	-
Private equity funds	114,466	-	-
Infrastructure funds	167,135	-	-
Global equities - pooled investments	425,959	-	-
Other investment balances	-	11,080	-
Current Assets	-	93,415	-
Total Financial Assets	1,173,817	104,495	-
Financial Liabilities			
Current liabilities	-	-	(21,743)
Total Financial Liabilities	-	-	(21,743)
Net Assets	1,173,817	104,495	(21,743)

24. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

	31 March 2021	31 March 2020
	£'000	£'000
Financial assets		
Designated at fair value through profit and loss	275,346	1,845
Financial assets at amortised cost	(51)	67
	275,295	1,912
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
	-	-
Total	275,295	1,912

Valuation of financial instruments carried at fair value

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

Level One

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

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

Level Two

Financial instruments at Level 2 are those whose 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 use inputs that are based significantly on observable market data.

The pooled investment vehicles for global equities and fixed interest funds are classified as Level 2 as the fund valuations are based on the market prices of the underlying investments using evaluated price feeds.

Level Three

Financial instruments at Level 3 are those where at least one input, that could have a significant effect on the instrument's valuation, is not based on observable market data.

These instruments include various unquoted equity investments, Private Equity Funds, Infrastructure Funds and Pooled Property Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the General Partners to the funds in which the London Borough of Croydon Pension Fund has invested.

The General Partners use a variety of methods and assumptions based on market conditions existing at the statement of financial position date which is usually at the end of December. Valuations are then rolled forward to the 31 March.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December.

Valuations in Pooled Property Funds are carried out by qualified surveyors with relevant qualifications from the Royal Institute of Chartered Surveyors. All assets have been classified as level 3 as the inputs are considered to be unobservable and developed by the valuer using best information available where there is little or no market activity at the valuation date.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

NOTES TO THE PENSION FUND ACCOUNTS

24. FINANCIAL INSTRUMENTS (Continued)

Values at 31 March 2021

Financial Assets at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed Interest funds		303,734		303,734
Global equities - segregated funds			150	150
Pooled property investments			181,250	181,250
Private equity funds			151,782	151,782
Infrastructure funds			170,925	170,925
Global equities - pooled investments		693,780		693,780

Financial Assets at amortised cost

Other investment balances	11,244			11,244
Current Assets	29,567			29,567

Total Assets

	40,811	997,514	504,107	1,542,432
--	--------	---------	---------	-----------

Financial Liabilities at amortised cost

Current liabilities	(4,734)	-	-	(4,734)
---------------------	----------------	---	---	----------------

Net financial assets

	36,077	997,514	504,107	1,537,698
--	---------------	----------------	----------------	------------------

Values at 31 March 2020

Financial Assets at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed Interest funds		288,816		288,816
Global equities - segregated funds			150	150
Pooled property funds			177,291	177,291
Private equity funds			114,466	114,466
Infrastructure funds			167,135	167,135
Global equities - pooled investments		425,959		425,959

Financial Assets at amortised cost

Other investment balances	11,080			11,080
Current Assets	93,415			93,415

Total Assets

	104,495	714,775	459,042	1,278,312
--	---------	---------	---------	-----------

Financial Liabilities at amortised cost

Current liabilities	(21,473)	-	-	(21,473)
---------------------	-----------------	---	---	-----------------

Net financial assets

	83,022	714,775	459,042	1,256,839
--	---------------	----------------	----------------	------------------

24. FINANCIAL INSTRUMENTS (Continued)

Fair Value- Basis of Valuation

The basis of the valuation of each class of investment is set out in the table below. There has been no change in valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Asset type	Valuation hierarchy level	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting valuations
Pooled global equities	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Fixed income funds	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published. Valuations of properties within the funds are carried out by qualified chartered surveyors with the relevant qualification from the Royal Institution of Chartered Surveyors.	Direct comparison with sales of similar properties. Discount rates and cash flow projections as part of income capitalisation approach.	Real Estate values can be affected by a number of factors including changes to global or local economic conditions, financial conditions of tenants, availability of debt financing, changes in interest rates, operational expenses, planning and environmental laws and other government legislation.
Private equity	Level 3	Annually at fair value using the net asset value per share (or its equivalent) as a practical expedient (ASC Topic 820, Fair Value Measurement) or market approach in accordance with International Private Equity and Venture Capital Valuation Guidelines.	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations
Infrastructure	Level 3	Annually at fair value in accordance with IFRS 13 and International Private Equity and Venture Capital Valuation Guidelines	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations.

NOTES TO THE PENSION FUND ACCOUNTS

24. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Fair Value Measurements within Level 3 assets

2020/2021	Market value 01 April 2020 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2021 £'000
Private Equity Funds	114,466			17,504	(27,286)	27,286	19,812	151,782
Infrastructure Funds	167,135			17,376	(13,975)	13,975	(13,586)	170,925
Pooled Property Funds	177,291			6,513	(2,993)	2,993	(2,554)	181,250
Unquoted Equity	150							150
Total assets	459,042	----	----	41,393	(44,254)	44,254	3,672	504,107

2019/2020	Market value 01 April 2019 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2020 £'000
Private Equity Funds	114,703			9,728	(23,500)	23,500	(9,965)	114,466
Infrastructure Funds	145,358			31,933	(19,226)	19,226	(10,156)	167,135
Pooled Property Funds	178,566			5,359	(3,533)	3,533	(6,634)	177,291
Unquoted Equity	150							150
Total assets	438,777	----	----	47,020	(46,259)	46,259	(26,755)	459,042

Sensitivity analysis of Level 3 assets

Due to the increased uncertainty brought about by Covid-19, 10% has been used to measure the sensitivity of all level 3 assets. .

Level 3 Asset	Market value 31 March 2021 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	151,782	166,960	136,604
Infrastructure Funds	170,925	188,018	153,833
Pooled Property Funds	181,250	199,375	163,125
Unquoted Equity	150	165	135
Total	504,107	554,518	453,697

Level 3 Asset	Market value 31 March 2020 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	114,466	125,913	103,019
Infrastructure Funds	167,135	183,849	150,422
Pooled Property Funds	177,291	195,020	159,562
Unquoted Equity	150	165	135
Total	459,042	504,947	413,138

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure 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.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. A risk register is maintained and reviewed bi-annually.

Market Risk

This is the risk that financial loss could arise as a result of fluctuations in interest rates, foreign exchange rates, credit spreads and equity and commodity prices. 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 sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuers 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. Except for shares sold short, the maximum risk resulting from financial instruments is determined by fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

Price risk - sensitivity analysis

The following table demonstrates the change in net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2020	1,173,817	1,291,199	1,056,435
At 31 March 2021	1,501,621	1,651,783	1,351,459

NOTES TO THE PENSION FUND ACCOUNTS

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate risk is monitored and assessed against the strategic asset allocation benchmark.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Fixed interest funds, cash at bank and cash held by Fund managers are exposed to interest rate risk.

Assets exposed to interest rate risk	Value £'000	Value on 1% Increase £'000	Value on 1% Decrease £'000
At 31 March 2020	380,749	376,942	384,556
At 31 March 2021	338,982	335,592	342,372

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 pounds sterling (£GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than £GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. During the year 50% of the equities held by LGIM were fully hedged to £GBP.

Currency exposure - asset type

Overseas equities securities (unhedged portion)	372,274
Overseas Private Equity and Infrastructure	200,707
Overseas fixed interest	162,532
Overseas Private Equity and Infrastructure (outstanding commitments)	100,753
Total assets	836,266

Asset Value as at 31 March 2021 £'000
372,274
200,707
162,532
100,753
836,266

Currency risk - sensitivity analysis

The following table demonstrates the change in value of overseas assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value £'000	Value on 10% weakening of pound £'000	Value on 10% strengthening of pound £'000
At 31 March 2020	602,818	663,100	542,536
At 31 March 2021	836,266	919,893	752,639

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that parties in whom the Fund invests may fail to pay amounts that are due to the Pension Fund. For example an entity in which the Pension Fund invests may fail. This risk is minimised by investing in specialist fund managers across different asset classes and geographical regions. Additionally there is a risk that an admitted body will be unable to meet its contributions obligations. Contribution receipts are monitored monthly and, if necessary, remedial action is taken.

Credit risk also 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. However, 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.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council invests in money market funds with a AAA rating from a leading rating agency and also with other local authorities.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £24.7m (£82.1m at 31 March 2020). This was held with the following institutions:

Summary	Rating at 31 March 2021	Balances as at 31 March 2021 £'000	Balances at 31 March 2020 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		16,500	4,326
Deutsche Managed Sterling Fund			2,450
Insight Liquidity Funds			11
JPMorgan Sterling Liquidity Fund			9,727
Aberdeen Standard Liquidity Fund			2
Other Local Authorities			65,000
Current Account NatWest Bank		8,171	608
Total		24,671	82,124

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 Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash. All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.