Statement of Accounts 2021/22

Fund Account

2020/21 £'000		Notes	2021/22 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(76,326)	Contributions	7	(76,104)
(4,625)	Transfers in from other pension funds	8	(5,026)
(80,951)			(81,130)
63,528	Benefits	9	62,658
6,394	Payments to and on account of leavers	10	8,414
69,922			71,072
(11,029)	**Net (additions)/withdrawals from dealings with members**		**(10,058)**
12,003	**Management Expenses**	11	**15,174**
	Returns on investments		
(20,119)	Investment income	12	(19,252)
(351,463)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(86,404)
(20)	Taxes on Income		4
(371,602)	**Net returns on investments**		**(105,652)**
(370,628)	**Net (increase)/decrease in the Fund during the year**		**(100,536)**
1,493,348	**Opening net assets of the Scheme**		**1,863,976**
1,863,976	**Closing net assets of the Scheme**		**1,964,512**

Net Assets Statement

2020/21 £'000		Notes	2021/22 £'000
1,833,627	Investment Assets	13a	1,933,215
150	Long-Term Investment	13a	150
10,606	Cash Deposits	13a	4,880
1,844,383			**1,938,245**
(133)	Investment Liabilities	13a	**(332)**
1,844,250	**Net Value of Investment Assets**	13a	**1,937,913**
158	Long-term debtors	20a	226
22,741	Current Assets	20	30,170
(3,173)	Current Liabilities	21	(3,797)
19,726			**26,599**
1,863,976	**Net Assets of the Fund available to fund benefits at the period end**		**1,964,512**

Note: the fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

The Hackney Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Hackney.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2021/22, the Pension Fund website https://hackneypension.co.uk and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered 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) Regulation 2016.

It is a contributory defined benefit pension scheme administered by the London Borough of Hackney ("the Council") to provide pensions and other benefits for pensionable employees of the London Borough of Hackney and for the employees of admitted and scheduled bodies eligible to participate in the Fund. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pensions Committee with the Group Director of Finance and Corporate Resources being given delegated authority for the day to day operations of the Fund.

b) Membership

All local government employees (except casual employees, teachers and those eligible to be members of the NHS Pension Scheme) are automatically entered into the Scheme. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hackney Pension Fund include:

- Scheduled bodies, which include the local authority and similar aligned bodies whose staff are automatically entitled to be members of the Fund. It also includes Academy and Free School non-teaching staff.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31st March 2022 there are 39 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2022	31 March 2021
Number of Employers with active members	39	41
Number of Employees in scheme		
Council	6,682	6,502
Scheduled bodies	537	524
Admitted bodies	53	57
Total	**7,272**	**7,083**
Number of pensioners		
Council	7,125	6,870
Scheduled bodies	53	56
Admitted bodies	11	23
Ceased Employers	608	553
Total	**7,797**	**7,502**
Deferred members		
Council	8,868	8,581
Scheduled bodies	844	767
Admitted bodies	30	72
Ceased Employers	991	932
Total	**10,733**	**10,352**
Grand Total	**25,802**	**24,937**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022.

Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2019 with the next valuation due to take place at 31 March 2022. Current employer contribution rates can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2021/22 or within the Actuarial valuation on the Pension Fund Website:- https://hackneypension.co.uk

Prior to 1 April 2014, pension benefits under LGPS were based on final pensionable pay and length of service.

April 2014, saw the implementation of LGPS 2014, a new Career Average Revalued Earnings (CARE) Scheme, based on a 1/49th accrual rate with retirement ages now linked to an individual member's state pension age. On average, contribution rates for employees have remained at 6.5%, however the contribution bands have widened and are now 5.5% to 12.5% at the top end. The new Scheme has also introduced the option for flexibility over contributions, i.e. a lower contribution for lower benefits, referred to as the 50/50 Scheme. It has not been possible to quantify the impact of these changes, although they have been designed to bring the future service costs of the Scheme down.

Details of the schemes are summarised below:

	Service pre 1 April 2008	Service post 31 March 2008	Service post 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 Career Average Revalued Earnings Salary
Lump Sum	Automatic lump sum of 3 x pensionable salary.	No automatic lump sum.	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the scheme guides which can be found at https://hackneypension.co.uk/.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code),* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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 actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 19) basis, is disclosed in Note 19 of these accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue recognition

a) Contributions income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

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 (see Notes 8 and 10).

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 (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) 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 year is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

- Changes in the net market value of investments are recognised as unrealised profits/losses during the year.
- Realised profit/losses are recognised upon the sale of investments during the year.

Fund Account – Expense items

d) Benefits payable

Pensions and lump-sum benefits payable include those known to be due 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 suffers withholding tax in the country of origin, unless exemption is permitted. Irrevocable tax is accounted for as a fund expense as it arises. All income and expenditure in the Statement of Accounts is net of VAT, where recoverable.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: *Accounting for Local Government Pension Scheme Management Expenses (2016).*

i) Administrative expenses

All administrative expenses are accounted for on an accruals basis. Relevant staff costs and associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) *Oversight and governance costs*

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

iii) *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. 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.

Where an investment manager's invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2021/22, there were no fees based on such estimates (2020/21 no fees estimated).

A similar procedure is used for custodian fees, and in 2021/22 there were no fees estimated (2020/21: no fees estimated).

The Fund requests that non-invoiced investment management fees (plus other associated costs such as transaction costs) are disclosed via the Cost Transparency Initiative template. Where cost information is not readily available for the year ending 31st March 2022 (e.g. for pooled funds using different accounting dates), an estimate will be made using the most recent information available.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis (with the exception of cash and debtors, which has been measured on an amortised cost 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 asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The Fund has contributed £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool. The investment is carried at cost as:

- the shares held in the LCIV do not constitute a joint venture or group arrangements due to lack of control
- the investment is not repayable on demand and does not meet FVOCI requirements and
- These shares are being held as a long-term investment with currently no intention to trade
- the fund is of the view that fair value at 31st March 2022 cannot reliably be measured.

h) 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 cash balances in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are measured at fair value through bid prices and liabilities at fair value through offer prices. Changes in the fair value of derivative contracts are included in any change in the market value.

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

j) Cash and cash equivalents

Cash comprises cash-in-hand and deposits payable on demand and includes amounts held by the Fund’s external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash that are subject to minimal risk of changes in value.

k) Financial liabilities

The Fund recognises financial liabilities at fair value (with the exception of creditors measured on an amortised cost basis), 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 fair value of the liability are recognised by the Fund.

l) 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 IAS19 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 only (Note 19).

m) Additional Voluntary Contributions (AVCs)

The Hackney Pension 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 as its AVC approved provider. AVCs are paid by members to the AVC provider and are used specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (Note 25).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-22.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Pension Fund Liability

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 investments. The Fund Actuary, Hymans Robertson, provides expert advice about the assumptions to be applied.

The pension fund liability shown in Note 19 is calculated on an IAS19 basis, with economic assumptions updated annually. It is therefore subject to a significant risk of material adjustment in forthcoming financial years. The effect of changes to individual assumptions can be measured, as set out in the table below:

Change in assumptions at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in 'real discount rate'	2%	52
0.1% p.a. increase in the 'salary increase rate'	0%	3
0.1% increase in the 'pension increase rate (CPI)'	2%	48
1 year increase in member life expectancy	4%	106

- To quantify the impact of a change in the financial assumptions used, the Fund actuary has calculated and compared the value of scheme liabilities as at 31 March 2022 on varying bases. The approach taken is consistent with that adopted for IAS19.
- Please note that the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

Unquoted Investment Assets

The Fund's unquoted investments (such as private debt) are not regularly traded and are valued using techniques that require significant judgement in determining appropriate assumptions. The valuation of these investments therefore involves a degree of uncertainty. Additionally, the Fund relies on obtaining investor reports and financial statements from the relevant fund managers; the difficulties inherent in valuing these investments means that pricing information may not be available in a timely fashion.

Within the financial statements, these assets are held at fair value in accordance with the requirements of the Code and IFRS 13. They are classified at Level 3 i.e. assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. More detail on the basis of valuation and key sensitivities for these assets can be found in Note 16.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

The Fund remains alert to ongoing developments in the Russian invasion of Ukraine. In determining whether post balance sheet events require the accounts to be adjusted, the Fund's management has considered whether events after 31 March 2022 provide any further information about the effect of sanctions applied prior to 31 March 2022. The Fund has determined that this is not the case and that no adjustments are required to the amounts recognised in the accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2021/22 £'000	2020/21 £'000
Employers' Contributions split by:		
Normal Funding	(39,163)	(37,935)
Deficit Funding	(22,289)	(24,395)
Members' Contributions	(14,652)	(13,996)
Total	**(76,104)**	**(76,326)**

By Employer	2021/22 £'000	2020/21 £'000
London Borough of Hackney	(71,633)	(72,042)
Scheduled Bodies	(4,133)	(3,965)
Admitted Bodies	(338)	(319)
Total	**(76,104)**	**(76,326)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

	2021/22 £'000	2020/21 £'000
Individual Transfers	(5,026)	(4,625)
Total	**(5,026)**	**(4,625)**

9. BENEFITS PAYABLE

By Category	2021/22 £'000	2020/21 £'000
Pensions	51,261	50,708
Commutation and Lump Sum Retirement Benefits	9,220	11,785
Lump Sum Death Benefits	2,177	1,035
Total	**62,658**	**63,528**

By Employer	2021/22	2020/21
London Borough of Hackney	58,211	59,129
Scheduled Bodies	2,919	2,900
Admitted Bodies	1,528	1,499
Total	**62,658**	**63,528**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021/22 £'000	2020/21 £'000
Refunds to Members leaving service	160	209
Group Transfers	-	-
Individual Transfers	8,157	6,185
Employer Exit Credits	97	-
Total	**8,414**	**6,394**

11. MANAGEMENT EXPENSES

	2021/22 £'000	2020/21 £'000
Administrative Costs	785	849
Investment Management Expenses*	13,020	9,988
Oversight and Governance Costs	1,369	1,166
Total	**15,174**	**12,003**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £11,057k (£8,234k in 20/21). The disclosure of the non-invoiced costs is made to the Fund via the Cost Transparency InitiativeTemplate. The introduction of the template is helping to ensure more accurate fee disclosures by managers, with greater detail provided with regards to transaction costs. Audit Fees of £21k including an additional fee variation for 2019/20 audit (£16k in 20/21) were incurred and are included in Oversight and Governance Costs in the above table.

11.A INVESTMENT MANAGEMENT EXPENSES

2021/22 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	433	51	-	-	484
Equities	-	-	-	-	-
Pooled Investments	4,556	2,856	132	-	7,544
Pooled Property Investments	2,599	584	-	20	3,203
Private Debt	1,678	4	21	-	1,703
Infrastructure	39	-	4	-	43
Cash	-	-	12	-	12
Custodian	-	-	31	-	31
Total	**9,305**	**3,495**	**200**	**20**	**13,020**

2020/21 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	439	-	-	-	439
Equities	99	-	-	-	99
Pooled Investments	3,351	1,867	129	-	5,347
Pooled Property Investments	2,724	184	-	-	2,908
Private Debt	1,147	2	6	-	1,155
Cash	-	-	5	-	5
Custodian	-	-	35	-	35
Total	**7,760**	**2,053**	**175**	**-**	**9,988**

An estimate of £99k for management fees of an equities fund manager that exited the Fund was settled in 2020/21.

12. INVESTMENT INCOME

	2021/22 £'000	2020/21 £'000
Fixed Interest Securities	(3,736)	(4,179)
Equity Dividends	(6,712)	(9,065)
Index Linked Securities	(183)	(185)
Pooled Investment Income	(7,424)	(5,471)
Interest on Cash Deposits	(26)	(68)
Other Income	(1,171)	(1,151)
Total	**(19,252)**	**(20,119)**

2020/21 has been restated to reflect a reclassification of private debt income from “Other Income” to “Pooled Investment Income”

13. INVESTMENTS

The Fund’s investments are held in a wide range of assets to ensure diversification, and to optimise returns whilst having regard to the management of risk. The movement in asset classes over the year is largely a reflection of the relative performance of those assets.

a. Analysis of Investments

A breakdown of investments held by the Fund's external managers across the various asset classes is below:

Investment type		Market value 31 March 2022 £'000	Market value 31 March 2021 £'000
Investment Assets:			
Fixed Interest Securities		**187,045**	**184,247**
Index Linked Securities		**50,951**	**53,706**
Equities	Long-Term Investment	**150**	**150**
Pooled Investments	Corporate Fixed Interest	109,947	106,803
	Diversified Growth Funds	140,709	171,050
	Property	187,783	155,736
	Emerging Markets Equity - Active	76,415	97,123
	Global Equity - Active	528,491	290,405
	Global & UK Equity - Passive	422,056	671,220
	Private Debt	202,600	101,263
	Infrastructure	24,900	-
		1,692,901	**1,593,600**
Derivative Contracts			
	Forward Currency	24	60
	Futures	448	135
		472	**195**
Other Investment Assets			
	Cash Deposits	4,880	10,606
	Other Investment Balances	1,846	1,879
		6,726	**12,485**
Total Investment Assets		**1,938,245**	**1,844,383**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(151)	(0)
	Futures	(181)	(133)
		(332)	**(133)**
Other Investment Liabilities		**-**	**-**
Total Investment Liabilities		**(332)**	**(133)**
Net Investment Assets		**1,937,913**	**1,844,250**

b. Investments analysed by fund managers

As at 31 March 2022 the Fund's investments are managed by nine investment managers within the London CIV and five investment managers outside of the London CIV according to defined benchmarks which are set out in the Investment Strategy Statement (ISS). The following is a breakdown of the investments between the Investment Managers.

Fund Manager	Value £'000 2021/22	% of investment assets 2021/22	Value £'000 2020/21	% of investment assets 2020/21
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	422,086	21.8%	671,249	36.4%
LCIV/RBC (Global Active Equity)	316,647	16.3%	290,405	15.7%
LCIV/JP Morgan (Global Emerging Markets)	76,415	3.9%	-	0.0%
LCIV/Baillie Gifford (Global Multi Asset)	140,709	7.3%	-	0.0%
LCIV/Baillie Gifford (Global Equities)	211,844	10.9%	-	0.0%
LCIV/Churchill & Pemberton (Private Debt)	73,242	3.8%	-	0.0%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	24,900	1.3%	-	0.0%
	1,265,843	**65.3%**	**961,654**	**52.1%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	254,430	13.1%	255,782	13.9%
Threadneedle (Property)	187,783	9.7%	155,736	8.4%
GMO (Global Real Return)	-	0.0%	104,421	5.7%
BlackRock (Ultra Short Bond Fund)	93,513	4.8%	88,974	4.8%
RBC (Global Emerging Market Equities)	-	0.0%	97,123	5.3%
Invesco (Global Multi Asset)	-	0.0%	66,629	3.6%
Churchill (Private Debt)	58,428	3.0%	54,041	2.9%
Permira (Private Debt)	70,930	3.7%	47,222	2.6%
Other investments (including MMFs & Derivatives)	6,986	0.4%	12,668	0.7%
	672,070	**34.7%**	**882,596**	**47.9%**
Total	**1,937,913**	**100%**	**1,844,250**	**100%**

c. Reconciliation of movements in investments and derivatives

For each asset class, the opening position is reconciled with the closing position as set out in the tables below.

Investment type	Market Value 31/03/2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2022
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	184,247	63,128	(48,323)	(12,007)	187,045
Index Linked Securities	53,706	-	(5,179)	2,424	50,951
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,593,600	815,507	(801,094)	84,888	1,692,901
Derivative Contracts					
Forward Currency Contracts	60	2,137	(2,270)	(54)	(127)
Futures	2	3,329	(3,104)	40	267
	1,831,765	**884,101**	**(859,970)**	**75,291**	**1,931,187**
Other Investment balances:					
Cash Deposits	10,606				4,880
Receivable for Sales	-				-
Investment Income due	1,879				1,846
Payable for Purchases	-				-
Net Investment Assets	**1,844,250**			**75,291**	**1,937,913**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, as the above movement includes indirect manager fees.

Investment type	Market Value 31/03/2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2021
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	169,466	146,238	(131,837)	380	184,247
Index Linked Securities	63,733	3,194	(15,199)	1,978	53,706
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,235,875	119,019	(100,590)	339,296	1,593,600
Derivative Contracts					
Forward Currency Contracts	625	2,124	(3,634)	945	60
Futures	144	2,363	(3,398)	893	2
	1,469,993	**272,938**	**(254,658)**	**343,492**	**1,831,765**
Other Investment balances:					
Cash Deposits	12,328				10,606
Receivable for Sales	-				-
Investment Income due	2,160				1,879
Payable for Purchases	(4,362)				-
Net Investment Assets	**1,480,119**			**343,492**	**1,844,250**

The increase in market value of £343,492k is £7,971k less than the change in market value on the Fund Account of £351,463k, as the above movement includes indirect manager fees.

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange and futures contracts settled during the year. Further disclosure regarding derivative contracts can be found in Note 14.

d. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets of the fund:

Security	Market Value 31 March 2022	% of total fund	Market Value 31 March 2021	% of total fund
	£'000		£'000	
LCIV 'RBC' Sustainable Equity Fund	316,647	16.1%	290,405	15.6%
BlackRock ACS World Low Carbon Equity Fund	241,530	12.3%	208,108	11.2%
LCIV Global Alpha Growth Paris-Aligned Fund	211,844	10.8%	-	0.0%
BlackRock Aquila Life UK Equity Fund	180,556	9.2%	310,330	16.7%
Threadneedle Property Fund (TPEN)	163,091	8.3%	130,750	7.0%
LCIV 'Baillie Gifford' Diversified Growth Fund	140,709	7.2%	-	0.0%
BlackRock Aquila Life MSCI World Equity Fund	-	0.0%	152,811	8.2%
GMO (Global Real Return)	-	0.0%	104,421	5.6%

e. Stock Lending

The Fund did not undertake any direct stock lending activity during the year, but acknowledges that within pooled investments fund managers may participate in this activity.

14. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund may hold derivatives for risk management purposes, or to facilitate efficient portfolio management. The use of derivatives is managed in line with the investment management agreements agreed between the Fund and its investment managers. The Fund does not hold derivatives for speculative purposes.

Forward currency contracts

To maintain appropriate diversification and take advantage of overseas investment income, a proportion (maximum 30%) of the Fund's bond portfolio can be held in overseas bonds. Within the portfolio, the Fund permits a maximum allowance to non-sterling currencies of 5%. The Fund's bond manager (BMO) therefore makes use of forward currency contracts to hedge non-sterling exposure, but is not permitted to create currency positions through derivatives alone.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'000
Assets					
One to six months	GBP	3,086	USD	(4,047)	12
	GBP	3,087	USD	(4,047)	12
Total Assets					**24**
Liabilities					
One to six months	GBP	7,380	EUR	(8,813)	(76)
	GBP	7,379	EUR	(8,813)	(76)
Total Liabilities					**(151)**
Net Forward Contracts 2021/22					**(127)**

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'000
Assets					
One to six months	GBP	6,505	EUR	(7,604)	25
	GBP	3,633	USD	(5005)	5
	GBP	19	AUD	(34)	0
	GBP	6,506	EUR	(7,604)	25
	GBP	3,632	USD	(5005)	5
Total Assets					**60**
Liabilities					
One to six months	EUR	309	GBP	(263)	(0)
	AUD	16	GBP	(9)	(0)
	AUD	25	GBP	(14)	(0)
	AUD	64	GBP	(35)	(0)
Total Liabilities					**(0)**
Net Forward Contracts 2020/21					**60**

Futures

The Fund's bond manager, BMO, is permitted to use bond futures for both risk management purposes and to facilitate efficient portfolio management. Specifically, the mandate permits BMO to use bond futures to make adjustments to the portfolio yield curve, with the restriction that total portfolio duration may not be negative in the following maturity buckets: 0-5yrs, 5-10yrs, 10-15yrs, 15-20yrs, 20+yrs.

The Outstanding futures contracts are as shown below. The economic exposure represents the notional asset value purchased under futures contracts and is therefore subject to market movements.

Investment Type	Expires	Economic Exposure	Market value 31-Mar-22	Economic Exposure	Market value 31-Mar-21
		£'000	£'000	£'000	£'000
Assets					
UK Bonds	Under one year	-	-	(8,293)	39
Overseas Bonds	Under one year	(13,972)	448	(55)	96
Total Assets			**448**		**135**
Liabilities					
UK Bonds	Under one year	(4,001)	(23)	(3,317)	(17)
Overseas Bonds	Under one year	434	(158)	17,603	(116)
Total Liabilities			**(181)**		**(133)**
Net Futures			**267**		**2**

15. FINANCIAL INSTRUMENTS

a. 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.

Investment type	2021/2022 Designated as Fair Value through Profit & Loss	2021/2022 Financial Assets at amortised costs	2021/2022 Financial Liabilities at amortised costs	2020/2021 Designated as Fair Value through Profit & Loss	2020/2021 Financial Assets at amortised costs	2020/2021 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	187,045	-	-	184,247	-	-
Index Linked Securities	50,951	-	-	53,706	-	-
Equities	150	-	-	150	-	-
Pooled Investments	1,505,118	-	-	1,437,864	-	-
Pooled Property funds	187,783	-	-	155,736	-	-
Derivative Contracts	472	-	-	195	-	-
Cash	-	22,880	-	-	22,028	-
Other Investment Balances	4,968	-	-	4,994	-	-
Debtors	-	9,296	-	-	8,377	-
	1,936,487	32,176	-	1,836,892	30,405	-
Financial Liabilities						
Derivative Contracts	(332)	-	-	(133)	-	-
Other Investment Balances	(22)	-	-	(15)	-	-
Creditors	-	-	(3,797)	-	-	(3,173)
	(354)	-	(3,797)	(148)	-	(3,173)
Total	**1,936,133**	**32,176**	**(3,797)**	**1,836,744**	**30,405**	**(3,173)**
Grand Total		**1,964,512**			**1,863,976**	

b. Net gains and losses on financial instruments

The majority of the financial assets and liabilities are classed at fair value. The following table summarises the net gains and losses as profit or losses associated with, the disposal of and changes in, the market value of investments and recognised within the Pension Fund account as 'Returns on Investments'.

	31 March 2022	31 March 2021
	£'000	£'000
Fair Value through Profit and Loss	75,265	343,424
Financial Assets measured at amortised cost	26	68
Financial Liabilities measured at amortised cost	-	-
Total	**75,291**	**343,492**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, as the above movement includes indirect manager fees.

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 values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company, however in most instances the carrying value will equate to the fair value.

	31 March 2022		31 March 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,936,487	1,936,487	1,836,892	1,836,892
Financial Assets measured at amortised cost	32,176	32,176	30,405	30,405
Total Financial Assets	**1,968,663**	**1,968,663**	**1,867,297**	**1,867,297**
Financial Liabilities				
Fair Value through Profit and Loss	(354)	(354)	(148)	(148)
Financial Liabilities measured at amortised cost	(3,797)	(3,797)	(3,173)	(3,173)
Total Financial Liabilities	**(4,151)**	**(4,151)**	**(3,321)**	**(3,321)**
Grand Total	**1,964,512**		**1,863,976**	

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market investments 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 fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted debt investments (such as private debt) and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. The exceptions are the £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool and the current year initial investments in LCIV Private Debt Fund and LCIV Renewable Infrastructure Fund, which have all been carried at cost (shown in Note 16). There has been no change in the valuation techniques used during the year.

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.

Description of Asset	Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Futures (Derivatives)	Level 1	Published exchange price at the year-end	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed Interest Securities	Level 2	Market Value based on current yields		Not required
Index Linked Securities	Level 2	Market Value based on current yields		Not required
Pooled investments – Equity funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Ultra short bonds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Diversified growth funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Forward Foreign Exchange (Derivatives)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – Property funds	Level 3	Closing single price at end of the accounting period. Threadneedle have provided additional disclosures around the valuations for these funds given the impact on the Coronavirus pandemic on property markets	NAV per share – valuation of the underlying property assets is based on CBRE methodology	Difficulties in applying standard valuation methodology (CBRE) as a result of the Coronavirus pandemic and resulting lack of property transactions
Pooled investments – Private debt funds	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets	Material events between the date of the financial statements provided and the pension fund's own reporting date; differences between audited and unaudited accounts
Pooled investments - Infrastructure fund	Level 3	Most recent valuations updated for cashflow transactions.	Cashflow transactions, i.e. distributions or capital calls. Audited financial statements for underlying assets	Material events between the date of the financial statements provided and the pension fund's own reporting date; differences between audited and unaudited accounts

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	5,416	1,515,638	415,433
Financial Assets measured at amortised cost	32,176	-	-
Total Financial Assets	**37,592**	**1,515,638**	**415,433**
Financial Liabilities			
Fair Value through Profit and Loss	(203)	(151)	-
Financial Liabilities measured at amortised cost	-	(3,797)	-
Total Financial Liabilities	**(203)**	**(3,948)**	**-**
Net Financial Assets	**37,389**	**1,511,690**	**415,433**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2022	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	187,045	-	187,045
Index Linked Securities	-	50,951	-	50,951
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,277,618	227,500	1,505,118
Pooled Property Funds	-	-	187,783	187,783
Derivative Contracts	448	24	-	472
Other Investment Balances	4,968	-	-	4,968
Total Financial Assets at FVTPL	**5,416**	**1,515,638**	**415,433**	**1,936,487**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(181)	(151)	-	(332)
Other Investment Balances	(22)	-	-	(22)
Total Financial Liabilities at FVTPL	**(203)**	**(151)**	**-**	**(354)**
Net Financial Assets at FVTPL	**5,213**	**1,515,487**	**415,433**	**1,936,133**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	5,129	1,574,614	257,149
Financial Assets measured at amortised cost	30,405	-	-
Total Financial Assets	**35,534**	**1,574,614**	**257,149**
Financial Liabilities			
Fair Value through Profit and Loss	(148)	-	-
Financial Liabilities measured at amortised cost	-	(3,173)	-
Total Financial Liabilities	**(148)**	**(3,173)**	**-**
Net Financial Assets	**35,386**	**1,571,441**	**257,149**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2021	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	184,247	-	184,247
Index Linked Securities	-	53,706	-	53,706
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,336,601	101,263	1,437,864
Pooled Property Funds	-	-	155,736	155,736
Derivative Contracts	135	60	-	195
Other Investment Balances	4,994	-	-	4,994
Total Financial Assets at FVTPL	**5,129**	**1,574,614**	**257,149**	**1,836,892**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(133)	-	-	(133)
Other Investment Balances	(15)	-	-	(15)
Total Financial Liabilities at FVTPL	**(148)**	**-**	**-**	**(148)**
Net Financial Assets at FVTPL	**4,981**	**1,574,614**	**257,149**	**1,836,744**

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2021/22	Opening Balance	Transfers into Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	101,263	-	-	131,659	(32,624)	2,302		202,600
Pooled Investments - Property Funds	155,736	-	-	-	-	-	32,047	187,783
Pooled Investments - Infrastructure	-	-	-	28,772	(3,872)	-	-	24,900
Total	**257,149**	**-**	**-**	**160,431**	**(36,496)**	**2,302**	**32,047**	**415,433**

During 2021/22 the Fund began to make capital investments toward its commitment in pooled renewable infrastructure.

The following assets have been carried at cost:

Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd			150
LCIV Private Debt Fund			73,242
LCIV Renewable Infrastructure Fund			24,900
Investments held at cost	**0**	**0**	**98,292**

Unquoted equities in the London CIV asset pool are valued at cost, i.e. transaction price. The inputs available to the Fund to calculate fair value are limited, and the fund considers that the original transaction price represents an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2022 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

The LCIV Private Debt and LCIV Renewable Infrastructure Funds have been valued as Level 3 Investments which are initially recognised at cost and subsequently measured at fair value. There is a time lag on receiving valuations for these funds after each quarter of the year.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13.

2020/21	Opening Balance	Transfers into Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	52,415	-	-	52,411		(3,563)		101,263
Pooled Investments - Property Funds	153,689	-	-	-	-	2,047	-	155,736
Fixed Interest - O/S Private Sector	78	-	-	-	(78)	-	-	-

Total	**206,332**	**-**	**-**	**52,411**	**(78)**	**(1,516)**	**-**	**257,149**

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

2021/22	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 19.9%	150	180	120
Private Debt	+/- 9.0%	202,600	220,834	184,366
Property	+/- 15.0%	187,783	215,950	159,616
Infrastructure	+/- 14.6%	24,900	28,535	21,265
Total		**415,433**	**465,499**	**365,367**

2020/21	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 16.7%	150	175	125
Private Debt	+/- 4.6%	101,263	105,921	96,605
Property	+/- 14.2%	155,736	177,851	133,621
Total		**257,149**	**283,947**	**230,351**

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will be insufficient to meet its liabilities, in other words, the promised benefits payable to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Investment Strategy Statement (ISS) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pensions Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Policies and the Risk Register are reviewed by Pensions Committee and also by Officers on a frequent basis.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 13.

The Fund manages exposure to market risk in the following main areas:
- Regularly reviewing the pension fund investment strategy.
- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

Other Price Risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Price risk is managed by constructing a diversified portfolio of investments traded in various markets. The Pensions Committee regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class. The breakdown between managers and asset class can be seen in Note 13.

Other Price Risk – Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the funds' asset allocations.

Asset class	1 year expected volatility (%)	% of Fund
Infrastructure Equity	14.6	1.3
UK Equities	19.9	0.0
Global Equities (ex UK)	20.1	49.3
Emerging Market Equities	27.0	4.0
Property	15.0	9.7
Corporate Bonds (short term)	3.5	3.9
Corporate Bonds (medium term)	8.1	2.0
Corporate Bonds (long term)	9.9	1.0
UK Fixed Gilts (short term)	2.1	0.8
UK Fixed Gilts (medium term)	6.8	1.9
UK Fixed Gilts (long term)	9.2	2.1
UK Index Linked Gilts (medium term)	7.3	0.3
UK Index Linked Gilts (long term)	9.2	2.3
Cash	0.3	3.8
Diversified Growth Fund	9.1	7.3
Senior Loans	9.0	10.3
Total fund volatility	**12.1**	**100.0**

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using the Economic Scenario Service, a proprietary stochastic asset model maintained by Hymans Robertson LLP. The model uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. The overall fund volatility has been calculated based on the asset valuations provided by the Fund's custodian, HSBC, and market values (bid) provided by the Administering Authority, as at 31 March 2022. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities.

31 March 2022		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,937,913	12.1	2,172,400	1,703,426
	1,937,913	**12.1**	**2,172,400**	**1,703,426**

31 March 2021		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,844,250	10.3	2,034,208	1,654,292
	1,844,250	**10.3**	**2,034,208**	**1,654,292**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.

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 risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements. Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's Treasury Management Strategy as agreed by the Pensions Committee.

The Fund's direct exposure to interest rate movement as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Balance at 31 March 2022	Balance at 31 March 2021
	£'000	£'000
Cash Deposits	4,880	10,606
Cash Balances	21,099	14,522
Fixed Interest Securities	296,992	291,051
Total	**322,971**	**316,179**

Interest Rate Risk – Sensitivity Analysis

The Fund 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 100 basis points (bps) 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 effects in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:-

Asset Type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£’000		£’000
Cash & Cash Equivalents	4,880	49	(49)
Cash Balances	21,099	211	(211)
Fixed Interest Securities*	296,992	(26,432)	26,432
Total	**322,971**	**(26,172)**	**26,172**

Asset Type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£’000		£’000
Cash & Cash Equivalents	10,606	106	(106)
Cash Balances	14,522	145	(145)
Fixed Interest Securities*	291,051	(31,201)	31,201
Total	**316,179**	**(30,950)**	**30,950**

* Note that an increase in the interest rates results in a decrease in the value of the bond portfolio and vice versa. Unlike for cash and its equivalents the change is due both to the impact of the duration (on average between 10-11 years) period of the bonds and the inverse relationship between bond prices and interest rates.

Currency Risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (GBP). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund’s assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling (further details are in Note 14).

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2022 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2022	Asset Value as at 31 March 2021
	£'000	£'000
Equities	-	-
Fixed Interest Securities	22,215	20,560
Indexed Linked Securities	-	-
Pooled Investment Vehicle	58,428	54,041
Cash and Deposits	543	573
Total	**81,185**	**75,174**

Currency Rate Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment consultant, the estimated volatility for individual currency was assessed and used for the following sensitivity analysis.

31 March 2022		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	81,185	9.5	88,898	73,472
Total change in assets			**7,713**	**(7,713)**

31 March 2021		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	75,174	9.8	82,541	67,807
Total change in assets			**7,367**	**(7,367)**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk 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.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Fund's custodian, HSBC Global Services. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with Lloyds Bank.

The Pensions Committee and senior officers monitor this risk by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

The Fund's holdings under the arrangements described above were held with the following:

Summary	Rating (Fitch)	Balance at 31 March 2022	Balance at 31 March 2021
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	21,099	14,522
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	3,100	3,100
Cash held by fund managers and custodian			
Cash	AA-	1,780	7,506
Call Accounts (Various)	AA- to A	-	-
Total		**25,979**	**25,128**

c) Liquidity Risk

Liquidity risk corresponds to the pension fund's ability to meet its financial obligations when they come due with sufficient and readily available cash resources.

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund's key exposure to illiquid assets is via its private debt mandate, currently valued at £202,600K and its infrastructure mandate currently valued at £24,900K. Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst the Fund itself offers daily liquidity, the illiquid nature of the underlying assets exposes the Fund to a degree of liquidity risk

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the pensions team.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pensions Committee in collaboration with the Fund's actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

18. FUNDING ARRANGEMENTS

The actuarial valuation of the Pension Fund is carried out every three years, in line with the Local Government Pension Scheme Regulations 2013. The purpose is to set employer contribution rates for the forthcoming triennial period. This is carried out by an independent actuary appointed by the Fund and the last valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The contribution rates are set at a level sufficient to meet the cost of future benefits accruing and to eliminate, over a period of time, the deficit arising from past service. The valuation is carried out in accordance with the Fund's Funding Strategy Statement (FSS) a copy of which can be found on the Pension Fund website https://hackneypension.co.uk/ and a copy is also included in the Pension Fund Annual Report and Accounts.

The objectives of the Fund's funding policy include the following:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers.
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment.
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.
- To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations.
- To address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.
- To maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The 2019 valuation was based on a market value of the Fund's assets as at 31 March 2019, which amounted to £1,575 million and revealed a pension deficit of £131 million, representing a funding level of 92% of the pension liability.

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The whole fund primary contribution rates applying from 1 April 2020 until 31 March 2023 and based on the 2019 valuation report are as follows:

Year	Employer Contribution rate
2020/21	18.7%
2021/22	18.7%
2022/23	18.7%

The rates payable by the London Borough of Hackney and other participating scheduled and admission bodies vary from the contribution rate for the Fund as a whole according to the employer's individual circumstances.

The Fund's actuary, Hymans Robertson, has calculated the contribution rate using the Projected Unit Method. This assesses the cost of benefits (as a percentage of pay) accruing to existing members during the year following the valuation, allowing for future salary increases.

The minimum required contributions (both primary and secondary) payable by each employer are set out in the Rates and Adjustments Certificate. Each employer must pay the percentage rate or monetary amount specified in the certificate, whilst the frequency of payment is prescribed by the Local Government Pension Scheme Regulations 2013.

The principal 2019 valuation report assumptions which informed the contributions payable from 1 April 2020 were:

Financial Assumptions based on 2019 Valuation Report

Assumption	Rate	Explanation
Investment return (discount rate)	3.85%	Based on 25-Year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	2.3% – CPI	
Salary increases*	2.6%	0.3% pa over CPI
Pension increases	In line with CPI	Assumed to be 0.9% less than RPI

*plus an allowance for promotional pay increases.

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumptions at age 65	Male	Female
Current pensioners	21.2	23.4
Future pensioners (assumed current age 45)	22.4	25.1

Commutation Assumption

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.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS 19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation, (see Note 18), which is used to determine the contribution rates payable by employers.

The actuarial present value of promised retirement benefits at the accounting date 31st March 2022, calculated in line with IAS 19 assumptions, is estimated to be £2,656 million (£2,742 million in 2020/21).

Present Value of Promised Retirement Benefits	31 March 2022	31 March 2021
	£m	£m
Active members	1,049	1,018
Deferred members	779	835
Pensioners	828	889
Total	**2,656**	**2,742**

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The financial assumptions used for the IAS19 2022 valuation have been revised from the 2019 valuation report as set out in the table below:

Assumption	2022	2021
Pension increase rate assumption	3.20%	2.75%
Salary increase rate	3.50%	3.05%
Discount rate	2.7%	1.95%

20. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

	31 March 2022 £'000	31 March 2021 £'000
Short-Term Debtors:		
Contributions due	7,222	6,272
Sundry debtors	1,767	1,792
Cash Balances	21,099	14,522
VAT	82	155
Total	**30,170**	**22,741**

20a. LONG TERM DEBTORS

The lifetime allowance (LTA) is the overall limit on tax free pension funds a member can accrue during their lifetime. Where a member exceeds the LTA a tax charge is incurred.

The annual allowance (AA) is the overall limit on tax free pension funds a member can accrue during the year. Where a member exceeds the AA a tax charge is incurred.

Members can elect to pay the charge themselves or have the fund pay on their behalf to be recovered through reduced benefits. The following figure represents the balance of amounts paid over to HMRC for those members who have exceeded the life-time or annual-allowance pension tax free allowance less repayments recovered through a reduction of member benefits on retirement.

	31 March 2022 £'000	31 March 2021 £'000
Long-Term Debtors:		
Reimbursement of LTA / AA	226	158
Total	**226**	**158**

21. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors	31 March 2022 £'000	31 March 2021 £'000
Short-Term Creditors:		
Benefits Payable	(1,670)	(1,031)
Sundry Creditors	(2,127)	(2,142)
Total	**(3,797)**	**(3,173)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund provides an AVC scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The scheme provider is Prudential, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions.

The total value of sums invested in the AVC funds as at 31 March 2022 was £5.030 million (£5.037million as at 31 March 2021). Contributions received into the AVC facility during the year amounted to £0.197 million (£0.203 million in 2020/21). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

23. RELATED PARTY TRANSACTIONS

London Borough of Hackney

The Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £58.46 million to the Fund in 2021/22 (2020/21: £59.34 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.42 million in 2021/22 (£0.36 million in 2020/21) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury Management Strategy.

London Collective Investment Vehicle

The London CIV is a collective investment vehicle established by London Councils on behalf of the London Boroughs and the City of London Corporation. It consists of an ACS (Authorised Contractual Scheme) Operator, which is a limited company wholly owned by the 32 participating authorities, and the ACS fund itself. The Council is therefore a shareholder in the operating company. During 2015/16, the Pension Fund made an investment of £150k in the CIV to provide it with sufficient regulatory capital.

The Fund incurred costs of £110k in 2021/22 (£110k in 2020/21) in relation to charges from the London CIV Ltd (the operating company).

The Fund incurred costs of £151k in 2021/22 (£32k in 2020/21) in relation to the custody and management of investments held and managed within the London CIV regional asset pool.

Governance

The following Pensions Committee Members were deferred members of the Local Government Pension Scheme (LGPS) during the year; Cllr Michael Desmond (Vice-Chair).

The following Pensions Committee Members were pensioner members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair)

Jonathan Malins-Smith, Scheme Member Representative, is also a deferred member of the Pension Scheme

24. KEY MANAGEMENT PERSONNEL

Several employees of the London Borough of Hackney hold key positions in the financial management of the Fund. As at 31 March 2022 these employees included:

Group Director of Finance and Corporate Resources, Director of Financial Management, Head of Pensions, Pensions Manager and Group Accountant

All of these employees were also members of the pension scheme. The financial value of their relationship with the Fund (in accordance with IAS 24) is set out below:

	31 March 2022 £'000	31 March 2021 £'000
Short term benefits	238	192
Long term/post-retirement benefits	44	36
Total	**282**	**228**

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hackney.

25. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2022 were £203,586k (31 March 2021: £327,153k). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt parts of the portfolio and pooled renewables infrastructure fund. The amounts ‘called’ by these funds are irregular in both size and timing over a period of between one and three years from the date of each original commitment.

Outstanding Capital Commitment	31 March 2022	31 March 2021
	£’000	£’000
Pooled Private Debt Funds	138,486	237,153
Pooled Renewables Infrastructure Fund	65,100	90,000
Total	**203,586**	**327,153**

26. IMPAIRMENT LOSSES

During 2021/22 there were £0k impairment losses to recognise (2020/21: £0k) for non-recovery of pension overpayments. Investment-related losses related to the Covid-19 pandemic and the impact of the Ukraine-Russia conflict are accounted for through the change in market value of investments.