

2015/16 PENSION FUND ACCOUNTS

2014/15 Restated £000		Notes	2015/16 £000
Dealings with members, employers and others directly involved in the fund:			
56,086	Contributions	7	57,099
2,761	Transfers in from other pension funds	8	3,288
58,847			60,387
(49,959)	Benefits	9	(49,254)
(2,911)	Payments to and on account of leavers	10	(3,588)
(52,870)			(52,842)
5,977	Net additions from dealing with members		7,545
(5,279)	Management expenses¹	11	(5,205)
Returns on investments			
13,049	Investment income	12	15,537
(239)	Taxes on income (irrecoverable withholding tax)	13	(111)
149,139	Profit and losses on disposal of investments and changes in the market value of investments	14a	20,834
161,949	Net return on investments		36,260
162,647	Net increase in the net assets available for benefits during the year		38,600
904,244	Opening net assets of the fund		1,066,891
1,066,891	Closing net assets of the fund		1,105,491

Net Asset Statement

2014/15 £000		Notes	2015/16 £000
1,018,617	Investment assets	14b	878,284
49,856	Cash deposits	14b	216,697
(3,301)	Investment liabilities	14	(57)
1,065,172	Total invested assets		1,094,924
3,505	Current assets	20	11,351
(1,786)	Current liabilities	21	(784)
1,719	Net current assets		10,567
1,066,891	Net assets of the fund available to fund benefits at 31 March		1,105,491

¹ Restatement of management expenses (Note 11)

NOTES TO THE PENSION FUND

Note 1: Description of Fund

The London Borough of Newham Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Newham. The Local Authority is the reporting entity for this pension fund.

The following description of the fund is a summary only, for more detail reference should be made to the London Borough of Newham Pension Fund Annual Report 2015/16 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 scheme 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 2009 (as amended).

It is a contributory defined benefit pension scheme administered by the London Borough of Newham to provide pensions and other benefits for pensionable employees of the London Borough of Newham and a range of other scheduled and admitted bodies within the borough. Teachers, police officers and firefighters are not members as they are included within other national pension schemes.

The fund is overseen by the Investment and Accounts Committee, which is a committee of the London Borough of Newham.

b) Governance

The Council has delegated management of the fund to the Investment and Accounts Committee (the 'Committee') who decide on the investment policy most suitable to meet the liabilities of the Fund and have ultimate responsibility of the investment policy. The Committee is made up of four Members, each of whom have equal voting rights.

The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Finance and seeks advice, where necessary, from the Fund's appointed investment advisors, fund managers and the actuary.

In line with the provision of the Public Service Pension Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Investment and Accounts Committee. Two members of the Local Pension Board are active members of the LGPS pension scheme.

c) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the scheme, or to make personal arrangements outside the scheme.

Organisations participating in the London Borough of Newham Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- 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.

There are 29 employer organisations (see Note 18) within the London Borough of Newham Pension Fund including the Local Authority itself, as detailed below.

	31 March 2015	31 March 2016
Membership		
Number of employers with active members	25	29
Number of employees in scheme		
London Borough of Newham	7,454	8,101
Other employers	663	920
Total	8,117	9,021
Number of pensioners		
London Borough of Newham	6,628	6,727
Other employers	259	284
Total	6,887	7,011
Deferred pensioners		
London Borough of Newham	8,425	8,670
Other employers	685	788
Total	9,110	9,458

d) 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 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last full valuation of the Fund was at 31 March 2013. Currently, employer contribution rates range from 12% to 26.9% of full pensionable pay.

e) Benefits

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

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x annual pension. 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.	No automatic lump sum. 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.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

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 London Borough of Newham Pension Fund scheme handbook available from <http://www.yourpension.org.uk/handr/Newham-Publications.aspx>.

f) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2009 requires administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The Committee approved a Statement of Investment Principles in 2015 and this is available on the Pension Fund website at the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

<http://www.yourpension.org.uk/handr/Newham-Publications/Newham-Fund-Members.aspx>

The Committee has delegated management of the Fund's investments to external investment managers (see Note 14b) appointed in accordance with the above Regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

Note 2: Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* (the code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take account of the actuarial present value of promised retirement benefits.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) 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 on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and 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. Amounts not due until future years are classed as long-term financial assets.

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 (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

c) Investment 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.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

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 an investment asset. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Movement in the net market value of investments and changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*. These are detailed as:

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the 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. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The costs of obtaining investment advice from external advisors are 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. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the NAS 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 2015/16 £784,170 of fees is based on such estimates (2014/15: £1,693,984).

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

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a best available pricing 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 asset are recognised in the fund account.

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

- i) Market-quoted investments the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) Fixed interest securities are recorded at net market value based on their current yields.
- iii) Unquoted investments The fair value of investments for which market quotations are not readily available is determined as follows:
 - Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
 - Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
- iv) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

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 held 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 fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

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 demand deposits 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 and that are subject to minimal risk of changes in value.

k) 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.

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 IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

m) Additional voluntary contributions

The London Borough of Newham 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 Clerical Medical as its AVC provider. AVCs are paid to the AVC provider by employers and are 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(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 22).

n) Prior period adjustments

Two adjustments have been made to the reported 2014/15 figures. The first was to revise the previous over allocation of fund manager fees deducted from the net asset value as per the CIPFA guidance, Local Government Pension Scheme Management Costs in Note 11. The second adjustment was a reallocation of investment income to provide improved analysis as shown in Note 12. These are also reflected in Note 14a and 16b.

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2009 permit the Council to charge administrations costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business.

Note 4: Critical Judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the *International Private Equity and Venture Capital Valuation Guidelines 2012*.

The fund's main private equity and infrastructure holding totals £71m (2014/15 £65m). There is a risk that these investments may be under or overstated in the accounts.

Pooled property investments

The fund's property investments are held in a pooled fund of funds. These investments are not all publicly listed and as such there is a degree of estimation involved in the valuation – where a bid price is not available these are valued at a single price provided by the fund manager.

The fund's property investment is valued at £87m (2014/15 £98m). There is a risk that these investments may be under or overstated in the accounts. During 2015/16, two property funds were sold in anticipation of starting a new fund in line with the strategic asset allocation.

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 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note 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.

The items in the Net Assets Statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
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 with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £30m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m, and a one year increase in assumed life expectancy would increase the liability by approximately £50m.
Private equity/Infrastructure	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines 2012</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £70.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge fund of Funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £47.2m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £2m.

Note 6: Events after the Reporting Date

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating following the rating action on the UK Government. There is likely to be an impact upon investment property valuations if wider investor confidence in the UK property market is adversely affected. Accordingly, the valuation of the Authority's defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact upon the Pension Fund and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.

In light of this development, the Pension Fund has reappraised all relevant internal policies so as to ensure that all external risks and opportunities arising have been considered. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact upon the Fund Accounts.

Note 7: Contributions Receivable

2014/15 £000	By Category	2015/16 £000
11,276	Employees contributions	11,660
11,276	Employees contributions	11,660
23,243	Normal contributions	24,145
18,103	Deficit recovery contributions	18,882
3,464	Augmentation contributions	2,412
44,810	Total employers contributions	45,439
56,086	Total	57,099

2014/15 £000	By Authority	2015/16 £000
51,597	Administering Authority	51,702
1,109	Admitted Body	1,502
3,380	Scheduled Body	3,895
56,086	Total	57,099

Note 8: Transfers in from other Pension Funds

2014/15 £000		2015/16 £000
2,761	Individual transfers	3,288
2,761	Total	3,288

Note 9: Benefits Payable

By category

2014/15 £000		2015/16 £000
38,437	Pensions	38,683
10,953	Commutation and lump sum retirement benefits	8,750
569	Lump sum death benefits	1,821
49,959	Total	49,254

By authority

2014/15 £000		2015/16 £000
48,213	Administering Authority	47,210
1,453	Scheduled bodies	1,593
293	Admitted bodies	451
49,959	Total	49,254

Note 10: Payments to and on account of leavers

2014/15		2015/16
£000		£000
(378)	Refunds to members leaving service	(332)
(2,533)	Individual transfers	(3,256)
(2,911)	Total	(3,588)

Note 11: Management Expenses

2014/15 Original	2014/15 Restated		2015/16
£000	£000		£000
(377)	(377)	Administrative costs	(702)
(8,398)	(4,459)	Investment management expenses	(3,959)
(443)	(443)	Oversight and governance costs	(544)
(9,218)	(5,279)	Total	(5,205)

This analysis of the costs of managing the London Borough of Newham Pension Fund during the period has been prepared in accordance with CIPFA guidance – Local Government Pensions Scheme Management Costs. In 2014/15 the CIPFA guidance was misapplied resulting in an overstatement of investment management expenses. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (see Note 14a).

Administration charges increased in 2015/16 due to a recharge agreement between the London Boroughs of Newham and Havering for the shared costs of two pension administration managerial staff, additionally the pension administration contract expired which required the licensing to be purchased from a new supplier which was an additional cost.

Note 12: Investment Income

2014/15 Original	2014/15 Restated		2015/16
£000	£000		£000
8,764	6,455	Equity dividends	6,506
4,159	4,159	Pooled property investments	3,444
-	2,163	Overseas fixed interest unit trust	3,064
126	126	Interest on cash deposits	1,652
-	146	Diversified	871
13,049	13,049	Total	15,537

Investment income for 2014/15 has been restated as the identification was incorrect - fixed interest and diversified income was identified as equity dividends.

Note 13: Taxes on Income

2014/15		2015/16
£000		£000
337	Tax recovered	-
(576)	Withholding tax	(111)
(239)	Total	(111)

Note 14: Investments

Market value as at 31 March 2015 £000		Market value as at 31 March 2016 £000
Investment Assets		
339,694	Equities	349,447
435,143	Pooled investments	321,393
98,497	Pooled property investments	86,926
65,567	Overseas private equity/Infrastructure	70,512
75,548	Overseas diversified alternatives	47,181
-	London Collective Investment Vehicle	150
Derivative contracts:		
412	Forward currency contracts	480
49,856	Cash deposits	216,697
2,939	Investment Income due	2,195
817	Amounts receivable for sales	-
1,068,473	Total Investment Assets	1,094,981
Investment Liabilities		
Derivative contracts:		
(1,374)	Forward currency contracts	(57)
(1,927)	Amounts payable for purchases	-
(3,301)	Total Investment Liabilities	(57)
1,065,172	Net Investment Assets	1,094,924

Note 14a: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2016
	£000	£000	£000	£000	£000
Equities	339,694	146,668	(142,033)	5,118	349,447
Pooled Investments	435,143	3,777	(104,567)	(12,960)	321,393
Pooled property Investments	98,497	781	(17,207)	4,855	86,926
Overseas private equity/infrastructure	65,567	3,933	(25,620)	26,632	70,512
Overseas diversified alternatives	75,548	19,789	(47,432)	(724)	47,181
London collective investment vehicle	-	150	-	-	150
	1,014,449	175,098	(336,859)	22,921	875,609
Derivative contracts:					
Forward currency contracts	(962)	10,517	(7,351)	(1,781)	423
	1,013,487	185,615	(344,210)	21,140	876,032
Other Investment balances:					
Cash deposits	49,856				216,697
Amount receivable for sales of investments	817				2,195
Investment income due	2,939			(306)	-
Amounts payable for purchases of Investments	(1,927)				-
	1,065,172			20,834	1,094,924

	Market value as at 31 March 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2015
	£000	£000	£000	£000	£000
Fixed Interest securities	-	39,323	(38,937)	(386)	-
Equities	356,522	194,714	(278,652)	67,110	339,694
Pooled Investments	275,801	163,586	(55,933)	51,689	435,143
Pooled property Investments	87,248	2,723	(3,876)	12,402	98,497
Overseas private equity/infrastructure	61,226	4,027	(14,980)	15,294	65,567
Overseas diversified alternatives	70,492	37,550	(35,445)	2,951	75,548
	851,289	441,923	(427,823)	149,060	1,014,449
Derivative contracts:					
Futures	-	(30)	27	3	-
Forward currency contracts	-	11,271	(9,342)	(2,891)	(962)
	851,289	453,164	(437,138)	146,172	1,013,487
Other Investment balances:					
Cash deposits	52,819			6,906	49,856
Amount receivable for sales of Investments	-				817
Investment income due	370				2,939
Amounts payable for purchases of investments	-				(1,927)
Restatement adjustment				(3,939)	
	904,478			149,139	1,065,172

Note 14b: Analysis of Investments

Market Value as at 31 March 2015 £000	Analysis of Investments	Market Value as at 31 March 2016 £000
	Equities	
54,649	UK quoted	50,397
285,045	Overseas quoted	299,050
339,694		349,447
	Pooled funds - additional analysis	
103,347	Overseas fixed interest unit trusts	103,416
113,100	UK equity unit trusts	73,681
218,696	Overseas equity unit trusts	144,296
435,143		321,393
98,497	Pooled property investments	86,926
65,567	Overseas private equity/infrastructure	70,512
75,548	Overseas diversified alternatives	47,181
-	London collective investment vehicle	150
(962)	Forward currency contracts	423
238,650		205,192
	Cash	
27,885	UK Cash and Bank Deposits	169,195
21,971	Overseas Cash and Bank Deposits	47,502
49,856		216,697
2,939	Investment income due	2,195
817	Amounts receivable for sales	-
(1,927)	Amounts payable for purchase	-
1,829		2,195
1,065,172	Total investment assets	1,094,924

Investments analysed by fund manager

Market value as at 31 March 2015			Market value as at 31 March 2016		
£000	%	Fund manager	%	£000	
105,518	10.0	Aberdeen Asset Management	9.6	105,439	
31,995	3.0	Arcus	4.7	52,003	
12	-	Baring	-	11	
109,601	10.3	CBRE	10.7	117,034	
51,355	4.8	Harbourvest	5.5	60,443	
-	-	In house temporary cash deposits	6.6	72,023	
331,795	31.1	Legal and General	19.9	217,963	
-	-	London CIV	-	150	
266,542	25.0	Longview	33.5	365,430	
79,731	7.5	Morgan Stanley	5.3	58,013	
87,250	8.2	Newton	-	-	
1,373	0.1	Northern Trust cash deposits	4.2	46,415	
1,065,172	100	Total	100	1,094,924	

All of the above entities are registered in the United Kingdom.

Individual investments exceeding 5% of net assets

Fund manager	Asset name	MV at 31 March 2016 £000	Percentage of fund %
Aberdeen	Strategic bond	103,406	10.1
Legal and General	North America equity index	84,675	8.3
Legal and General	UK equity index	73,681	7.2

Individual asset exceeding 5% of asset category value

Fund manager	Asset category	Asset name	Market Value at 31 March 2016 £000	Percent of fund %
Aberdeen	Overseas fixed income funds	Strategic bond	103,416	100.0
Arcus	Infrastructure	Arcus European infrastructure	35,158	100.0
CBRE	Overseas property fund	Global alpha fund	12,661	100.0
CBRE	UK Property funds	Schroder property managers (Jersey) Ltd	16,210	21.8
CBRE	UK Property funds	Airport industrial fund	7,805	10.5
CBRE	UK Property funds	UBS Global asset triton	7,651	10.3
CBRE	UK Property funds	Standard Life UK retail park trust	7,481	10.1
CBRE	UK Property funds	Standard life UK shopping centre	7,151	9.6
CBRE	UK Property funds	Cordea Savills fun UK income and growth	6,770	9.1
CBRE	UK Property funds	IPIF feeder unit trust	3,727	5.0
CBRE	UK Property funds	Ardstone UK regional office fund	3,712	5.0
HarbourVest	Overseas venture capital	Private equity partners VI	12,777	36.2
HarbourVest	Overseas venture capital	Private equity partners VIII	6,682	18.9
HarbourVest	Overseas venture capital	Private equity partners V	5,884	16.7
HarbourVest	Overseas venture capital	DoverStreet VII Fund	2,446	6.9
Harbourvest	Overseas venture capital	2005 buyout	1,932	5.5
Legal and General	Overseas equity funds	L&G Asia Pacific development equity index	38,759	26.9
Legal and General	Overseas equity funds	Europe equity index	20,861	14.5
Legal and General	UK Equities funds	L&G UK equity index	73,681	100.0
Longview	UK Equities	WPP Plc ordinary GBP 0.10	13,079	26.0
Longview	UK Equities	Compass group ordinary GBP 0.10625	12,846	25.5
Longview	UK Equities	Delphi Automotive	12,101	24.0
Longview	UK Equities	Lloyds Banking group ordinary GBP 0.1	10,035	19.9
Morgan Stanley	Diversified alternatives	Deutsche asset management global real estate	5,247	11.1
Morgan Stanley	Diversified alternatives	Zodiac fund senior loan	3,166	6.7
Morgan Stanley	Diversified alternatives	MS global investment fund	3,027	6.4
Morgan Stanley	Diversified alternatives	Clareant European loan fund	2,692	5.7

Note 14c: Property Holdings

The fund's investment in property portfolio comprises investments in pooled property funds and no directly owned properties.

Note 15: Analysis of Derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

Open forward currency contracts

Settlements	Currency bought	Local value £000	Currency sold	Local value £000	Asset value £000	Liability value £000
One to six months	GBP	33,710	USD	(47,780)	474	(6)
One to six months	EUR	1,305	GBP	(1,029)	6	-
One to six months	GBP	5,074	EUR	(6,462)	-	(51)
Open forward currency contracts at 31 March 2016					480	(57)
Net forward currency contracts at 31 March 2016						423
Prior year comparative						
Open forward currency contracts at 31 March 2015					412	(1,374)
Net forward currency contracts at 31 March 2015						(962)

Note 16: Financial Instruments

Note 16a: 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.

Market value as at 31 March 2015				Market value as at 31 March 2016			
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	
Financial assets							
			Equities				
339,694	-	-		349,447	-	-	
435,143	-	-	Pooled investments	321,393	-	-	
98,497	-	-	Pooled property Investments	86,926	-	-	
65,567	-	-	Private equity/infrastructure	70,512	-	-	
75,548	-	-	Diversified	47,181	-	-	
-	-	-	London Collective Investment Vehicle	150	-	-	
412	-	-	Overseas derivative contracts	480	-	-	
-	52,985	-	Cash	-	227,742	-	
3,756	-	-	Other investment balances	2,195	-	-	
-	376	-	Current Assets	-	306	-	
1,018,617	53,361	-	Total Financial Assets	878,284	228,048	-	
Financial liabilities							
(1,374)	-	-	Derivative contracts	(57)	-	-	
-	-	(1,927)	Other Investment balances	-	-	-	
-	-	(1,786)	Current liabilities	-	-	(784)	
(1,374)	-	(3,713)	Total Financial liabilities	(57)	-	(784)	
1,017,243	53,361	(3,713)	Total	878,227	228,048	(784)	

Note 16b: Net Gains and Losses on Financial Instruments

31 March 2015		31 March 2016
£000		£000
146,172	Fair value through profit and loss	21,140
6,906	Loans and receivables	(306)
149,139	Total	20,834

31 March 2015		31 March 2016
£000		£000
146,172	Fair value through profit and loss	21,140
6,906	Loans and receivables	(306)
(3,939)	Restatement adjustment	-
149,139	Total	20,834

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

Note 16c 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 prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the London Borough of Newham Pension Fund has invested.

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. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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.

	Quoted market price	Using observable inputs	With significant observable inputs	
Values at 31 March 2016	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	375,386	373,419	168,818	917,583
Loans and receivables	183,573	33,164	-	216,737
Total financial assets	558,919	406,583	169,200	1,134,320
Financial liabilities				
Financial liabilities at fair value through profit and loss	-	(39,396)	-	(39,396)
Total financial liabilities	-	(39,396)	-	(39,396)
Net financial assets	558,919	367,187	168,818	1,094,924

	Quoted market price	Using observable inputs	With significant observable inputs	
Values at 31 March 2015	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	364,742	466,904	186,971	1,018,617
Loans and receivables	49,856	-	-	49,856
Total financial assets	414,598	466,904	186,971	1,068,473
Financial liabilities				
Loans and receivables	(3,301)	-	-	(3,301)
Total financial liabilities	(3,301)	-	-	(3,301)
Net financial assets	411,297	466,904	186,971	1,065,172

Note 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 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 fund 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) **Market risk**

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular 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 issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following table demonstrates the change in the 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.

Asset type	Market value as at 31 March 2016	Value on 10% price increase	Value on 10% price decrease
Cash and cash equivalents	216,697	238,367	195,027
Investment portfolio assets:			
UK equities	50,397	55,437	45,357
Overseas equities	299,050	328,955	269,145
Overseas fixed income unit trusts	103,416	113,758	93,074
UK equity unit trust	73,681	81,049	66,313
Overseas equity unit trusts	144,296	158,726	129,866
Pooled property investments	86,926	95,619	78,233
London CIV	150	165	135
Overseas private equity/infrastructure	70,512	77,563	63,461
Overseas diversified alternatives	47,181	51,899	42,463
Net derivative assets	423	465	381
Investment income due	2,195	2,415	1,976
Amounts receivable for sales	-	-	-
Amounts receivable for purchases	-	-	-
Total investment assets	1,094,924	1,204,416	985,432

	Market value as at 31 March 2015	Value on 10% price increase	Value on 10% price decrease
Asset type			
Cash and cash equivalents	49,856	54,842	44,870
Investment portfolio assets:			
UK equities	54,649	60,114	49,184
Overseas equities	285,045	313,550	256,541
Overseas fixed income unit trusts	103,347	113,682	93,012
UK equity unit trust	113,100	124,410	101,790
Overseas equity unit trusts	218,695	240,565	196,826
Pooled property investments	98,497	108,347	88,647
Overseas private equity/infrastructure	65,567	72,124	59,010
Overseas diversified alternatives	75,548	83,103	67,993
Net derivative assets	(962)	(1,058)	(866)
Investment income due	2,939	3,233	2,645
Amounts receivable for sales	817	899	735
Amounts receivable for purchases	(1,926)	(2,119)	(1,733)
Total investment assets	1,065,172	1,171,689	958,655

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 or 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 benchmarks.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

	Market value as at 31 March 2016	Value on 1% price increase	Value on 1% price decrease
Asset type			
Cash and Cash equivalents	216,697	218,864	214,530
Fixed interest unit trusts	103,416	104,450	102,382
Total	320,113	323,314	316,912

	Market value as at 31 March 2015	Value on 1% price increase	Value on 1% price decrease
Asset type			
Cash and Cash equivalents	49,856	50,355	49,358
Fixed interest unit trusts	100,681	101,688	99,674
Total	150,537	152,043	149,032

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 Sterling. The Fund aims to mitigate this risk through the use of derivatives (see Note 15). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

	Market value as at 31 March 2016	Value on 10% price increase	Value on 10% price decrease
Asset type			
Overseas quoted securities	299,050	328,955	269,145
Overseas fixed income unit trusts	103,416	113,758	93,074
Overseas unit trusts	144,296	158,726	129,866
Overseas pooled property	12,661	13,927	11,395
Overseas private equity/infrastructure	70,512	77,563	63,461
Diversified alternatives	47,181	51,899	42,463
Total	677,116	744,828	609,404

	Market value as at 31 March 2015	Value on 10% price increase	Value on 10% price decrease
Asset type			
Overseas quoted securities	285,045	313,550	256,541
Overseas fixed income unit trusts	103,347	113,682	93,012
Overseas unit trusts	218,695	240,565	196,826
Overseas pooled property	11,916	13,108	10,724
Overseas private equity/infrastructure	65,567	72,124	59,010
Diversified alternatives	75,548	83,103	67,993
Total	760,118	836,130	684,106

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

Summary	Rating	Asset value as at 31 March 2015	Asset value as at 31 March 2016
Money market funds			
NTGI Global Cash Fund	AAA	26,773	89,516
Federated Prime Rate	AAA	3,087	10,114
Bank deposit accounts			
*Variation Margin		(0)	(0)
*Cash (externally held)		1,825	8,752
Bank current accounts			
*NT custody cash accounts		21,258	46,429
Total		52,943	154,811

*Cash and variance margin accounts do not receive credit ratings, figures are provided to reconcile the investment cash.

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. This will particularly be the case for cash from the cash flow matching mandates and the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The council has immediate access to its pension fund cash holdings.

The fund also has access to a £500k overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2016 the balance on this facility stood at £0 (31 March 2015: £0). As these borrowings are of a limited short-term nature, the fund's exposure to credit risk is considered negligible.

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2016 are due within one year.

c) 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 council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 18: Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the fund was assessed as 73% funded (72% at the March 2010 valuation). This corresponded to a deficit of £298m (2010 valuation: £249m) at that time.

Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer.

The contribution rates for each employer are as follows.

Name of Body	Scheduled or Admitted	Contribution Rates %	Employee Contribution 2014/15 £000s	Employee Contribution 2015/16 £000s	Employer Contribution 2014/15 £000s	Employer Contribution 2015/16 £000s
Active Newham	Admitted	16.4	37	22	91	56
Brampton Manor Primary School	Scheduled	23.5	52	55	174	184
Carpenters TMO	Admitted	15.0	13	6	27	64
Chobham Academy	Scheduled	12.0	52	53	99	102
Churchill	Admitted	24.6	18	3	66	12
Community Links	Admitted	13.7	4	1	10	2
Crime Reduction Initiative (CRI)	Admitted	12.0	6	5	9	10
Education Links Free School	Scheduled	12.0	-	3	-	5
East London Arts and Music School	Scheduled	12.0	2	6	4	11
East London Science School	Scheduled	12.0	2	5	3	8
FM Conway	Admitted	15.3	1	-	2	204
Learning in Harmony MAT	Scheduled	19.8	32	89	125	278
Langdon Academy	Scheduled	23.5	92	105	349	392
London Academy of Excellence	Scheduled	12.0	11	17	21	33
London Borough of Newham	Administering Authority	13.4	10,088	10,339	41,509	41,364
London Design and Engineering	Scheduled	12.0	-	2	-	3
Mitie	Admitted	17.0	7	7	20	17
Newco	Scheduled	25.6	41	37	181	145
Newham College of Further Education	Scheduled	16.7	402	372	962	942
NewVic	Scheduled	12.1	163	168	290	308
NPW	Admitted	26.9	171	194	606	717
Oasis Academy	Scheduled	12.0	3	7	5	15
Olive Dining	Admitted	22.6	-	7	-	30
Our Lady of Grace MAT	Scheduled	24.6	-	52	-	208
RM Education	Admitted	20.9	5	5	16	18
School 21	Scheduled	12.0	21	42	42	82
Stratford Academy	Scheduled	25.6	43	41	169	164
Stratford Regeneration Partnership Ltd	Scheduled	25.6	10	9	30	28
Wilson Jones	Admitted	25.3	-	8	-	37
Total 29 employers			11,276	11,660	44,810	45,439

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Financial assumptions in the 2013 Actuarial Valuation

Investment Return (Discount rate)	6.0%	Based on 19-year bond returns extrapolated to reflect the duration of the fund's liabilities
Inflation	3.5%	Assumed to be RPI
Salary increases	4.5%	1.0% pa over RPI
Pension increases	2.7%	In line with CPI - assumed be 0.8% less than RPI

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was as follows.

Mortality assumption at age 65	Male	Female
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed current age 45)	24.2 years	26.8 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2013 is based on SIPA actuarial tables. The allowances for future life expectancy are as follows.

Prospective pensioners	Current pensioners
Year of birth, medium cohort and 1.5% per annum minimum improvement from 2012	Year of birth, medium cohort and 1.5% per annum minimum improvement from 2012

Commutation assumptions

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension.

Note 19: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

2014/15		2015/16
£m		£m
(1,843.6)	Present value of promised retirement benefits	(1,783.4)
1,072.4	Fair value of scheme assets (bid value)	1,105.3
771.2	Net Liability	678.1

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	2014/15	2015/16
	%	%
Inflations/pension increase rate assumption	2.4	2.4
Salary increase rate	4.2	4.2
Discount rate	3.3	3.7

Note 20: Current Assets

2014/15		2015/16
£000		£000
80	Contributions due – employees	83
200	Contributions due – employers	223
96	Sundry debtors	-
3,129	Cash and cash equivalents	11,045
3,505	Total Current Assets	11,351

The contributions due all related to March 2016 (which became payable on 22 April 2016).

Analysis of debtors

2014/15		2015/16
£000		£000
96	Local authorities	-
280	Public corporations and trading funds	306
376	Total Debtors	306

Note 21: Current Liabilities

2014/15		2015/16
£000		£000
(1,786)	Sundry creditors	(784)
(1,786)	Total Current Liabilities	(784)

Analysis of creditors

2014/15		2015/16
£000		£000
(1,786)	Public corporations and trading funds	(784)
(1,786)	Total Creditors	(784)

Note 22: Additional Voluntary Contributions

Market Value at 31 March 2015		Market Value at 31 March 2016
£000		£000
754	Clerical Medical	743
271	Equitable Life	241
1,025	Total	984

AVC contributions of £48,773 were paid directly to Clerical Medical during the year (£40,646 2014/15).

There have been no further contributions to Equitable Life in 2015/16 or 2014/15.

Note 23: Agency Services

The Pension Fund pays discretionary awards to the former teachers of the London Borough of Newham. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

2014/15		2015/16
£000		£000
304	Payments on behalf of London Borough of Newham	339
304	Total	339

Note 24: Related Parties

The Newham Pension Fund is administered by the London Borough of Newham Council. Consequently there is a strong relationship between the council and the pension fund.

The following key management personnel are members of the pension fund; Director of Finance, Director of Exchequer and Transactional Service, Corporate Finance Manager and Pension Fund Manager.

During the reporting period, the council incurred costs of £672k (2014/15: £377k) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses (see Note 11).

Newham Pension Fund invested £19m with London Borough of Newham due to the accumulated cash holding.

Governance

The Transitional Provisions, Savings and Amendment Regulations 2014 removes access to the LGPS from 1 April 2014 for councillors and elected mayors in England and for the Mayor of London and members of the London Assembly.

Councillors, elected mayors, the Mayor of London and members of the London Assembly who were members of the LGPS on 31 March 2014 will retain access to the LGPS up to the end of their current term of office only (or to age 75 if earlier). They will retain the benefits accrued until the end of their term of office, which for Newham councillors was 22 May 2014.

There are four deferred members of the LGPS of the Investments and Accounts Committee; Councillor Forhad Hussain, Councillor Andrew Baikie, Councillor John Gray and Councillor Lester Hudson. No additional remuneration beyond their salary is paid to members of the Investment and Account Committee.

Each member of the Investment and Accounts Committee is required to declare their interests at each meeting.

Note 25: Contingent Assets

Admitted bodies - Active Newham have a guarantee in place with the London Borough of Newham to guard against the possibility of being unable to meet their pension obligations. This guarantee will only be drawn upon in the event of an employer default.

New admitted bodies may be required to put an insurance bond in place if stipulated in the actuary's report – admissions are considered by the Investment and Accounts Committee.