Croydon Pension Scheme

Annual Report 2013/2014

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Foreword

The Pension Committee, which I have the privilege to Chair, exists to guide Croydon Council in administering the Local Government Pension Scheme. We are a consensual group, comprising elected Councillors from both the administration and opposition; elected pensioner representatives; and staff-side representatives supported by the Council's professional advisors. This last year has seen a change of administration oat Croydon but continuity on this Committee, both in terms of membership, skills and experience and also long-term goals.

The 2013-14 financial year has seen many challenges to the work of this Committee. This has been the first full year of staff being automatically enrolled into the pension scheme with the associated pressures on administration and longer-term funding. Preparation for root and branch changes to the benefits offered have generated a need for changes to systems and a need for communication to staff. There is a greater focus on the governance of the scheme, with pressure to improve transparency, comparability and accountability. We have seen a national debate about the future shape of the scheme and the role of localism and an unprecedented volume of central government interventions and consultations. Continuing in the background is uncertainty around the economy.

Croydon's responses to these developments fall into two broad areas. The first is about continued, meaningful, timely engagement with stakeholders: scheme members; other scheme employers; tax-payers; elected representatives; and central government. The second is about exploring ways to more effectively collaborate – across London and Nationally – to pool skills, experience and knowledge and support better decisions.

Looking forwards, many of these challenges persist. Rightly so, there is a continued focus on governance, performance and achieving value for money. Global economic issues remain unresolved. The flow of money through the economy, national recovery from the recession, the Euro, and geopolitical conflict of the most profound nature are still factors that impact on the pensions question. Nevertheless Croydon remains committed to providing a quality, valued pension for scheme members and this report illustrates the efforts behind that undertaking. I have pleasure in commending this report to you.

Councillor John Wentworth
Chairman of the Pension Committee

1. Management & Advisers

Pension Committee:

The Council is the administrating authority for the Pension Fund and discharges it's duties in respect of maintaining the Pension Fund in the form of the Pensions Committee. The Committee is responsible for investments, administration and strategic management of the Council Pension Fund, including but not limited to:

- Setting the long term objectives and strategy for the Fund
- Setting the investment strategy
- Appointment of investment managers, advisers and custodians
- Reviewing investment managers' performance
- Approving the actuarial valuation
- Approving pension fund publications including but not limited to the Statement of Investment Principles, the Funding Strategy Statement, the Governance Compliance and the Communication Policy Statement.

The Committee includes seven voting Members of the Council and five non-voting members: two pensioner representatives, one co-opted members and one employee representative. The members of Pensions Committee during the 2013/2014 Municipal year are listed below:

Councillors:

Chairman:	Dudley Mead
Vice-Chairman:	Jan Buttinger
Members:	Simon Hall
	Maggie Mansell
	Steve O'Connell
	John Wentworth
	Donald Speakman
Reserve Members:	Eddy Arram, Graham Bass, Carole Bonner
	Matthew Kyeremeh, Ian Parker, Raj Rajendran
	Sue Winborn

Non-voting members:

Pensioners' Representatives:	Gilli Driver
	Peter Howard
Co-opted Members:	Mike Brakes
Staff Representative:	Isa Makumbi

The Committee is supported by officers and independent external advisers.

Administering Authority:

The London Borough of Croydon Pension Fund
Finance and Assets, Chief Executive's Department
London Borough of Croydon
11A Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Richard Simpson
Director of Finance & Deputy S151 Officer

Investment Advisors:
Ian Bailey - AON Hewitt
Valentine Furniss – Independent Adviser

Actuary:
Hymans Robertson
20 Waterloo Street
Lanarkshire
Glasgow G2 6DB

Custodian of Assets:
Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Auditor:
Grant Thornton UK LLP (External), Deloitte (Internal)

Bank:
Royal Bank of Scotland

Legal Advisors:
Wragge & Co.
3 Waterhouse Square
142 Holborn
London EC1N 2SW

Pinsent Masons LLP
30 Crown Place
Earl Street
London EC2A 4ES

AVC Provider:
Prudential
Laurence Pountney Hill
London EC4R 0HH

National Association of Pension Funds (NAPF):
Membership number : 3547

2. Administrators to the Fund

2.1. Fund Managers:

2.2. Independent Advisors Retained by the Fund:

3. Publications

The Pension Fund publishes a number of documents on the Council's website www.croydonpensionscheme.org. Below is a brief outline of a number of those publications.

Funding Strategy Statement

The funding strategy statement is prepared in collaboration with the Fund's Actuary and consultation with the Fund's employers and investment advisors. The statement includes:

- the strategy the Pension Fund employs to ensure its liabilities are met whilst maintaining a consistent and affordable employer contribution rate
- details of how the Fund is seeking to achieve its investment objectives and the levels of associated risks
- the responsibilities for key parties including employers, employees and the actuary.

Governance Compliance Statement

The administering authority of a Local Government Pension Scheme (LGPS) is required to publish a Governance Compliance Statement. The statement aims to make the administration and stewardship of the scheme more transparent and accountable to stakeholders and provides the following details:

- how the Council discharges its responsibilities, as the Fund's Administering Authority, to maintain and manage the Fund in accordance with regulatory requirements
- the structure of the decision making process
- the frequency of Pension Committee meetings
- the voting rights of Committee members.

Statement of Investment Principles (SIP)

Administrating Authorities are required to prepare, maintain and publish a written statement of the principles governing their decisions about investments. The statement includes details of:

- the investment objective and style
- the Fund's investment managers and the terms of their mandates
- the Fund's compliance with the Myners' Investment Principles.

Communication Policy

Each administering authority is required to publish a statement setting out the Fund's communication policy. The statement sets out the Council's policy for:

- communicating with interested parties including members and other employers within the scheme
- the method and frequency of communications used such as newsletters, annual benefit statements, open days and the pension's website.

Training Log

Each administering authority is required to log each Pension Committee Members training.

4. Membership

4.1. Organisations

4.1.1. Admitted:

Apetito
BRIT School
Cabrini Children's Society
Carillion Integrated Services
Churchill Services
Creative Environmental Networks
Croydon Community Mediation
Croydon Voluntary Action
Eldon Housing Association
EM Highway Services Limited
Fairfield (Croydon) Ltd
Fusion
Ground Control
Impact Group Ltd
Interserve
London Hire Services Ltd
Mayday Travel Ltd
Olympic (South) Ltd
Quadron Services
Roman Catholic Archdiocese of Southwark
Ruskin Private Hire
Skanska Construction
Sodexo Ltd
Veolia Environmental Services (UK) Ltd
Vinci Facilities
Wallington Cars and Couriers

4.1.2. Scheduled:

Addington High Academy
Aerodrome Primary Academy
Applegarth Academy
ARK Oval Primary Academy
Atwood Primary School
Castle Hill Academy
Coulsdon College
Croydon Care Solutions
Croydon College
David Livingstone Academy
Forest Academy
Gonville Academy
Harris Academy Purley
Harris Academy South Norwood
Harris Academy Upper Norwood
Harris City Academy Crystal Palace
Harris Primary Academy Benson
Harris Primary Academy Kenley
John Ruskin College
Norbury Manor Business and Enterprise College for Girls
Oasis Academy Byron
Oasis Academy Coulsdon
Oasis Academy Shirley Park
Pegasus Academy
Riddlesdown Collegiate
Robert Fitzroy Academy
Shirley High School Performing Arts College
St Cyprian's Greek Orthodox Primary School Academy
St James the Great RC Primary and Nursery School
St Joseph's College
St Thomas Becket Catholic Primary School
The Quest Academy
West Thornton Primary Academy
Wolsey Junior Academy
Woodcote High School

4.2. Resources for Members

4.2.1. Croydon Council Pension Website

We launched our new website this year, it was designed and created by Hymans Robertson and can be found at http://www.croydonpensionscheme.org/

4.2.2. National Local Government Pension Scheme Web Site

The web site address is www.lgps.org.uk and the address for the new 2014 scheme is www.lgps2014.org.

The national Local Government Pension Scheme web site enables all members, potential members and beneficiaries of the Scheme to access Scheme information 24 hours a day, 365 days a year.

The site has a comprehensive range of Scheme information, it is updated regularly to ensure members have access to the latest up to date information.

4.2.3. Additional Voluntary Contributions

The Council has appointed Prudential as the Scheme's provider for additional voluntary contributions investment services.

Further information can be obtained by calling the helpline on 0845 607 0077 or by visiting the website www.pru.co.uk/rz/localgov/.

Any members' additional voluntary contributions (AVC's) are held in various separate investments administered by Prudential Assurance Company Limited. The benefits arising from these contributions are additional to, and do not form part of, the benefits due under the Local Government Pension Scheme. They are therefore not required to be included in the Pension Fund Accounts in accordance with the Statement of Recommended Practice - Financial Reports of Pension Schemes (issued in 2002). The Pension Fund Accounts and any details within the Annual Report therefore exclude amounts for AVC's.

AVCs are an opportunity for all employees to pay additional contributions into an external scheme which will enhance income on retirement

4.2.4. Further Information

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex BN1 4DW
Telephone Number: 0845 600 0707 (Monday to Friday 09.00-17.00)
Website: www.thepensionsregulator.gov.uk

The role of the Pensions Regulator has been set out by Parliament, and is to:
- Protect the benefits of members of work-based pension schemes;
- Promote the good administration of work-based pension schemes;
- Reduce the risk of situations arising which may lead to claims for compensation from the Pensions Protection Fund.

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London SW1V 1RB
Telephone Number: 0845 601 2923
Website: www.opas.org.uk

TPAS is available to assist members of pension schemes with any difficulties that they are unable to resolve with their scheme administrators.

The Pensions Ombudsman
At the same address as TPAS
Telephone Number: 020 7630 2200
Website: www.pensions-ombudsman.org.uk

The Pensions Ombudsman can investigate and determine any complaint or disputes between scheme members and administrators, involving maladministration, or matters of fact or law.

The Pension Tracing Service
The Pension Service
Tyneview Park, Whitley Road
Newcastle-upon-Tyne NE98 1BA
Telephone Number: 0845 600 2537
Website: www.gov.uk/find-lost-pension

The Pension Tracing Service can help ex-members of pension schemes, who may have lost touch with their previous employers, to trace their pension entitlements.

Queries relating to the Pension Fund investments can be made to:

The Pensions Section
11A, Bernard Weatherill House
8 Mint Walk
Croydon, CR0 1EA

Tel: 0208 760 5768 ext: 62892
E-mail: pensions@croydon.gov.uk

4.3. Members Self Service

Scheme members can view their pension details by logging on to our internet member self service. This service has recently been upgraded and provides various member data displays, including service history and financial information, as well as enabling members to carry out their own benefit calculations. Members can also check their record to make sure their nomination for their death grant is correct and, if applicable, that their record is up to date with their nominated co-habiting partner's details.

Members can log in to the service at: https://croydon.pensiondetails.co.uk and request an activation code.

5. Main Features of the Scheme

5.1. Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of at least 3 months, are under age 75, and are not eligible for membership of other statutory pension schemes. Employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

5.2. Benefits on death in service

A lump sum is payable on death in service, normally equivalent to three years pay. The administering authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5.3. Benefits on retirement

For membership from April 2008 onwards, pension benefits are calculated as 1/60th of final pay for each year of membership. Benefits for earlier membership consist of a pension calculated as 1/80th of final pay for each year of membership plus a lump sum of three times the pension. Actual membership may be enhanced automatically in cases of ill health retirement. Employers may choose to increase membership or pension. Members can normally exchange some pension to provide a bigger lump sum.

5.4. Benefits on death after retirement

A death grant is payable if less than 10 years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. Pensions are also generally payable to the pensioner's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5.5. Extra benefits

The scheme offers several ways for members to improve benefits:

- Payment of additional regular contributions (ARCs) to buy extra pension
- A money purchase additional voluntary contribution (AVC) scheme which operates with the Prudential offering pension and life assurance options.

5.6. Employee contributions

The rate of contribution payable by members varies according to pay level, ranging from 5.5% of pay to 7.5% of pay. The pay ranges to which each contribution rate applies are adjusted each April in line with changes in the cost of living.

The table below sets out the contribution bands which were effective from 1 April 2013. These are based on the pay bands for 2012/13 as increased by the September 2012 CPI figure of 2.2%, with the result rounded down to the nearest £100. Where a member had an annual incremental increase, this may have resulted in them paying a higher rate of contributions from April 2013.

Band	Salary Range	Contribution Rate
1	£0 - £13,700	5.5%
2	£13,701 - £16,100	5.8%
3	£16,101 - £20,800	5.9%
4	£20,801 - £34,700	6.5%
5	£34,701 - £46,500	6.8%
6	£46,501 - £87,100	7.2%
7	More than £87,100	7.5%

5.7. Age of retirement

Normal retirement age is age 65, but:

- Pension benefits are payable at any age if awarded due to ill health
- Members may retire with full accrued benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency
- Members who have left employment may request payment of benefits from age 55 onwards, but requests made before age 60 need employer consent. Actuarial reductions may apply where benefits come into payment before age 65
- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply.
- Payment of benefits may be delayed beyond age 65 but only up to age 75.

5.8. Pensions Increases

Pensions payable to members who retire on health grounds and to dependants in receipt of a pension in respect of a deceased member are increased annually by law in line with increases in inflation. Pensions payable to other members who have reached the age of 55 also benefit from this annual inflation proofing. Where a member has an entitlement to a Guaranteed Minimum Pension (which relates to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions through the State Pension.

LGPS pensions are increased in line with the rise in the Consumer Price Index (CPI), in accordance with the Pensions Increase Act 1971. Although pensions are increased in April, they are based on the rise in the CPI over the 12 months to the previous September. The pensions increase calculation for April 2013 was based on the increase in CPI during the 12 months preceding September 2012 and was set at 2.2%.

5.9. Pension Fund Fraud / National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

NFI 2010/11 helped trace almost £229 million in fraud, error and overpayments in England. Since the initiative's start in 1996, the programme has helped identify £939 million in fraud or error and the initiative has attracted international recognition.

The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation. A revised Code of data matching practice was published and laid before Parliament on 21 July 2008 and replaces the previous Code published by the Commission in 2006.

6. Changes to the Local Government Pension Scheme

6.1. Public Service Pensions Act 2013

The Public Service Pensions Bill received Royal Assent on 25 April 2013 becoming the Public Service Pensions Act 2013.

The Act introduces a number of new terms and provides the framework for the changes to public sector pension schemes. Some of the main areas it covers includes:

- Provides for scheme regulations to be made within a common framework and establishes new Career Average Revalued Earning schemes across public sector schemes

- For the majority of scheme members it links the normal retirement age to State Pension age (some exceptions for the armed forces, police and firefighters)

- Develops a new governance framework and introduces new terms including the Responsible Authority (the Secretary of State for Communities and Local Government), the Scheme Manager (the Administering Authority), the Pension Board (assisting the Scheme Manager at local level) the Scheme Advisory Board (providing advice to the Responsible Authority and the Pension Boards).

- Requires a cost control mechanism to keep the ongoing cost of the schemes within defined margins with steps outlining action to be taken.

6.2. Pensions Bill 2013/14

The LGA in conjunction with trade union colleagues issued a briefing note for the second reading of the Pensions Bill which took place on 17 June 2013. The briefing note highlighted the unintended consequences for public service pension schemes should the removal of contracting out for occupational schemes take place when a single tier state pension is introduced from April 2016. To read the briefing note can be found at: http://www.local.gov.uk/web/guest/legislation/-/journal_content/56/10180/4032027/ARTICLE

The LGA will be making representations on the financial implications the abolition of contracting out will have for both employees and employers in the LGPS as the Bill makes its way through committee stage in the House of Commons.

6.3. Pensions Tax Relief - Individual Protection from the Lifetime Allowance Charge

On 5 December 2012 the Government announced that the lifetime allowance would be reduced from £1.5 million to £1.25 million from April 2014. The Government also announced that it would be consulting on a "personalised protection regime" for individuals with pension pots valued at more than £1.25 million on 6 April 2014.

On 10 June 2013 HMRC published the consultation: Pensions Tax Relief – Individual Protection from the Lifetime Allowance Charge setting out the framework of how the individual protection regime will work. It will protect individuals from the lifetime allowance charge on any pension savings they have on 5 April 2014, which has been accumulated with UK tax relief with a value of between £1.25 million and £1.5 million. The consultation closed on 2 September 2013.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/205777/130607_IP14_Condoc_Final.pdf

6.4. DWP guidance: Deferring your State Pension Age

On 18 June 2013, DWP published guidance on 'deferring your State Pension Age'. The full report can be found at:
https://www.gov.uk/government/publications/deferring-your-state-pension

6.5. Annual fraud indicator 2013 report published

The annual fraud indicator for 2013 was published in June and makes reference to the £7.1 million lost due to pension fraud in local government (2011 figures). In total, public sector pension schemes lost £20.8 million due to fraud in 2011. The full report can be found at:
https://www.gov.uk/government/publications/annual-fraud-indicator--2

6.6. Written Ministerial Statement: Academies and LGPS Liabilities

On 2 July 2013 the Secretary of State for Education, Michael Gove, issued a Written Ministerial Statement regarding academies and outstanding LGPS liabilities. This statement sets out details of a guarantee that any outstanding LGPS liabilities on academy closure will be met by the Department for Education. This guarantee came into force on the 18 July 2013. In addition the statement outlined that a consultation will be issued by DCLG on proposals to amend the LGPS regulations so as to require local authorities to provide actuarial pooling should an academy wish to take up such an option. The full report can be found at: https://www.gov.uk/government/speeches/academies-and-local-government-pension-scheme-lgps-liabilities

6.7. Finance Act 2013

The Finance Act 2013 received royal assent on 17 July 2013. It includes a wide range of taxation measures and these include the reduction of the Lifetime Allowance from £1.5 million to £1.25 million from tax year 2014/15 onwards, the reduction of the annual allowance from £50,000 to £40,000 from tax year 2014/15 onwards and various transitional provisions.

6.8. Marriage (Same Sex Couples) Act 2013

The Marriage (Same Sex Couples) Act 2013 received royal assent on 17 July 2013. Section 16 of the Act, headed "Survivor benefits under occupational pension schemes" provides that the Secretary of State must arrange for a review of the relevant differences in survivor benefits in occupational pension schemes, being differences between:

a) same sex survivor benefits and opposite sex survivor benefits provided to widows and widowers,
b) opposite sex survivor benefits provided to widows and opposite sex survivor benefits provided to widowers. and review the costs, and other effects, of securing that relevant differences in survivor benefits are eliminated by the equalisation of survivor benefits.

The review must, in particular, consider the extent to which same sex survivor benefits are provided in reliance on paragraph 18 of Schedule 9 to the Equality Act 2010 and the extent to which same sex survivor benefits and opposite sex survivor benefits are calculated by reference to different periods of pensionable service.

6.9. Pensions and Fair Deal

New guidance on the Fair Deal policy was published by the Government on 7 October 2013. The guidance implements the reform of the Fair Deal policy to allow staff compulsorily transferred out of the public sector to remain in a public service pension scheme. In addition to the guidance, the Government's response to the consultation on the application of the policy to staff that have already been transferred out under Fair Deal has also been published. Both documents can be accessed using the following links:
https://www.gov.uk/government/publications/fair-deal-guidance
https://www.gov.uk/government/consultations/further-consultation-on-the-fair-deal-policy

6.10. DCLG Consultation – Pooling arrangements for Academies within the LGPS

On the 7 October 2013 DCLG issued a six week consultation which sets out to seek views on potential pooling arrangements within the LGPS regulations for Academies and Local Authorities. The consultation includes rationale to introduce Academy and Local Authority pooling arrangements with the following options for possible inclusion in scheme regulations:

- requiring that pension arrangements for an Academy, or several Academies, and the ceding local authority are pooled together should the Academy want this; or
- providing that the Academy, or several Academies, and the ceding local authority should be pooled together without any choice between the parties; or
- providing that the schools sector – Academies and local authority maintained schools – are pooled together.
- providing pooling arrangements for Academies only.

6.11. The Pensions Regulator Consultation on draft Codes of Practice

On the 10 December 2013 the Pensions Regulator (tPR) published a consultation on draft codes of practice for public service pension schemes to meet governance and administration requirements set out in the Public Service Pensions Act 2013.

TPR is also consulting on a draft regulatory strategy describing how it will educate and enable public service schemes to meet the standards of practice outlined in the code; but where necessary taking enforcement action to ensure the underlying legal requirements are adhered to.

6.12. Impact on the LGPS of increased trivial commutation and small pot payment limits

The Chancellor of the Exchequer as part of Budget 2014 announced an increase in the trivial commutations limit from £18,000 to £30,000 and an increase to the small pot payments limit from £2,000 to £10,000. These increases take effect from 27 March 2014 and will impact on all schemes including the LGPS. Details of these changes as well as the draft amending clauses to the Finance Act 2004 can be found in HMRC documentation available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293898/Pension_flexibility.pdf

6.13. The New LGPS 2014

On 31 May 2012 the Local Government Association (LGA) and trades unions representing local government workers announced their proposal for the reform of the Local Government Pension Scheme (LGPS) in England and Wales. The proposals combine long and short-term reform with early introduction of the new scheme from 1 April 2014.

The New LGPS 2014 project was set up in December 2011 following acceptance by the Government of a set of principles submitted by the LGA, UNISON and GMB on how to take forward reform of the LGPS. This project is being carried out in line with these principles and covers new scheme design as well as scheme management and governance. The aim was to have regulations in place in time for the England and Wales actuarial valuations in April 2013 to take account of the proposed scheme from 1 April 2014.

The main elements of the LGPS 2014 scheme are as follows:

- Career Average Revalued Earnings (CARE)
- 1/49th accrual rate with revaluation based on Consumer Prices Index (CPI)
- Retirement linked to State Pension Age (SPA)

- Contributions based on actual pay (including part time employees) with the average employee contribution remaining at 6.5%. No change to the expected overall net yield from employee contributions

- Retention of banded employee contributions, but with an extension to the number of bands with little or no increase in the employee rate at the lower bands but more significant increases at higher pay bands, even after allowing for tax relief

- ’50/50’ scheme option enabling members to pay half contributions for half the pension, with most other benefits remaining as they are currently

- Benefits for service prior to 1st April 2014 are protected, including remaining ‘Rule of 85’ protection. Protected past service continues to be based on final salary and current retirement age

- Outsourced scheme members will be able to stay in the scheme on first and subsequent transfers

- Vesting period extended from 3 months back to two years.

All other terms remain as in the current scheme including death in service benefits, ill-health provision and the lump sum trade-off.

6.13.1. LGPS 2014 – Communications

The Local Government Pensions Committee (LGPC) have produced a wealth of guides, leaflets and publications for scheme administrators, employers, payroll sections and scheme members to assist with understanding and communicating the new scheme.

6.13.2. Payroll and HR Specifications

Following meetings with interested stakeholders, a payroll specification to assist employers and their software suppliers when developing payroll systems for April 2014 was published. In addition an HR specification has also been produced which contains information on the processes required to administer the scheme from April 2014. Both are expected to be updated as and when required in the run-up to LGPS 2014.

Both specifications are available online from a new website www.lgpsregs.org. This new website will be the home of all employer and administering authority related information on the LGPS from April 2014. As well as the guidance noted above it will also contain the timeline regulations for the new scheme, access to statutory and GAD guidance, links to other related legislation and in time the aim is to provide the facility to submit queries via the website.

- Administration and Employer Guides and Forms
- Following the laying of the LGPS (Transitional Provisions, Savings and Amendment)

Regulations 2014 a number of documents were released, some new and others updated to reflect the release of the laid Transitional Regulations. These include:

- Discretions policy document
- Underpin paper
- Aggregation paper
- Annual benefits statement paper
- Discretions list
- Revaluation paper
- Survivors' benefits paper
- 85 year rule paper

These papers are available at http://www.lgpsregs.org/index.php/guides/administration-guides-to-the-2014-scheme

6.13.3. Terminology Document

A 'Terminology Document' to help communicate the changes to the Scheme has been published. In particular a number of new terms are required to explain the new scheme from 1 April 2014. By outlining agreed ways of communicating these terms it's hoped that it will assist scheme managers (i.e. administering authorities) and other LGPS stakeholders in communicating a cohesive and consistent message relating to LGPS 2014 to all stakeholders including scheme members. The 'Terminology Document' can be found at: http://www.local.gov.uk/web/lgaworkforcepensions/lgps2014comms

6.13.4. Scheme members website

On the 18 November 2013 the LGPS 2014 member website (www.lgps2014.org) was re-launched. This re-launch included a new look for the website as well as updated content and information. As part of the re-launch of www.lgps2014.org three topic based videos were also released. The three topics covered include:

- Contributions and the flexibility to pay more or less
- How is my pension worked out?
- When can I take my pension?

6.13.5. Account Modeler

In February a pensions account modeler designed to help members understand how pension accounts work was added to www.lgps2014.org. The modeller shows how a pension builds up from April 2014, it is not designed to provide an estimate of benefits. The facility allows members to input pensionable pay, and figures for assumed inflation and pay increases and also view the impact of electing for the 50/50 section of the scheme on pension build up in the LGPS.

6.13.6. Contribution Calculator

A Contribution Calculator for the new scheme was launched on the 13 March 2014. The calculator requires users to input some information including their annual pensionable pay, pay frequency, section of the scheme they are in and whether they are over State Pension Age. The results will include both the gross and net contribution amount for the new scheme. This is available at: http://www.lgps2014.org/content/what-will-new-scheme-cost-me

6.13.7. Leaflets and Communication Plan

A suite of topic based leaflets are available on the LGA's website (http://www.local.gov.uk/web/lgaworkforcepensions/lgps2014comms) and include the following:

- Paying into the LGPS before 1st April 2014
- Scheme changes leaflet
- Contributions and the flexibility to pay more or less
- How is my pension worked out?
- When can I take my pension?
- Mythbusting LGPS 2014

The LGPS 2014 Communications Plan was also published on the LGA's website on the 18 November 2013 and includes updated release dates for various communication items as well as additional information including a planned poster, communication items for elected members on LGPS 2014 and the administering authority (scheme manager) guide.

6.13.8. Employee Guides

A full and brief guide for employees is available at:
http://www.lgpsregs.org/index.php/guides/employees-guides

6.13.9. LGPS 2014 – Legislation

The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) were made on the 12 September and laid before parliament 19 September 2013, coming into force 1 April 2014.

The Local Government Pension Scheme (LGPS) (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) were made on the 5 March 2014, laid before parliament 10 March 2014, coming into force 1 April 2014.

All legislation relating to the LGPS 2014 can be found at: http://www.lgpsregs.org/

6.13.10. LGPS 2014 - Consultations

The Department for Communities and Local Government (DCLG) issued several consultations on draft regulations for LGPS 2014 during the year, these can be found at:
http://www.clg.heywood.co.uk/views/availableDocuments

7. Management of the Assets

The distribution of the Fund's assets among investment managers at 31st March 2014 is outlined below.

Investment Manager	Investment Mandate	% of Fund
Fidelity	Global Equities including pooled emerging markets (Segregated)	16.86%
Franklin Templeton	Global Equities (Segregated)	12.18%
Global Thematic Partners	Global Thematic Equities (Segregated)	11.68%
Legal & General	Global Equity (Pooled)	12.21%
Standard Life	Corporate Bond Fund and Absolute Return Global Fund (Pooled)	15.30%
Wellington	Sterling Core Bond (Pooled)	6.81%
Pantheon	Private Equity Invest in unquoted companies (Pooled FofF) (US Dollar & Euro)	3.09%
Equitix	Private Equity – PFI Projects (Pooled)	3.55%
Knightsbridge	Private Equity – Venture Capital (Pooled FofF) (US Dollar)	1.06%
Bluecrest	Fund of Hedge Funds (Pooled FofF)	3.99%
Henderson Global	European Property Funds	1.49%
Schroder	UK Property Funds	7.28%
All Fund Managers – Cash Management	Maximising short term returns prior to the investment of funds	0.87%
LB of Croydon Cash Management	Cash LIBID 7 day notice deposit account	0.66%
Goldman Sachs Account	AAA Rated Money Market Fund	0.80%
Deposit at Lloyds Bank	Fixed Deposit	2.70%
Total		100.00%

The Investment Strategy was reviewed ahead of the 2013 Triennial Valuation. This review was carried out by the officers under the guidance of the professional investment advisor, Aon Hewitt. During the year 2012/2013 the Pension Committee discussed and agreed that the investment allocation strategy be revised as shown in the table below. The allocation to Bonds was decreased as a result of the poor outlook for this asset class. The property allocation was increased in order to provide more diversified returns from equities. An allocation to infrastructure has also been included.

Asset Allocation

Following consultation with the Fund's investment advisors, a revised target asset allocation was implemented in 2012/13. The target asset allocation is outlined in the table below.

Asset Class	Investment
Equities	50% +/- 3
Bonds	25% +/- 3
Property	10% +/- 3
Private Equity	5%
Infrastructure	5%
Fund of Hedge Funds	4%
Cash / Other	1%
Total	100%

The strategy was implemented in the 2013/2014 financial year through investments in a range of segregated accounts and pooled funds. Opportunities in property, infrastructure and private equity have determined the pace of the changes.

7.1. Fees

Fees for the investment managers are related to the assets under management. In the case of BlueCrest and Pantheon Ventures, there is also a performance-related element to the fee which is again based on investment performance hurdles.

7.2. Monitoring the Investment Managers

Performance of the investment managers is measured by the World Markets (WM) Company. WM's report is included within the report to the quarterly Pension Committee meeting, to which investment managers are invited, the purpose of which is to review the performance of the investment managers. To assist the Fund in fulfilling its responsibility for monitoring the investment managers the Fund retains the services of an independent investment adviser. Additionally, the Council's officers and advisers meet the investment managers regularly to review their actions together with the reasons for their investment performance.

7.3. Realisation of Investments

In general, the Fund's investment managers have discretion as to the realisations of assets in their portfolios. Investment managers' also have discretion as to stock and sector selection of assets under management in accordance with the investment mandate. The Fund's investment managers have responsibility for generating cash for investment in new assets and shortfalls in revenue expenditure of the Fund as may be required for time to time. The Pension Committee decides, with the advice from its investment advisers, on how and when investments should be realised for cash.

7.4. Pension Committee Arrangements

As an administering pension authority, the Council discharges its duties in respect of maintaining the Pension Fund in the form of the Pension Committee. Its terms of reference are to deal with the management of the Fund, including matters relating to employee liability.

The Pension Committee is made up of seven voting Members of the Council, two non-voting pensioner representatives and a non-voting employee representative. The Committee is also able to co-opt non-voting specialist representatives as is required. In addition, officers and the Fund's external advisers support the meetings. The Pension Committee is scheduled to meet on at least four occasions during a Municipal Year and formal minutes are taken and acted on accordingly.

Further ad-hoc meetings also take place to discuss various matters as they arise, in particular regarding asset allocation.

7.5. Custody

For the additional security of the invested assets, the Fund employs The Bank of New York Mellon as an independent custodian for its segregated global equity holdings. The Bank of New York Mellon also act as fund accountants for all the Pension Fund investments, with the exception of internally managed cash.

8. Investment Report

8.1. General

During 2013/14, local authority pension funds experienced an average increase in value of 6.0%. During the same period, CPI inflation increased by 1.6% and average weekly earnings increased by 2.25%.

Equity markets continued to perform strongly during the financial year ending 31 March 2014. The UK equity market returned 11.3% ahead of Japan at 0.5% but behind North America and Europe who returned 11.9% and 15.1% respectively. The Pacific and Emerging Markets were the worst performing regions, returning -7.1% and 2.1% respectively. Whilst UK bonds (gilts) returned a disappointing -2.1% they outperformed the -6.1% returns of overseas bonds. Property returned 11% over the year to 31 March 2014

8.2. Strategy

The Pension Committee reviews its strategy for allocating the Pension Fund assets amongst various investment categories to coincide with the Actuarial Triennial Valuation. The revised asset allocation strategy is intended to generate an investment return on the Fund in line with the requirements of the Actuary's recovery plan as set out in the Actuarial Triennial Valuation report. The most recent triennial valuation was calculated as at the 31st of March 2013.

The current strategy was agreed during the first quarter of 2013. In light of the recent triennial valuation, asset allocation of the Fund will be reviewed towards the end of 2014.

This strategy is set out in detail within the Statement of Investment Principles, with any major changes reflected in an updated version, which is published on the Council's website.

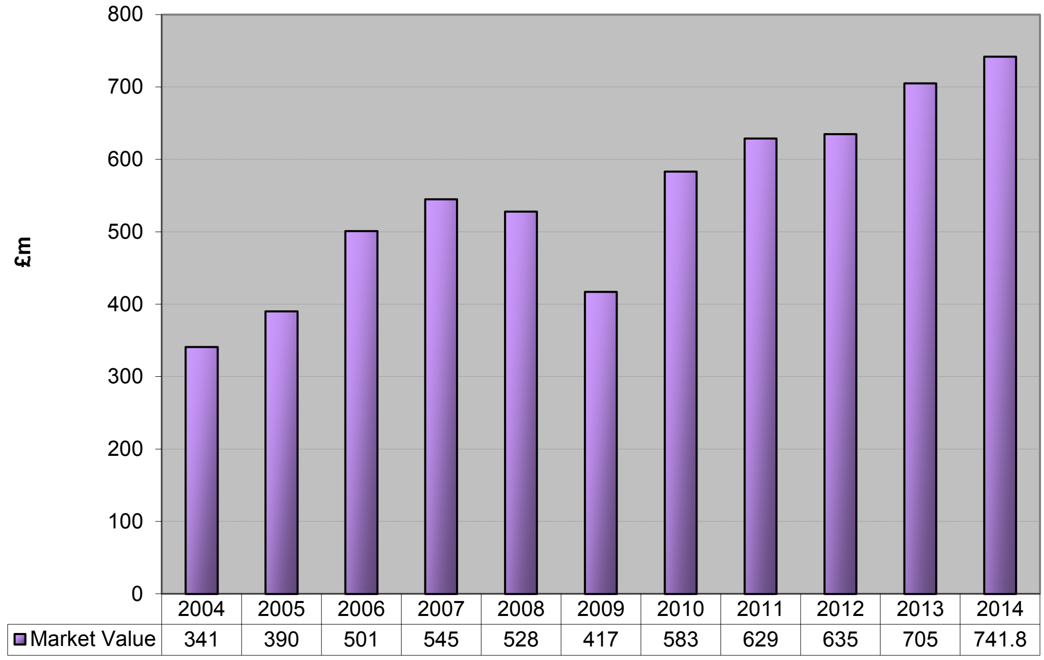
8.3. Performance

The Fund's performance is compared with the Council's own customised benchmarks and to the average return from 85 local authority pension funds, as measured by WM Company. During the 2013/14 financial year the Fund's return of 5.4% underperformed its customised benchmark of 6.7% by 1.3%. The Fund also underperformed the average return for local authorities of 6%.

As at the 2013 Actuarial Valuation the Fund's funding level was 66.3%, a marginal increase from the 66% funding level as calculated at the 2010 Actuarial Valuation. The 2013 triennial valuation contribution rates took effect from 1 April 2014.

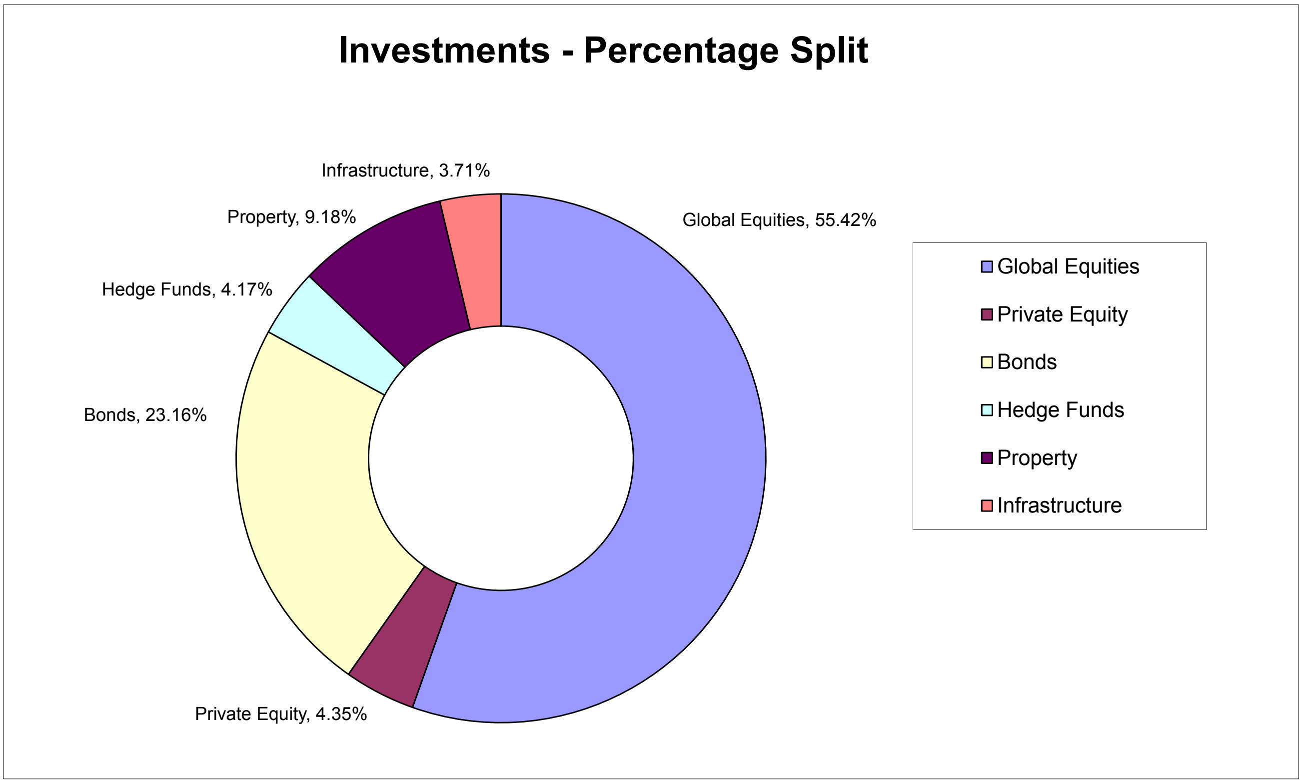
8.4. Movement in the Market Value of the Fund

The net assets of the Fund at 31 March 2014 were £741.8 million compared with £341 million at 31 March 2004. The chart below shows the growth of the Fund's assets over the past ten years.



Net Assets	2013/14 £m	%
Market Value of investments	708.3	95.5
Other Balances held by Fund Managers	1.1	0.1
Cash held by Fund managers	6.5	0.9
LBC Fund Net Current Assets	25.9	3.5
Total at the end of the year	**741.8**	**100.0**

8.5. Distribution of Assets by Market Value



Investments	2013/14 £000s	% of Investments
Global Equities	392.6	55.42
Private Equity	30.8	4.39
Bonds	164.0	23.16
Hedge Funds	29.6	4.17
Property (of which UK 7.6% European 1.58%)	65.0	9.18
Infrastructure	26.3	3.71
Total at the end of the year	708.3	100.0

8.6. Statistics 2013/2014

Returns	Croydon Fund	Average Local Authority
1 year (% per year)	5.4	6.4
3 years (% per year)	5.9	7.5
5 years (% per year)	11.8	12.7
10 years (% per year)	7.6	7.8

Pension Fund Investment Distribution:	Croydon Fund	Average Local Authority
Global Equities	52.93	62.60
Private Equity	4.15	4.20
Bonds	22.11	16.50
Hedge Funds	3.99	2.20
Property	8.77	7.50
Infrastructure	3.55	0.80
Cash	5.52	3.00

8.7. Top 25 Global Holdings

	Market Value at 31 March 2014	% of Total Global Equity Investment
APPLE INC	6,359,526	1.93%
ROCHE HLDG AG	4,652,823	1.41%
AMAZON COM INC	3,288,244	1.00%
ADOBE SYSTEMS INC	3,221,641	0.98%
DANAHER CORP	2,900,885	0.88%
SYNGENTA AG	2,773,505	0.84%
RECKITT BENCKISER GROUP PLC	2,741,046	0.83%
UNITED OVERSEAS BANK	2,736,806	0.83%
SAMSUNG ELECTR	2,728,943	0.83%
VISA INC	2,691,280	0.82%
NOBLE GROUP	2,668,409	0.81%
UNITE UK STUDENT ACCOMODATION	2,629,634	0.80%
UMICORE NPV	2,599,301	0.79%
CSL	2,574,807	0.78%
MTU AERO ENGINES	2,507,040	0.76%
DISCOVERY COMMUNICATIONS INC	2,480,581	0.75%
DASSAULT SYSTEMES	2,458,884	0.75%
INTERCONTINENTAL EXCHANGE INC	2,432,481	0.74%
ARM HOLDINGS	2,394,000	0.73%
ROYAL DUTCH SHELL PLC	2,383,461	0.72%
ALKERMES PLC	2,379,630	0.72%
YASKAWA ELECTRIC	2,320,675	0.71%
BURBERRY GROUP	2,318,222	0.70%
DISCOVER FINANCIAL SERVICES	2,268,752	0.69%
BANK OF NOVA SCOTIA	2,261,786	0.69%
	70,772,361	21.49%

9. Pension Fund Annual Accounts 2013/14

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

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

FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefit scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

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

Admitted:
Apetito, BRIT School, Cabrini Children's Society, Carillion Integrated Services, Churchill Services, Creative Environmental Networks, Croydon Citizen's Advice Bureau, Croydon Community Mediation, Croydon Voluntary Action, Eldon Housing Association, EM Highway Services Ltd, Fairfield (Croydon) Ltd, Fusion, Ground Control, Impact Group Ltd, Interserve, London Hire Services Ltd, Mayday Travel Ltd, Olympic (South) Ltd., Quadron Services, Roman Catholic Archdiocese of Southwark, Ruskin Private Hire, Skanska Construction, Sodexo Ltd, Veolia Environmental Services (UK) Ltd, Vinci Facilities, Wallington Cars and Couriers.

Scheduled:
Addington High Academy, Aerodrome Primary Academy, Applegarth Academy, ARK Oval Primary Academy, Atwood Primary School, Castle Hill Academy, Coulsdon College, Croydon Care Solutions, Croydon College, David Livingstone Academy, Forest Academy, Gonville Academy, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Upper Norwood), Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), John Ruskin College, Norbury Manor Business and Enterprise College for Girls, Oasis Academy Byron, Oasis Academy Coulsdon, Oasis Academy Shirley Park, Pegasus Academy, Quest Academy, Riddlesdown Collegiate, Robert Fitzroy Academy, Shirley High School Performing Arts College, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Thomas Becket Catholic Primary School, West Thornton Primary Academy, Wolsey Junior Academy, Woodcote High School.

Management of the Fund

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

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

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES - PENSION FUND

1. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the provisions of Sections 6.5.1 to 6.5.5 of the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice on Local Authority Accounting in the United Kingdom is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

2. STATEMENT OF INVESTMENT PRINCIPLES

This is published on the Croydon Pension Scheme web page http://www.croydonpensionscheme.org/

3. BASIS OF PREPARATION

Accruals
The financial statements, apart from transfer values received and paid (see below), have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced, and not in the period in which any cash is received or paid.

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

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. Pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income
- ► **Interest income**: Interest income is recognised in the fund account as it accrues.
- ► **Dividend income**: Dividend income is recognised by our fund managers on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- ► **Distributions from pooled funds**: Distributions from pooled funds are recognised by our fund managers at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a financial asset.
- ► **Movement in the net market value of investments**: Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

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

Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

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

Investment management expenses
All investment management expenses are accounted for an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. A proportion of the Council's costs representing management time spent by officers on investment management are recharged to the Fund.

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES - PENSION FUND

Financial assets
Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the Fund. The values of investments as shown in the Net Assets Statement have been determined in accordance with the valuation techniques described in Note 2.

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

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.

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 IAS 26, 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 23).

Assumptions made about the future and other major sources of estimation uncertainty
The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year.

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

Additional voluntary contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 18).

4. EARLY RETIREMENT COSTS DUE TO REDUNDANCY

Employees, who are members of the Local Government Pension Scheme, aged 55 or over and take early retirement due to redundancy are entitled, under the regulations, to receive their pension from the date their employment ceases, based on the number of years of their service without any actuarial reduction. This causes a 'strain' on the Pension Fund that is measured as a capitalised cost, and recovered from the London Borough of Croydon in the year in which it arises.

PENSION FUND ACCOUNTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

CONTRIBUTIONS AND BENEFITS	Note No.	2013/14 £000	2012/13 £000
Employees' contributions:			
London Borough of Croydon		7,779	7,380
Scheduled bodies		1,424	1,095
Admitted bodies		606	468
Employers' contributions:			
London Borough of Croydon		32,008	25,708
Scheduled bodies		5,228	3,988
Admitted bodies		1,832	1,474
Transfer values received	15	2,729	4,076
Early retirement costs recovered	8	712	1,196
		52,318	45,385
Benefits - Pensions		35,714	34,086
- Lump sums	14	8,535	7,349
Payments to and on account of leavers - Refund of contributions		6	9
- Transfer values paid	15	2,568	2,678
Administrative expenses	11	1,744	1,093
		48,567	45,215
Net additions / (withdrawals) from dealings with members		3,751	170

RETURNS ON INVESTMENTS	Note No.	2013/14 £000	2012/13 £000
Investment income	13	7,096	6,543
Taxes on income	13	(768)	(579)
Net gains / (losses) on currency revaluations and underwriting commissions		221	112
Change in market value of investments:			
Unrealised	3	(10,860)	50,754
Realised	3	39,160	13,675
Investment management expenses	12	(2,005)	(1,332)
Net returns on investments		32,844	69,173
Net increase / (decrease) in the Fund during the year		36,595	69,343
Net assets at the start of the year		705,292	635,949
Net assets at the end of the year		741,887	705,292

PENSION FUND ACCOUNTS - NET ASSETS STATEMENT

NET ASSETS STATEMENT AS AT	Note No.	31 March 2014 £000	31 March 2013 £000
Investments held by the Fund Managers:			
Global equities - segregated funds	2 - 5	284,739	264,296
Global equities - pooled funds	2 - 5	107,866	102,649
Private equity	2 - 5	30,804	22,492
Infrastructure	2 - 5	26,314	22,403
Bonds	2 - 5	164,037	205,413
Hedge funds	2 - 5	29,567	13,334
Property	2 - 5	65,028	37,480
Total Investments held by the Fund Managers		708,355	668,067
Other Balances held by the Fund Managers			
Outstanding dividends and tax reclaimable	9	688	713
Outstanding trades for securities sold	9	2,162	2,570
Outstanding trades for securities purchased	10	(1,736)	(3,282)
Total Other Balances held by the Fund Managers		1,114	1
Cash held by the Fund Managers		6,477	7,830
Total Assets held by the Fund Managers		715,946	675,898
Net Current Assets:			
Debtors	9	1,717	1,544
Cash held by the London Borough of Croydon		4,882	11,752
Cash on deposit with Goldman Sachs		5,950	6,984
Short-term deposit at Lloyds Bank		20,000	15,000
Creditors	10	(6,608)	(5,886)
Net Assets at the End of the Year		741,887	705,292

Critical Judgements

Investment Decisions:
Judgement is exercised by the fund managers in assembling the portfolio within their investment mandate. Their effectiveness in making investment decisions, in particular in the present difficult economic circumstance, determines the returns, both in income and capital growth, enjoyed by the Fund.

Actuarial Estimates:
Please refer to the Basis of Preparation section under the Statement of Accounting Policies and Principles for further details on actuarial estimates.

NOTES TO THE PENSION FUND ACCOUNTS

1. ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2010 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2013/14 are as follows:

- Croydon Council (including schools' non-teaching staff) - 13.1%
- Scheduled bodies - 13.1%
- Admitted bodies - rates vary depending upon those determined by the Actuary.

During 2010/11 the Actuary completed his triennial Actuarial Valuation as at 31 March 2010 which calculated the total accrued liabilities to be £884m. The market value of the Fund's assets at the valuation date was £583m. The Fund deficit was therefore £301m producing a funding level of 66%. This compares with a deficit of £264m and a funding level of 68% as at the 31 March 2007 Actuarial Valuation. A further triennial Actuarial Valuation was prepared as at 31 March 2013. The contribution rates referred to in the 2013 triennial valuation will take effect from 1 April 2014.

The 2010 Actuarial Valuation recommends that recovery of the deficit be spread over 24 years as from 1 April 2011 and that the employers' contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies is an average of 23.0% over that 24 year period. The rate for admitted bodies will vary depending upon those determined by the actuary.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a.%	Future Service Nominal p.a.%
Investment returns (equities)	6.00	6.75
Pay increases (excluding increments)	4.75	4.75
Pensions increases	3.00	3.00
Consumer Price Index (CPI) price inflation	3.00	3.00

The employers normal contributions include deficit funding payments. The amounts that the actuary recommended should be paid are detailed in Appendix 1 to the Actuarial Report, the 'Schedule to the Rates and Adjustment Certificate dated 31 March 2011'. The Schedule is reproduced below, as it appears in Appendix 1, together with some explanatory notes.

Schedule to the Rates and Adjustment Certificate dated 31 March 2011:

	2011-14		Additional Payment (surplus adjustment)		
	Individual Adjustment % of pay	Total Contribution Rate % of pay	2011/12 £000	2012/13 £000	2013/14 £000
Other Grouped Bodies (see 'Other Grouped Bodies' overleaf)	1.0	14.1	211	221	231
London Borough of Croydon and Grouped Scheduled Bodies (see 'Grouped Scheduled Bodies' and Note a overleaf)	0.0	13.1	14,971	15,682	16,427
BRIT School	(0.8)	12.3	8	8	8
Harris City Academy (Crystal Palace)	(1.7)	11.4	(9)	(9)	(9)
Fairfield	3.9	17.0	169	177	185
Veolia	2.3	15.4	1	1	1
Interserve	3.2	16.3	19	20	21
Fusion	0.5	13.6	2	2	2
Harris Academy (South Norwood)	(2.1)	11.0	7	7	7
Oasis Academy Coulsdon	1.2	14.3	45	47	49
Eldon Housing PFI	1.3	14.4	(1)	(1)	(1)
Oasis Academy Shirley Park	(0.5)	12.6	86	90	94
Harris Academy (Purley)	0.2	13.3	38	40	42
Olympic South Ltd	4.9	18.0	(3)	(3)	(3)
Apetito	3.4	16.5	(1)	(1)	(1)
Wallington Cars	3.6	16.7	(1)	(1)	(1)
Courier Cars Ltd	3.7	16.8	(1)	(1)	(1)

NOTES TO THE PENSION FUND ACCOUNTS

1. ACTUARIAL POSITION (continued)

Other Grouped Bodies

Age Concern (Croydon), Croydon Voluntary Action, Cabrini, Croydon Citizens Advice Bureau, Croydon Community Mediation, Croydon Environmental Networks, Croydon Welcare, Croydon Meals Agency, Croydon Youth Development Trust.

Grouped Scheduled Bodies

Croydon College, Coulsdon College, John Ruskin College, St Joseph's College.

Notes

a. Includes the former Grant Maintained Schools.

b. In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions shown in the table may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed by the Administering Authority.

c. The total annual contributions payable by each employer will be subject to a minimum of zero.

The employers' contribution due from the London Borough of Croydon and grouped Scheduled Bodies was £16,427,000.

All other contributions are as disclosed in the Schedule to the Rates and Adjustment Certificate.

2. INVESTMENTS

On 3 September 2013, the Pension Committee agreed to authorise the Director of Finance and Assets and Section 151 Officer to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and Overseas equities, Property, Bonds, Cash and alternative asset classes as is deemed necessary and switch investments between existing and other fund managers, as required. The dynamics which drove this process from late 2007 were the volatility in equity markets and the availability of investment opportunities tied into temporary market inefficiencies. The objective was to achieve a more consistent level of return aligned with the (then) 25 year recovery plan for the Fund but with a much lower aggregate level of risk.

During 2013/14 the Pension Committee agreed modifications to the original allocations, the details of which are outlined in Note 25.

NOTES TO THE PENSION FUND ACCOUNTS

2. INVESTMENTS (continued)

Asset Category	Fund Managers
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); and Sarasin (pooled funds) *, Legal and General (pooled funds)
Private equity	Knightsbridge and Pantheon
Infrastructure	Equitix
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier
Property	Henderson Global Investors ** and Schroder Investment Management
Cash	Cash is invested by the in-house team

* The fund fully redeemed its investment with Sarasin on 21 March 2014 and transitioned the proceeds to a passive global equity fund at Legal and General.
** The fund terminated it's fund of property funds agreement with Henderson Global Investors on 31 December 2013 and the underlying property funds were in the process of being transferred to Schroder Investment Management at 31 March 2014.

VALUATION OF INVESTMENTS
The assets of the Pension Fund are included in the Net Asset Statement at their fair value. The fair value for the following asset classes is:

Segregated Global Equities (Fidelity, Franklin Templeton, Deutsche Bank)
Investment accounting had been undertaken by the Bank of New York Mellon (BoNYM) since 1 April 2009. The BoNYM pricing unit (Global Pricing) uses its prices to reprice the investments held by the segregated fund managers to achieve consistent pricing across the entire segregated portfolio.

The BoNYM pricing unit operates under the following pricing guidelines:

Designation of a primary source
All pricing vendors are external. Where available, BoNYM uses more than one vendor for securities of each asset type, class or issue. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor, or BoNYM are directed as to a price or source as described below:

Use of Secondary Pricing Sources; Client / Manager Price Direction
Missing Prices
BoNYM monitors prices supplied by vendors and may use a secondary vendor or change a primary vendor designation if a price for a particular security is not received from the primary vendor or the vendor no longer prices a particular asset type, class or issue. When a vendor does not send a price for a particular asset, it may indicate an inactive, delisted, bankrupt or suspended equity or bond for which BoNYM vendors no longer have enough data to provide a price. In such cases, Global Pricing would use a secondary vendor, if available. If a secondary vendor source is not available, BoNYM will reflect the last available price. In daily, weekly or monthly valued accounts, the client or their investment manager(s) may direct the use of an alternative price or source for any position not priced by BoNYM pricing vendors.

Tolerance Checks
Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Questionable prices identified by either of the tests noted below, are reported to the vendor that provided the price. Pricing Specialists then follow-up with the vendors. If the prices are validated, the primary price source is used. If not, a secondary source price which has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter source, tolerance report identifies prices with an inter-vendor pricing variance of over 2% at an asset class level.

For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

NOTES TO THE PENSION FUND ACCOUNTS

3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities - segregated funds	218,327	157,813	(143,513)	8,563	23,106	264,296
Global equities - pooled funds	84,221	5,891	(2,171)	348	14,360	102,649
Private equity	20,221	3,216	(2,600)	1,608	47	22,492
Infrastructure	15,840	3,491	(985)	0	4,057	22,403
Bonds	200,408	86	(11,781)	2,826	13,874	205,413
Hedge funds	23,755	0	(11,755)	588	746	13,334
Property	36,158	8,828	(2,021)	(49)	(5,436)	37,480
Global Tactical Asset Allocation	20,867	0	(20,658)	(209)	0	0
	619,797	179,325	(195,484)	13,675	50,754	668,067

4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2013 in accordance with the valuation methodologies detailed in Note 2.

	2013			2012		
	Book £000	Market £000	Market %	Book £000	Market £000	Market %
Global equities - segregated funds **(Quoted)**						
DB Advisors	73,877	81,287	12.2%	62,591	63,902	10.3%
Fidelity	79,555	99,779	14.9%	74,656	84,790	13.7%
Franklin Templeton	65,757	83,230	12.5%	59,416	69,635	11.2%
Total equities - segregated	219,189	264,296	39.6%	196,663	218,327	35.2%
Global equities - pooled funds **(Quoted)**						
Fidelity	13,617	15,496	2.3%	13,522	14,710	2.4%
Franklin Templeton	1,034	1,823	0.3%	1,207	1,656	0.3%
Sarasin	63,770	85,330	12.8%	59,620	67,855	10.9%
Total equities - pooled	78,421	102,649	15.4%	74,349	84,221	13.6%
Private Equity **(Unquoted)**						
Pantheon Ventures	12,442	16,974	2.5%	11,459	16,049	2.6%
MUST 2 (Mercury Unquoted Securities Trust)	0	0	0.0%	0	9	0.0%
Knightsbridge	5,212	5,518	0.8%	3,962	4,163	0.7%
Total private equity	17,654	22,492	3.3%	15,421	20,221	3.3%
Infrastructure **(Unquoted)**						
Equitix	13,813	22,403	3.4%	11,307	15,840	2.6%
Total Infrastructure	13,813	22,403	3.4%	11,307	15,840	2.6%
Bonds **(Quoted)**						
DB Advisors	0	0	0.0%	137	116	0.0%
Standard Life	108,711	126,549	18.9%	108,662	116,417	18.8%
Wellington	59,174	78,864	11.8%	67,976	83,875	13.5%
Total Bonds	167,885	205,413	30.7%	176,775	200,408	32.3%
Hedge Fund of Funds **(Quoted)**						
Bluecrest	11,230	13,334	2.0%	11,230	12,589	2.0%
Fauchier	0	0	0.0%	11,314	11,166	1.8%
Total Hedge Fund of Funds	11,230	13,334	2.0%	22,544	23,755	3.8%
Property **(Quoted)**						
Henderson Global Investors	17,655	11,189	1.7%	17,655	15,278	2.5%
Schroder	27,634	26,291	3.9%	20,881	20,880	3.4%
Total Property	45,289	37,480	5.6%	38,536	36,158	5.9%
Global Tactical Asset Allocation **(Quoted)**						
Nordea	0	0	0.0%	24,000	20,867	3.4%
Total investments	553,481	668,067	100.0%	559,595	619,797	100.0%

In the prior year, Infrastructure funds were reported together with Private Equity Funds. For 2012/13, the Pension Committee have requested that these are reported separately. The prior year comparatives have been amended to reflect this.

NOTES TO THE PENSION FUND ACCOUNTS

2. INVESTMENTS (continued)

Pooled Global Equity Funds (Sarasin, Fidelity, Franklin Templeton and Legal and General)

Sarasin

The investment with Sarasin is in their Global Thematic Fund. The price of shares in the Fund is published daily in the Financial Times. The fund fully redeemed it's holdings in Sarasin at 21 March 2014.

Bonds

Standard Life - Trustee Investment plan

Investments in the Trustee Investment Plan are valued each working day and a unit price is set. The pricing basis depends on the overall cash flow of the Fund, and more specifically, whether the cash flows result in the Fund having to purchase, sell or transfer stock. This gives rise to three pricing bases; offer, bid and mid. Generally, if there is a positive cash flow into the Fund the offer basis is used. This basis takes account of the cost of buying investments. However, if there is an overall outflow of funds the pricing basis may be switched to a bid basis. This means that a lower price will apply, reflecting the cost of selling the underlying investments. This is in accordance with the accounting rules for pooled investment vehicles required by the 2007 Pensions SORP.

Wellington - Sterling Core Bond Plus

Multiple pricing sources are used: a tolerance of 5% is accepted between prices. Outside of that range there is a manual review of each price.

Private Equity and Infrastructure Investments

Fund investments are carried at fair value as determined quarterly by the General Partner in its discretion. The Partnership's fund investments are generally carried at the valuations provided by the general partners or managers of such investments. The valuations provided by the general partners or managers typically reflect the fair value of the Partnership's capital account balance of each fund investment, including unrealised gains and losses, as reported in the audited financial statements of the respective fund. In reviewing these underlying valuations, the General Partner is advised by the Investment Advisor, who reviews the capital account balances and may adjust the value of each fund investment. The General Partner uses the market approach to estimate the fair value of private investments. The market approach utilises prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of financing data, current financial position and operating results, among other factors. In circumstances where fair values are not provided in respect of any of the Company’s fund investments, the Investment Advisor will seek to determine the fair value of such investments based upon information provided by the general partners or managers of such funds or from other sources. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying Investee companies means that there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference could be significant.

Hedge Funds

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis.

Property

The Fund does not have any direct investments in property but invests indirectly through the property fund managers Henderson Global Investors and Schroder Investment Management, who invest in several property funds. The valuations presented in the accounts are those provided by the fund managers and are all at market value, bid prices are used where available.

Cash

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less, that had a short maturity when acquired, are convertible to known amounts of cash with insignificant risk of a change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Short Term Deposits

As at 31 March 2014 the Fund had two fixed term deposits with Lloyds Bank for £5 million and £15 million maturing on 4 April 2014 and 7 April 2014 respectively.

NOTES TO THE PENSION FUND ACCOUNTS

3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities - segregated funds	264,296	203,102	(200,160)	28,605	(11,104)	284,739
Global equities - pooled funds	102,649	93,230	(91,725)	5,484	(1,772)	107,866
Private equity	22,492	8,147	(749)	803	111	30,804
Infrastructure	22,403	3,500	(3,137)	0	3,548	26,314
Bonds	205,413	883	(42,100)	5,015	(5,174)	164,037
Hedge funds	13,334	15,000	0	0	1,233	29,567
Property	37,480	32,206	(6,209)	(747)	2,298	65,028
	668,067	356,068	(344,080)	39,160	(10,860)	708,355

4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2014 in accordance with the valuation methodologies detailed in Note 2.

	2014 Market £000	2014 Market %	2013 Market £000	2013 Market %
Global equities - segregated funds **(Quoted)**				
DB Advisors	85,285	12.0%	81,287	12.2%
Fidelity	110,585	15.6%	99,779	14.9%
Franklin Templeton	88,869	12.5%	83,230	12.5%
Total equities - segregated	284,739	40.1%	264,296	39.6%
Global equities - pooled funds **(Quoted)**				
DB Advisors	1,343	0.2%	0	0.0%
Fidelity	14,463	2.0%	15,496	2.3%
Franklin Templeton	1,473	0.2%	1,823	0.3%
Sarasin	0	0.0%	85,330	12.8%
Legal and General	90,587	12.8%	0	0.0%
Total equities - pooled	107,866	15.2%	102,649	15.4%
Private Equity **(Unquoted)**				
Pantheon Ventures	22,948	3.2%	16,974	2.5%
Knightsbridge	7,856	1.1%	5,518	0.8%
Total private equity	30,804	4.3%	22,492	3.3%
Infrastructure **(Unquoted)**				
Equitix	26,314	3.4%	22,403	3.4%
Total Infrastructure	26,314	3.4%	22,403	3.4%
Bonds **(Quoted)**				
Standard Life	113,513	16.0%	126,549	18.9%
Wellington	50,524	7.1%	78,864	11.8%
Total Bonds	164,037	23.1%	205,413	30.7%
Hedge Fund of Funds **(Unquoted)**				
Bluecrest	29,567	4.2%	13,334	2.0%
Total Hedge Fund of Funds	29,567	4.2%	13,334	2.0%
Property **(Quoted)**				
Henderson Global Investors	11,041	1.6%	11,189	1.7%
Schroder	53,987	7.6%	26,291	3.9%
Total Property	65,028	9.2%	37,480	5.6%
Total investments	708,355	100.0%	668,067	100.0%

NOTES TO THE PENSION FUND ACCOUNTS

4. ANALYSIS OF INVESTMENTS (continued)

Equity markets experienced high volatility during the first half of the 2013/14 accounting period. This was a combination of weak economic news from the Eurozone, fears of a slowing Chinese economy and indications that the Chairman of the Federal Reserve intended to reduce the program of quantitative easing. The FTSE 100 started the year at 6,412 before experiencing a sharp dip to 6,092 and rising to a high of 6,838 in February before finishing the year at 6,598. European equities experience growth in the latter part of year, the US posted mixed performance, UK equities lost value as a result of disappointing earnings and emerging markets suffered on the back of slow growth in China.

5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	2014			2013		
	UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
Global equities - segregated funds **(Quoted)**						
DB Advisors	6,366	78,919	85,285	3,095	78,192	81,287
Fidelity	23,027	87,558	110,585	8,077	91,702	99,779
Franklin Templeton	9,145	79,724	88,869	6,598	76,632	83,230
Total equities	38,538	246,201	284,739	17,770	246,526	264,296
Global equities - pooled funds **(Quoted)**						
DB Advisors	0	1,343	1,343	0	0	0
Fidelity	0	14,463	14,463	71	15,425	15,496
Franklin Templeton	0	1,473	1,473	0	1,823	1,823
Sarasin	0	0	0	0	85,330	85,330
Legal and General	0	90,587	90,587	0	0	0
Total pooled investments	0	107,866	107,866	71	102,578	102,649
Private Equity **(Unquoted)**						
Pantheon Ventures	0	22,948	22,948	0	16,974	16,974
Knightsbridge	0	7,856	7,856	0	5,518	5,518
Total private equity	0	30,804	30,804	0	22,492	22,492
Infrastructure **(Unquoted)**						
Equitix	26,314	0	26,314	22,403	0	22,403
Total Infrastructure	26,314	0	26,314	22,403	0	22,403
Bonds **(Quoted)**						
Standard Life	113,513	0	113,513	126,549	0	126,549
Wellington	0	50,524	50,524	0	78,864	78,864
Total Bonds	113,513	50,524	164,037	126,549	78,864	205,413
Hedge Fund of Funds **(Quoted)**						
Bluecrest	29,567	0	29,567	13,334	0	13,334
Total Hedge Fund of Funds	29,567	0	29,567	13,334	0	13,334
Property **(Quoted)**						
Henderson Global Investors	0	11,041	11,041	0	11,189	11,189
Schroder	53,987	0	53,987	26,291	0	26,291
Total Property	53,987	11,041	65,028	26,291	11,189	37,480
Total investments	261,919	446,436	708,355	206,418	461,649	668,067

NOTES TO THE PENSION FUND ACCOUNTS

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

There was no single investment greater than 5% of the total market value of the Fund.

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related party disclosures are regulated by International Accounting Standard (IAS) 24 the purpose of which is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

In broad terms parties are related for the purposes of IAS24 when one has control or significant influence over the other, or they are subject to common control or influence.

- Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

The related parties of pension schemes fall into three main categories:

- Employer related;

- Trustee related; and

- Officers and managers.

Employer Related Parties

The relationship between an employer and a pension scheme set up for its employees is by its nature very close. The table below details the nature of the related party relationships. It should be appreciated that no improper influence attaches to any of these relationships and at no time has the Pension Fund been inhibited from its responsibility to serve the best interests of its members.

Transaction	Description of its Financial Effect
Cost of early retirement due to redundancy - Note 8	As explained in Note 4 of the Statement of Accounting Principles and Policies, when employees who are members of the Local Government Pension Scheme take early retirement due to redundancy, there is a capitalised cost to the Pension Fund. This cost is re-imbursed by the employer granting early retirement.
Debtors - Note 9	Amounts due in respect of employers' and employees' contributions.
Creditors - Note 10	Payments are made by the Council's bank account on behalf of the Pension Fund. The Pension Fund reimburses the Council's bank account on a monthly basis.
Administration expenses - Note 11	The administration of the Pension Fund is undertaken by officers of the Council. The cost of their time is recharged to the Pension Fund as permitted by Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008.
Investment management expenses - Note 12	Council officers also provide investment monitoring services to the Pension Fund. It is also permitted under Paragraph 42 to recharge these costs to the Pension Fund.

The amounts involved in each of the above relationships are stated in their separate disclosure notes.

NOTES TO THE PENSION FUND ACCOUNTS

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES (continued)

Trustee Related Parties

Trustee related parties include:

a. trustees and their close families
b. key management (that is the directors and any senior officer) of a corporate trustee and their close families
c. entities controlled by, and associates and joint ventures of, the scheme itself
d. companies and businesses controlled by the trustees or their close families
e. companies and businesses controlled by the key management of a corporate trustee, or their close families.

Six members of the Pensions Committee were also governors of schools who were fund employers. The details of their interests are outlined below.

Councillor	Fund Employer	Contributions Payable £	Amount Outstanding at 31 March 2014 £	Date of Payment
Cllr Mansell	Norbury Manor Primary School	82,992	7,276	17 April 2014
Cllr Kellett	Monks Orchard Primary School	98,523	8,565	17 April 2014
Cllr Rajendran	Archbishop Lanfranc School	241,038	0	n/a
Cllr Bonner	Wolsey Junior School	45,519	0	n/a
Cllr Buttinger	Hayes Primary School	90,470	7,493	17 April 2014
Cllr Hall	Castle Hill Primary School	69,922	13,633	17 April 2014

Officers and Managers

Related parties under this heading include:

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

There were no transactions between officers and managers of the Pension Fund and the Pension Fund.

The only financial relationship that either trustees or officers and managers have with the Fund is as prospective or actual pensioners for those who are scheme members. For further details please refer to Note 32 of the London Borough of Croydon's Statement of Accounts 2013/14.

8. COST OF EARLY RETIREMENT DUE TO REDUNDANCY

The following note only applies to the London Borough of Croydon:

During the financial year 2013/14 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £0.5m of which £0.5m was reimbursed during 2013/14. From 2010/11 the entire capitalised cost of early retirement was due the year in which it was incurred.

At the commencement of the financial year 2013/14, £0.1m (2012/13 £0.3m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2013/14, £0.1m (2012/13 £0.2m) was reimbursed to the Pension Fund.

9. DEBTORS

	2013/14 £000	2012/13 £000
Other Local Authorities - Croydon Council	473	618
Other Local Authorities	0	15
Other Entities and Individuals:		
Investment Income	688	713
Investment Disposals	2,162	2,570
Sundry Debtors	1,244	911
	4,567	4,827

NOTES TO THE PENSION FUND ACCOUNTS

10. CREDITORS

	2013/14 £000	2012/13 £000
Other Local Authorities - Croydon Council	(5,215)	(4,550)
Other Local Authorities - LB Bromley	0	(17)
Other entities and individuals		
Investment purchases	(1,736)	(3,282)
Sundry expenses	(1,393)	(1,319)
	(8,344)	(9,168)

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

11. ADMINISTRATIVE EXPENSES

	2013/14 £000	2012/13 £000
Pensions administration and payroll (see note below)	1,034	840
Audit Fees	21	21
Actuarial expenses and valuation fees	269	102
Other administrative expenses	420	130
	1,744	1,093

Croydon Council's Pensions and Treasury section officers' time and related on-costs have been recharged to the Pension Fund, totalling £834k (2012/13: £666k). These relate to Croydon Council's costs of pensions administration and the non investment accounting work.

12. INVESTMENT MANAGEMENT EXPENSES

	2013/14 £000	2012/13 £000
Fund managers' fees (see (a) below)	1,680	738
Investment advisors' fees	193	324
Direct salary and other related expenses (see (b) below)	132	270
	2,005	1,332

(a) Fund managers' fees for segregated funds are based on the value of the funds under their control. The charges for pooled funds are deducted at source from the investments held.

(b) Croydon Council's Pensions and Treasury section officers' time and related on costs totalling £132k (2012/13: £270k) have been recharged to the Pension Fund. These costs relate to all aspects of administering the investments of the Pension Fund, including investment monitoring.

13. INVESTMENT INCOME

	2013/14 £000	2012/13 £000
Distributions from global equity fund managers	4,645	4,653
Infrastructure distribution	0	8
Henderson property funds	221	235
Schroder property funds	938	1034
Interest on cash deposits	513	26
Other interests and adjustments	11	8
	6,328	5,964

The figures above show actual investment income received by the Pension Fund. Therefore, these figures are net of any irrecoverable withholding tax. Note 20 discloses amounts that were deducted at source for taxation and irrecoverable.

14. LUMP SUMS

	2013/14 £000	2012/13 £000
Lump sum retirement benefits	7,435	6,551
Ill health retirement grants	177	167
Death grants	923	631
	8,535	7,349

NOTES TO THE PENSION FUND ACCOUNTS

15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Individual transfers	2,568	2,678	2,729	4,076
Total	2,568	2,678	2,729	4,076

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

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

17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There were no contingent liabilities at 31 March 2014. The Fund had the following contractual commitments denominated in Sterling, Euros and Dollars.

Fund Manager	Committed 000s	Drawn 000s	Due 000s
Pantheon			
USA IV Fund	$16,151	$14,940	$1,211
USA IX Fund	$23,200	$6,867	$16,333
PGCO II Fund	$16,000	$5,440	$10,560
Asia III Fund	$1,997	$1,858	$139
Asia VI Fund	$12,000	$3,420	$8,580
Euro III Fund	€ 12,299	€ 11,315	€ 984
Euro VII Fund	€ 17,000	€ 4,845	€ 12,155
Equitix			
Fund I	£10,000	£9,674	£326
Fund II	£10,000	£6,135	£3,865
Energy Efficiency Fund	£10,000	£1,142	£8,858
Knightsbridge			
KVC VII	$13,000	$9,360	$3,640
KVC VIII	$15,000	$600	$14,400

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

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVCs), in total £255k for 2013/14 (£259k in 2012/13), are sent directly to the relevant AVC provider.
The value at 31 March 2014 of separately invested additional voluntary contributions was £1.75m (£1.6m in 2012/13).

19. TOTAL CONTRIBUTIONS RECEIVABLE

There were no special or additional contributions receivable in the year.

20. TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation except for tax deducted at source from Real Estate Investment Trusts (REIT's). With respect to overseas tax, where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another. The amount of irrecoverable withholding tax paid in 2013/14 was £0.77m (£0.6m in 2012/13).

21. MEMBERSHIP

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

	2013/14	2012/13	% change
Contributing members	7,605	7,501	1.39%
Deferred pensioners	7,600	7,196	5.61%
Pensioners	6,578	6,366	3.33%
Total	21,783	21,063	3.42%

Active membership will be higher than the number provided above due to employees brought in via auto enrolment during the year which will be set up post preparation of the accounts.

NOTES TO THE PENSION FUND ACCOUNTS

22. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 as amended in April 2007 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands are detailed below:

Band	Range £	Contribution Rate %
1	0 -13,700	5.5%
2	13,701-16,100	5.8%
3	16,101-20,800	5.9%
4	20,801-34,700	6.5%
5	34,701-46,500	6.8%
6	46,501-87,100	7.2%
7	87,100+	7.5%

For the year ended 31 March 2014 the employers' rate was the same as for 2012-13, at 23.2% (consisting of 13.1% of pensionable pay and a lump sum deficit payment) for Croydon Council, the schools' non-teaching staff and scheduled bodies. Admitted bodies' rates varied depending upon the rates determined by the Actuary.

23. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

International Financial Reporting Standards require a disclosure of the Fund's past service liabilities in a manner consistent with International Accounting Standard 19 (IAS19), and the requirements of International Accounting Standard 26 (IAS26). It should be noted that some of the assumptions used when calculating liabilities under IAS19 are different compared to those when producing an on-going funding valuation under the Local Government Pension Scheme (Administration) Regulations 2008.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2013/14 requires administering Authorities of LGPS funds that prepare Pension Fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in Pension Fund accounts:

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

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

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2014 £m	31 Mar 2013 £m
Present value of Promised Retirement Benefits	1,321	1,267

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2014 comprises £472m in respect of employee members, £304m in respect of deferred pensioners and £545m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

NOTES TO THE PENSION FUND ACCOUNTS

23. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

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

Assumptions
The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2014 is to decrease the actuarial present value by £1m.

Financial Assumptions
My recommended financial assumptions are summarised below:

Year ended	31 Mar 2014 %p.a.	31 Mar 2013 %p.a.
Inflation/Pensions Increase Rate	2.8%	2.8%
Salary Increase Rate *	3.6%	4.6%
Discount Rate	4.3%	4.5%

* Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter.

Longevity Assumption
As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners *	24.4 years	26.7 years

* Future pensioners are assumed to be currently aged 45.

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund.

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 50% of the maximum tax-free cash for post-April 2008 service.

Professional Notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2014 for IAS19 purposes' dated 24 April 2014. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

16 May 2014

For and on behalf of Hymans Robertson LLP

NOTES TO THE PENSION FUND ACCOUNTS

24. EVENTS AFTER THE REPORTING PERIOD

At the end of June 2014 the market value of the Fund's investments had increased by £40m, of which £25m was a cash investment into equities, approximately £13m is due to market fluctuations performance and the remaining £2m is due to the balance of cash drawn down and distributed by private equity managers. The Fund's European Property holdings were transferred to Schroder Investments in May 2014.

Adjusting Events:
Croydon Council, as the administering Authority for the LGPS, collects and accounts for contributions from other Scheme employers. Contributions comprise: deductions from staff salaries, prescribed by the Scheme regulations; matching employer contributions, set out in the Actuarial Valuation certificate; and lump sum deficit contributions that are also set by the Actuary. The first two items are determined by payroll but the latter is fixed for a three-year period, commencing April 2014.

There are four employers within the Croydon Scheme who are not complying with the Scheme regulations in respect of these contributions.

Ruskin Private Hire, an admitted body, has gone into administration. An-offsetting arrangement contained in their admission agreement has ensured that monies due, in so far as they can be estimated, have been collected.

Another admitted body, Cabrini, has voluntarily commenced a process of formal wind-down, disposing of assets to make a contribution towards a termination valuation.

A third admitted body, Fairfield Halls, has failed to pay over their deficit contribution in compliance with the regulations. This debt will be off-set against grant due from the Council.

St James the Great Primary School, an academy, is in arrears paying over their employer contribution. A legal process is in train to recover sums due to the Pension Fund.

Each of these individual cases has been closely monitored throughout the year and hence provide evidence of conditions that existed at the Scheme year end, and so adjust the amounts recognised in the financial statement.

25. FINANCIAL INSTRUMENTS

Below is the investment strategy agreed by Pension Committee in 2012/13.

Asset Class	**Benchmark**	**Weighting**
UK and Overseas Listed Equities	MSCI AC World Index	50% +/ - 3%
Bonds	18% Merrill Lynch Sterling non gilts all stocks index 12% Merrill Lynch Sterling Broad Market index	25% +/ - 3%
Property	IPD All Properties index	10% +/ - 3%
Funds of Hedge Funds	3 month LIBOR plus 5% / plus 10%	4.00%
Private Equity	MSCI AC World Index / Absolute Return of 12%	5.00%
Infrastructure	Absolute Return of 12%	5.00%
Global Tactical Asset Allocation	3 month LIBOR plus 10%	0.00%
Cash and Short Term Deposits		1.00%
Total		**100.00%**

NOTES TO THE PENSION FUND ACCOUNTS

25. FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis
A movement of 1% in the value of equities would cause a change in the asset value of the Fund of £3.56m. A 1% change in the value of bonds would have a £1.64m effect.

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 (excluding cash) by category and Net Assets Statement heading. The Equitix Funds were reclassified from private equity to infrastructure during the period.

	Designated as fair value through profit and loss £000	Loans and Debtors £000	Financial assets and liabilities at amortised cost £000
Financial Assets			
Fixed interest securities	164,037	0	0
Equities	284,739	0	0
Pooled investments	107,866	0	0
Pooled property investments	65,028	0	0
Hedge Funds	29,567	0	0
Private equity	30,804	0	0
Infrastructure	26,314	0	0
Cash	0	37,309	0
Other investment balances	0	0	2,850
Debtors	0	1,717	0
Total Financial Assets	708,355	39,026	2,850
Financial Liabilities			
Other investment balances	0	0	(1,736)
Creditors	0	0	(6,608)
Total Financial Liabilities	0	0	(8,344)
Net Assets	708,355	39,026	(5,494)

Net Gains and Losses on Financial Instruments	31 March 2014 £000
Financial assets	
Fair value through profit and loss	28,300
Loans and debtors	0
Financial liabilities measured at amortised cost	0
Financial liabilities	
Fair value through profit and loss	0
Loans and debtors	0
Financial liabilities measured at amortised cost	0
Total	28,300

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:

	Carrying Amount £000	Fair Value £000
Financial Assets		
Fair value through profit and loss	708,355	708,355
Loans and Debtors	39,026	39,026
Financial assets at amortised cost	2,850	2,850
Total Financial Assets	750,231	750,231
Financial Liabilities		
Fair value through profit and loss	0	0
Financial liabilities at amortised cost	(8,344)	(8,344)
Total Financial Liabilities	(8,344)	(8,344)

NOTES TO THE PENSION FUND ACCOUNTS

25. FINANCIAL INSTRUMENTS (Continued)

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

Level One
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, 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 Two
Financial instruments at Level 2 are those whose quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.

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

These instruments include 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 Croydon 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.

Values at 31 March 2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	556,642	65,028	86,685	708,355
Financial Liabilities				
Financial Liabilities at fair value through profit and loss	0	0	0	0
Net financial assets	556,642	65,028	86,685	708,355

NOTES TO THE PENSION FUND ACCOUNTS

26. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

Market Risk

This is the risk that financial loss could arise as a result of fluctuations in interest rates, foreign exchange rates, credit spreads and equity and commodity prices. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

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

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

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

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, so the overall outcome will depend largely on the Funds' asset allocation. An example is provided below.

Asset type	Potential market movements (+/-)
Global Equities	11.73%
Total bonds plus index linked	4.03%
Alternatives	3.83%
Property	8.06%

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset type	Value	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Global Equities	392,605	11.73%	438,658	346,552
Total bonds plus index linked	164,037	4.03%	170,648	157,426
Alternatives	86,685	3.83%	90,005	83,365
Property	65,028	8.06%	70,269	59,787
Total Assets	708,355		769,580	647,130

NOTES TO THE PENSION FUND ACCOUNTS

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

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2014
	£000
Cash and cash equivalents	26,477
Cash Balances	10,832
Fixed interest securities	164,037
Total	201,346

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 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 effect 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 2014	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	26,477	265	(265)
Cash Balances	10,832	108	(108)
Fixed interest securities	164,037	1,640	(1,640)
Total	201,346	2,013	(2,013)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2014.

Currency exposure - asset type	Asset Value as at 31 March 2014
	£000
Overseas quoted securities	246,201
Overseas quoted securities - pooled	107,866
Overseas un-quoted securities	30,804
Overseas property	11,041
Overseas bonds (quoted)	50,524
Total overseas assets	446,436

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's performance management provider (WM Company), the Council considers the likely volatility associated with foreign exchange rate movements to be 5.21% (as measured by one standard deviation).

A 5.21% fluctuation in the currency is considered reasonable based on the WM Company's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTES TO THE PENSION FUND ACCOUNTS

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

A 5.21% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset Value as at 31 March 2014	Change in net assets available to pay benefits	
		+5.21%	-5.21%
	£000	£000	£000
Overseas quoted securities	246,201	259,028	233,374
Overseas quoted securities - pooled	107,866	113,486	102,246
Overseas un-quoted securities	30,804	32,409	29,199
Overseas property	11,041	11,616	10,466
Overseas bonds (quoted)	50,524	53,156	47,892
Total overseas assets	446,436	469,695	423,177

Credit risk

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

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2014 was £30.832 million (£33.74 million at 31 March 2013). This was held with the following institutions:

Summary	Rating at 31 March 2014	Balances as at 31 March 2014
		£000
Money Market Funds		
Goldman Sachs	AAA	5,950
Short Term Deposit Account		
Lloyds TSB	A	20,000
Current Account		
Royal Bank of Scotland		4,882
Total		30,832

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash. All financial liabilities at 31 March 2014 are due within one year.

Refinancing risk

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

10. Pension Fund Auditors Report

Independent auditor's statement to the Members of the London Borough of Croydon Council on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes. This report is made solely to the Members of the London Borough of Croydon Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Assets and Section 151 officer and the auditor

As explained more fully in the Statement of the Director of Finance and Assets and Section 151 officer Responsibilities, the Director of Finance and Assets and Section 151 officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of the London Borough of Croydon Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the sections on: Membership, Management of the Assets, Investment Report, and the Actuarial Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of the London Borough of Croydon Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Grant Thornton UK LLP

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP
30 September 2014

11. Actuarial Statement

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2013/14 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

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

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

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

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 Mar 2014 £m	31 Mar 2013 £m
Present value of Promised Retirement Benefits	1,321	1,267

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2014 comprises £472m in respect of employee members, £304m in respect of deferred pensioners and £545m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2014 is to decrease the actuarial present value by £1m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2014 % p.a.	31 Mar 2013 % p.a.
Inflation/Pensions Increase Rate	2.80%	2.80%
Salary Increase Rate	3.60%	4.60%*
Discount Rate	4.30%	4.50%

*Salary increases are 1% p.a. nominal until 31 March 2015 reverting to long term rate thereafter

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners*	24.4 years	26.7 years

*Future pensioners are assumed to be currently aged 45

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund.

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.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2014 for IAS19 purposes' dated 24 April 2014. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

16 May 2014

For and on behalf of Hymans Robertson LLP