



Hertfordshire  
Pension Fund  
Unaudited Annual Report and  
Statement of Accounts  
2022/23

	Page
➤ Introduction	
1. Foreword	2
2. Financial Summary	2
➤ Scheme Administration	
1. Background to the Scheme	3
2. Funding	4
3. Benefits	5
➤ Administering Authority Report	
1. Management	7
2. Governance and Compliance Statement	8
3. Risk Management	14
4. Administration	14
5. Communication	17
6. Actuarial Valuation Report	19
7. Membership	21
➤ Financial Statements	
1. Statement of Responsibilities	22
2. Independent Auditor's Report	23
3. Fund Account	26
4. Net Assets Statement	27
5. Statement of Accounting Policies	28
6. Notes to the Accounts	32
➤ Investment Report	
1. Investment Management	56
2. Investment Policy	58
3. Review of World Markets	60
4. Investment Performance	63
➤ Appendices	
i. List of Employing Bodies	66
ii. Fund Reports	72
➤ Glossary to the Annual Report and Accounts	73

## 1. Foreword

This report provides information for employers and other interested parties on how the Hertfordshire Pension Fund ("Pension Fund") has been managed during the year 1 April 2022 to 31 March 2023.

This report summarises the main features of the Pension Fund, providing:

- a brief outline of the Local Government Pension Scheme ("Scheme")
- the Administering Authority Report which outlines the management and administrative arrangements for the Pension Fund
- the financial statements comprising of the Fund Account and Net Assets Statement for the year 2022/23 with comparative information for the previous year. The Fund Account shows the change in net assets available for benefits during the year. The Net Assets Statement discloses the net assets of the Pension Fund at 31 March 2023
- an Investment Report which sets out the Pension Fund's Investment Policy and the level of performance achieved.

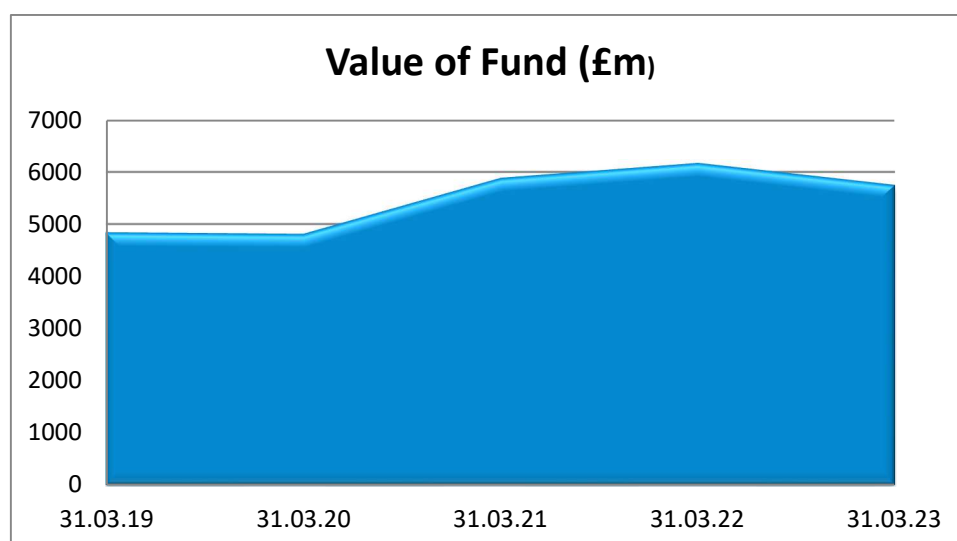
Over the year, the value of the Pension Fund decreased from £6,159m at 31 March 2022 to £5,744m at 31 March 2023. The overall investment return for the year was negative 6.7% (net of fees) which was equal to the benchmark of negative 6.7% for the year. A review of world markets is provided as part of the Investment report on page 60.

Over 2022/23 the number of contributing members has increased from 39,472 at 31 March 2022, to 42,720 at 31 March 2023, while the number of scheme employers increased from 400 at 31 March 2022 to 415 at 31 March 2023. The increase in the scheme employers is a result of schools converting to academy status and new employers seeking admission to the Pension Fund following the outsourcing of service contracts from scheme employers.

## 2. Financial Summary

The table below provides a five-year summary of the Pension Fund accounts and a graph showing the movement in the value of the Pension Fund over this period. This shows the net assets available to fund benefits at 31 March each year.

2018/19	2019/20	2020/21	2021/22		2022/23
£000s	£000s	£000s	£000s		£000s
<b>4,499,017</b>	<b>4,835,004</b>	<b>4,805,909</b>	<b>5,876,053</b>	<b>Value of the Pension Fund at 1 April</b>	<b>6,159,478</b>
30,474	44,822	25,905	20,090	Net additions / (withdrawals) from dealing with those directly involved in the scheme	30,328
(12,882)	(16,378)	(18,711)	(24,114)	Management expenses	(30,092)
318,394	(57,539)	1,062,950	287,449	Net returns on investments	(415,248)
<b>335,987</b>	<b>(29,095)</b>	<b>1,070,144</b>	<b>283,425</b>	<b>Increase / (Decrease) in the Pension Fund during the year</b>	<b>(415,012)</b>
<b>4,835,004</b>	<b>4,805,909</b>	<b>5,876,053</b>	<b>6,159,478</b>	<b>Value of the Pension Fund at 31 March</b>	<b>5,744,466</b>



## 1. Background to the Scheme

### Legal Framework

The Scheme is a statutory scheme, established by Act of Parliament, the Superannuation Act 1972. The Scheme is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following secondary legislation:

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

The Scheme is run by administering authorities in accordance with these regulations. In Hertfordshire the Administering Authority is Hertfordshire County Council.

### Eligibility

The Scheme is available to all employees of local authorities other than teachers, fire personnel and a number of Public Health staff for whom separate pension arrangements apply. Employees are able to join the Scheme if they have a contract of employment of three months or more duration.

Other specified bodies providing public services are included by statute or may apply for admission.

### Employers

At 31 March 2023 there were 415 employers in the Pension Fund. Participating employers can be scheduled bodies or admitted bodies, as defined below:

- **Scheduled bodies.** Employers such as the County Council (including maintained schools), Academies and District and Borough Councils, whose employees are automatically entitled to be members of the Fund. At 31 March 2023 there were 210 scheduled bodies participating in the Pension Fund.
- **Designated bodies.** Organisations such as Parish and Town Councils whose employees are able to join the Scheme if the employer designates that they can. At 31 March 2023 there were 46 designated bodies participating in the Pension Fund.
- **Admitted bodies.** These are voluntary, charitable and, in certain circumstances, private sector organisations carrying out scheduled bodies' contracts, where staff can become members of the Scheme by virtue of an Admission Agreement between the Pension Fund and the relevant body. At 31 March 2023 there were 159 admitted bodies participating in the Pension Fund.

A full list of employing bodies in the Pension Fund is shown in Appendix 1 at page 66.

The table below provides an analysis of scheduled and admitted bodies at 31 March 2023 and an analysis of active employers and employers that have ceased (these are employers with no active members but with outstanding liabilities). Admitted bodies may have more than one Admission Agreement in the Pension Fund relative to the service contracts they hold with scheduled bodies.

Type of Body	Active	Ceased	Total
Admitted bodies	60	99	159
Designated bodies	41	5	46
Scheduled bodies	195	15	210
<b>Total</b>	<b>296</b>	<b>119</b>	<b>415</b>

## 2. Funding

The Scheme is a funded scheme, financed by contributions from employees and employers and by earnings from investments. The Pension Fund has published a Funding Strategy Statement (shown in Appendix 2 at page 72), which sets out the Pension Fund's strategy for meeting employers' pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund and to ensure that sufficient funds are available to meet all benefits as they fall due for payment.

### Employees' Contributions

During 2022/23, employees paid contributions at a rate based on their earnings, including contractual and non-contractual overtime and additional hours. From 1 April 2014, the Scheme moved from a final salary scheme to a career average revalued earnings (CARE) scheme. As part of the CARE scheme, employees can elect to move to the 50/50 option which allows employees to pay half the normal contributions in return for half the normal pension benefits.

The rates and salary bandings applicable during 2022/23 are shown in the table below.

Band	Range	Contribution Rate
1	£0 - £15,000.99	5.50%
2	More than £15,001 up to £23,600.99	5.80%
3	More than £23,601 up to £38,300.99	6.50%
4	More than £38,301 up to £48,500.99	6.80%
5	More than £48,501 up to £67,900.99	8.50%
6	More than £67,901 up to £96,200.99	9.90%
7	More than £96,201 up to £113,400.99	10.50%
8	More than £113,401 up to £170,100.99	11.40%
9	More than £170,101	12.50%

### Employers' Contributions

Employers' contributions are payable at rates specified by the Pension Fund Actuary and are reviewed each triennial valuation. Rates are adjusted to reflect changes in the employer's membership profile and funding level in the Pension Fund (see page 19 for further details).

### Investment Income

The cash, which is not immediately required to pay pensions and other benefits, is invested and provides an additional source of income for the Pension Fund.

Fund investments during 22/23 were governed by the 2020 Investment Strategy Statement (ISS) which details investment strategy, asset allocation, risk analysis, and the fund's approach to Environmental, Social and corporate Governance (ESG) considerations. The ISS link is included on page 72.

### 3. Benefits

The Scheme is a salary-related defined benefit scheme which guarantees to provide benefits which are a specified fraction of a Scheme member's pay. Benefits are not affected by variations in investment performance.

The following provides the main provisions of the benefit package for the Scheme.

#### Age of Retirement

The normal pension age in the Scheme is linked to State Pension Age, with a minimum of age 65. The Scheme also makes provisions for the early payment of benefits and members can choose to retire and draw their pension at any time from age 55. Benefits paid before normal pension age will be reduced to reflect that benefits will be paid over a longer period of time.

#### Retirement Benefits

From 1 April 2014, the Scheme moved from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme details of which are accessible from the Pension Fund website at <https://www.lppapensions.co.uk/members/reports-statements/annual-benefit-statement/>

For membership after 1 April 2014, members build up a pension at a rate of 1/49<sup>th</sup> of the amount of pensionable pay they receive in each scheme year. The amount of pension built up during the scheme year is added to their pension account and revalued at the end of each year in line with inflation. Up to 25% of the capital value of benefits can be taken as a lump sum at a 12:1 commutation rate, i.e., £12 lump sum for every £1 of annual pension given up.

Benefits built up before 1 April 2014 are protected and are calculated using membership in the Scheme prior to 1 April 2015 and the member's final pay when they leave the Scheme.

For membership built up between 1 April 2008 and 31 March 2014, the annual pension is based on final pensionable pay multiplied by 1/60<sup>th</sup> for each year of Scheme membership. The final pensionable pay is the wage or salary on which contributions were paid over the last 12 months of service. Up to 25% of the capital value of benefits can be taken as a lump sum at a 12:1 commutation rate, i.e., £12 lump sum for every £1 of annual pension given up.

For membership accrued to 31 March 2008, members will receive an annual pension based on final pensionable pay multiplied by 1/80<sup>th</sup> for each year of Scheme membership and a lump sum of three times annual pension. Up to 25% of the capital value of benefits can be taken as a lump sum at a 12:1 commutation rate, i.e., £12 lump sum for every £1 of annual pension given up.

#### Additional Benefits

The Scheme offers several ways for members to increase their benefits:

- Additional Pension Contributions to purchase additional Scheme pension benefits.
- Contributions to a money purchase Additional Voluntary Contribution scheme ("AVC"), provided by the Standard Life Assurance Company or the Utmost Life and Pensions Company (originally called the Equitable Life Assurance Society).

#### Ill Health Retirement

A three-tier ill health retirement provision is available which is dependent on the likelihood of a member being capable of undertaking any gainful employment in the future. Benefits are calculated in the same way as for normal retirements, with an enhancement for members in tiers 1 and 2 to compensate for premature retirement. Members in tier 3 who are likely to be capable of undertaking gainful employment within three years of retiring must undergo a medical review after 18 months. At the end of the three-year period the member will either have their pension benefits deferred to age 65 or move to tier 2 following a medical assessment.

#### Death in Service

A lump sum death grant of three year's assumed pensionable pay is payable. Pensions are also payable to surviving spouses, civil partners, or to eligible nominated co-habiting partners (subject to qualifying conditions) and dependent children.

### **Death after Retirement**

Spouses', civil partners', eligible co-habiting partners' and dependent children's pensions are payable based on the former employee's pensionable pay or pension. In addition, if death occurred before the pension has been paid for ten years; the balance will be paid as a lump sum.

**The benefits detailed above are guidelines only and members should apply to the Local Pensions Partnership, the Scheme Administrator, for individual estimates of benefits payable.**

## 1. Management

Hertfordshire County Council (the "County Council") is the Administering Authority of the Pension Fund and administers the Scheme on behalf of the participating employers and members.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that functions relating to the Scheme are the responsibility of the full Council. The County Council has delegated these functions to the Pensions Committee and to the County Council's Chief Finance Officer, the Director of Resources.

The membership of the Pensions Committee is made up of ten County Council members and two District Council representatives. All employers and a staff representative, nominated by UNISON, are invited to attend meetings as observers.

The Administering Authority has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. The Board assists the Pension Fund in securing compliance with the Scheme regulations and other legal and regulatory requirements. The membership of the Pensions Board is made up of four employer representatives and four member representatives.

The Pension Fund's Governance Compliance Statement that was in force during 2022/23 is included on pages 8 - 13. This sets out the delegation of functions, terms of reference for the Pensions Committee and Pensions Board and has been updated to reflect the impact of Asset Pooling within ACCESS. It also outlines the Pension Fund's compliance with statutory guidance issued by the Secretary of State for Communities and Local Government.

### Pensions Committee Membership during 2022/23

Membership from April 2022 – May 2022

County Council Members		
A Williams (Chairman)	J Kaye	A England
T Kingsbury (Vice-Chairman)	A Ward-Booth	S Symington
JM Graham	R Parker	S Taylor
K Crofton		

District Council Representatives (non-voting)		
P Mason	N Pace	J Lloyd

Membership from May 2022 – March 2023 (following local elections and committee restructure)

County Council Members		
A Williams (Chairman)	J Kaye	A England
A Ward-Booth (Vice-Chairman)	R Deering	S Symington
JM Graham	R Parker	A Khan
K Crofton		

District Council Representatives (non-voting)		
P Mason (left July 2022)	N Pace	J Lloyd (left Sept 2022)
I Albert (started March 2023)		

### Pensions Board Membership during 2022/23

Employer Representatives	Member Representatives
Board Members	
A Mitchell	T Perkins
J Adam	M Collier
S Ansell	M Patel (left April 2022)
J Kidd	G Johnson
	J Byford (started April 2022)
Substitute Members	
T Hone	S Moore
R McCarthy	J Hurley
B Kane	
T Doyle (started Aug 2022, left October 2022)	



## 2. Governance and Compliance Statement

This statement is prepared in accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013, which require administering authorities to maintain and publish a governance compliance statement. It has been prepared by the Administering Authority in consultation with appropriate interested persons.

This Statement was approved by the Pensions Committee on 3<sup>rd</sup> March 2020.

### Delegation of Functions

The Administering Authority for the Local Government Pension Scheme in Hertfordshire is Hertfordshire County Council (the "County Council"). Management of the Local Government Pension Scheme is a non-executive function.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that the functions relating to the Local Government Pension Scheme are the responsibility of the full Council. The County Council has delegated these functions to the Pensions Committee, whose members can make decisions without reference to the full Council.

The Pensions Committee are responsible for the functions set out in the following regulations:

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

In parallel to this, the County Council has delegated functions relating to the Pension Fund to the County Council's Chief Finance Officer, the Director for Resources, as specified in Annex 3 of the County Council's Constitution.

The Pension Committee is supported by a cross-party working group consisting of four members (in proportion to the political representation of the full Council) from the Pension Committee, supported by officers and external advisors – such as the investment consultant. The remit of this group going forwards will be to support Officers with decisions required when transitioning to the new Investment Strategy, as well as support with other pension related matters where appropriate.

The County Council has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. In accordance with Sections 5(1) and (2) of the Act and section 106 of the Local Government Pension Scheme regulations 2013, the role of the Board is to:

- Secure compliance with:
  - The Local Government Pensions Scheme regulations;
  - Other legislation relating to the governance and administration of the Local Government Pension Scheme; and
  - The requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme.

and to

- Ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

## Terms of Reference

The functions relating to the management and governance of the Pension Fund have been delegated as follows.

The Pensions Committee is responsible for policy matters including:

- Setting and monitoring performance objectives for the Pension Fund
- Approval and review of the overall investment strategy of the Pension Fund
- Approval and review of asset allocation decisions
- Performance monitoring Investment Managers and investments
- Appointing (and, when necessary, dismissing) Investment Managers\*
- Appointing (and, when necessary, dismissing) Investment Consultants
- Appointing (and, when necessary, dismissing) the Pension Fund Actuary
- Appointing (and, when necessary, dismissing) the Pension Fund Custodian
- Setting and approving Administering Authority discretions for the Local Government Pension Scheme
- Approval of key policies and statements:
  - Investment Strategy Statement
  - Funding Strategy Statement
  - Governance Compliance Statement
  - Communications Strategy Statement
- Agreeing and monitoring actions to address findings from any review of Pension Fund activities

\* Following the requirement of LGPS to pool investments announced in the 2015 Summer Budget, the UK Equity and Global Equity mandates with Baillie Gifford and the Core Plus Bond mandate with Royal London have transferred to the operator of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) - of which Hertfordshire is a member. The responsibility for appointing (and, when necessary, dismissing) Investment Managers within ACCESS sits with the Operator. For all other assets held outside of the pool, this responsibility remains with the Pension Committee

The primary governance function of the ACCESS pool is the Joint Governance Committee (JGC), which is made up of the chairs of each of the eleven funds within the ACCESS pool.

The ACCESS Joint Governance Committee is responsible for:

- Specifying the Operator services to be procured;
- Procuring the Operator;
- Appointing the Operator;
- Reviewing the performance of the Operator;
- Managing the Operator;
- Appointment of advisers;
- Functions in relation to management of pool assets;
- Functions concerning pool aligned assets; and
- Functions concerning business planning and budget.

The Pension Board is responsible for:

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund
- Reviewing and monitoring the training plan of the Pensions Board and elected members and officers with delegated responsibilities for the management and administration of the Pension Fund
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers
- Reviewing the implementation of revised policies and procedures, including the Administering Authority discretions
- Reviewing the compliance of projects commissioned by the Pensions Committee, including the Triennial Valuation of the Pension Fund
- Ensuring pension rules and regulations are being complied with, when officers are making decisions on pension matters
- Scrutinising data quality
- Reviewing internal audit reports
- Assisting in the development of improved customer services
- Reviewing compliance of Investment Managers with Investment Management Agreements
- Reviewing progress of agreed actions to address findings from any review of the Pension Fund activities.

## Administering Authority Report

All other operational decisions in the administration and management of the Pension Fund including exercising the Administering Authority's Discretions are delegated to the County Council's Chief Finance Officer, the Director of Finance.

### Membership, Voting and Meetings

The membership, voting rights and frequency of meetings of the Pensions Committee and Pensions Board are set out in the table below:

	Pensions Committee	Pensions Board
<b>Membership</b>	Ten County Council members (in proportion to the political representation of the full Council) and three (non-voting) District Council representatives elected by the Hertfordshire Leaders' Group as outlined in Annex 3 (section 2.4) of the Hertfordshire County Council Constitution.	Four employer representatives and four member representatives
<b>Chairman</b>	Elected by full Council	Elected by the Pension Board and rotated every two years between member and employer representatives
<b>Observers</b>	Staff representative, nominated by UNISON	
<b>Voting</b>	County Council Members, as elected Members of the Administering Authority, have voting rights in accordance with the Local Government (Committee and Political Groups) Regulations 1990 SI No 1553 5 (1)(d).	All employer and member representatives have voting rights
<b>Meetings per annum</b>	Six	Four

Further information on the constitution of the Pension Board, including the appointment of employer and member representatives, standards and conflicts of interest can be found in Annex 23 of the County Council's Constitution.

### Training

Members of the Pensions Committee and Board receive regular training in line with CIPFA and national guidance. The training policy and training requirements are reviewed as part of the annual business plan reviews for the Committee and Board.

## Compliance with Statutory Guidance

The following table provides a summary of how the Pension Fund complies with the statutory guidance issued by the Secretary of State for Communities and Local Government.

Pension Fund Compliance Statement	
Principle	Compliance and Comments
<b>A. Structure</b>	
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointment Council.	Full
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable
<b>B. Representation</b>	
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:	
i) employing authorities (including non-scheme employers, e.g., admitted bodies):	<p>Full</p> <p>The County and District Councils, whose employees make up 67% of the active membership, are represented on the Pensions Committee.</p> <p>The Pensions Board is made up of four employer representatives and four scheme member representatives</p>
ii) scheme members (including deferred and pensioner scheme members);	<p>Full</p> <p>UNISON has an observer place on the Pensions Committee to represent all Scheme members.</p>
iii) independent professional observers, and	<p>No – the Committee takes regular input from external professional advisors (see below). It is considered that an additional independent professional advisor would come at a cost, but not add significant value.</p>

Pension Fund Compliance Statement	
Principle	Compliance and Comments
iv) expert advisors (on an ad-hoc basis)	Full The Pension Fund's Investment Adviser, Actuary and Administrator attend the Pensions Committee when appropriate.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights	Full
<b>C. Selection and Role of Lay Members</b>	
a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Full
<b>D. Voting</b>	Full
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	The policy is clear that only County Council members can vote. The Pensions Committee believes that the voting arrangements are justified, because in practice the vast majority of decisions are reached by consensus.
<b>E. Training/Facility Time/Expenses</b>	Full
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Training is provided internally and externally and offered to all Pensions Committee and Board members. Reimbursement of expenses is covered by the members' allowance schemes in their authority.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Full
<b>F. Meetings (frequency/quorum)</b>	
a) That an administering authority's main committee or committees meet at least quarterly.	Full
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable

Pension Fund Compliance Statement	
Principle	Compliance and Comments
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Full An annual employers' forum is held to update employers on Pension Fund matters.
<b>G. Access</b> a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Full
<b>H. Scope</b> a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full
<b>I. Publicity</b> a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Full

### 3. Risk Management

Responsibility for the risk management of the Pension Fund rests with the Pensions Committee and is assisted by the Pensions Board in the monitoring of risks.

Key risks are incorporated in the Pension Fund's Risk Register, which was approved by the Pensions Committee on 3 March 2020 as part of the Funding Strategy Statement.

Four key risks to the Pension Fund have been identified:

- The Pension Fund's Investment Strategy does not deliver the long-term projected investment returns and/or does not comply with legislation.
- The funding level of the Pension Fund deteriorates.
- Employers default on meeting their obligations to the Pension Fund and the Scheme.
- The Pension Fund and its third-party providers do not comply with regulations, statute or procedure.

A number of underlying risk control mechanisms are in place that aim to manage these risks and these are detailed in the Funding Strategy Statement on page 72. Risks are monitored on a regular basis and quarterly reports are presented to the Pensions Committee and Board, providing an update on the status of these risks. The quarterly reports and minutes of the Pensions Committee and Board meetings are accessible from <https://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings.aspx>.

Investment risk and return objectives for the Pension Fund are set out in the Investment Strategy which is reviewed at regular intervals to ensure that it will achieve the objectives. Note 6.14 of the Financial Statements provides details on the nature and extent of risks arising from financial instruments and how these are managed.

Employers are monitored against a risk monitoring framework that aims to identify employers at an early stage who are at risk of defaulting on their obligations to the Pension Fund. A quarterly update is provided to the Pensions Committee and Board.

### 4. Administration

Hertfordshire County Council is the Administering Authority of the Pension Fund and administers the Scheme in conjunction with the contracted business services listed below.

**Scheme Administrator providing scheme administration services for members in conjunction with the County Council:**

- Local Pensions Partnership Administration (LPPA)

**Investment Managers during 2022/23 investing funds on behalf of the Pension Fund:**

- Allianz Global Investors Europe GmbH
- Baillie Gifford & Co.
- BlueBay Asset Management LLP
- CBRE Global Collective Investors (UK) Limited
- Dodge & Cox Worldwide Funds plc
- HarbourVest Partners, LLC
- Insight Investment Management Limited
- Legal & General Assurance (Pension Management) Limited
- LGT Capital Partners (Ireland) Limited
- Longview Partners LPP
- Macquarie Group Limited
- Municipal & General Securities Company Limited
- Pantheon Ventures UK LLP
- Permira Advisers, LLP
- Royal London Asset Management Limited
- Standard Life Investments Limited
- UBS Group AG

**ACCESS Operator**

- Link Fund Solutions Ltd

**Custodian maintaining and managing investment records and safeguarding the Pension Fund's assets:**

- BNY Mellon Asset Servicing B.V.
- Northern Trust Corporation

**Consulting Actuary providing actuarial services:**

- C McFadyen, Fellow of the Institute and Faculty of Actuaries, for and on behalf of Hymans Robertson LLP
- B Dodds, Fellow of the Institute and Faculty of Actuaries, for and on behalf of Hymans Robertson LLP

**Investment Consultant providing investment advice:**

- Mercer Limited

**Performance Measurement Consultants providing independent reporting on investment performance:**

- BNY Mellon Asset Servicing B.V.
- Northern Trust Corporation

**Additional Voluntary Contributions providers for members wishing to increase benefits:**

- Utmost Life and Pensions Company
- Standard Life Assurance Company

**External Auditor:**

- Elizabeth Jackson, for and on behalf of Ernst & Young LLP

**Banker:**

- National Westminster Bank plc

**Legal advisor:**

- Squire Patton Boggs (UK) LLP

**The Pension Fund is a member or subscriber of the following bodies:**

- Local Authority Pension Fund Forum
- Local Government Pension Committee
- Pension and Lifetime Savings Association

**Key contacts**

**Administering Authority**

For Investments

Patrick Towey  
Head of Pensions  
Hertfordshire County Council  
Postal Point CHN 403  
County Hall, Pegs Lane  
Hertford, SG13 8DQ

01992 555148

[pensions.team@hertfordshire.gov.uk](mailto:pensions.team@hertfordshire.gov.uk)

**Legal Adviser**

Quentin Baker  
Chief Legal Officer, Hertfordshire County Council

**Regional Pool Operator**

Richard Thornton  
[richard.thornton@linkgroup.co.uk](mailto:richard.thornton@linkgroup.co.uk)

**Scheme Administrator**

For Benefits and Administration

Jane Watkinson  
Local Pensions Partnership Administration  
Hertfordshire Pension Team  
PO Box 1384  
Preston  
PR2 0WS

01772 737523

[jane.watkinson@localpensionspartnership.org.uk](mailto:jane.watkinson@localpensionspartnership.org.uk)



## Administration Strategy

The Pension Fund has published an Administration Strategy ("Strategy") that sets out the responsibilities of the Pension Fund and employers and defines the required performance standards expected of the Pension Fund and its employers and also provides details of the charges that will be levied for non-compliance.

The Strategy has been prepared in accordance with regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended). This enables a Local Government Pension Scheme Fund to prepare an administration strategy to support the delivery of a high-quality administration service.

The Strategy was produced in consultation with employers and subsequent revisions are made in consultation with employers and approved by the Pensions Committee. The latest version was approved by the Pensions Committee on 27 February 2015 and implemented on 1 April 2015 and is accessible from the Pension Fund website at: <https://www.hertfordshire.gov.uk/about-the-council/freedom-of-information-and-council-data/open-data-statistics-about-hertfordshire/hertfordshire-pension-fund.aspx>

## Annual Performance Report

A set of key performance indicators has been agreed and approved by the Pensions Committee and these are used to measure and report on the performance of the Administering Authority, the outsourced pensions administration service provider LPPA and employers. Performance is reported to the Pensions Committee and Board on a quarterly basis and the reports and minutes from these meetings are accessible from:

<http://cmis.hertfordshire.gov.uk/hertfordshire/CabinetandCommittees.aspx>.

## Performance of the Administering Authority

The following table provides details of the Pension Fund's management costs shown as a unit cost per member (contributors, deferred and pensioner) and as a percentage of Net Assets, with comparative data for 2021/22.

	2021/22	2022/23	Trend
Total management costs per member	£201.49	£250.03	▲
Administrative expenses per member	£26.57	£25.70	▼
Total management costs as a percentage of Net Assets	0.37%	0.52%	▲

The Administering Authority is measured against performance and compliance with statutory requirements placed on administering authorities for the administration of pension funds. Performance of the Administering Authority is reviewed by periodic Internal Audit review and by the volume of complaints or internal disputes raised against the Administering Authority. The following provides details of performance for 2022/23:

- The annual external audit was carried out between March 22 and September 2023 by Ernst & Young LLP. This reviewed the 2021/22 Annual Report and Accounts to provide a true and fair opinion on the financial statements. Ernst & Young LLP issued a positive Audit Results Report with no recommendations for improvements.
- As part of the annual external review of the 2022/23 Annual Report and Accounts, during September 2023, Ernst & Young LLP carried out an assessment of internal controls. Ernst & Young LLP's findings from the assessment will be published as part of the 2022/23 Audit Results Report for the Pension Fund.
- During 2022/23 there were seven Internal Disputes against the Administering Authority; one of these was upheld, one was partially upheld, three not upheld and two outstanding at year end. A copy of the internal disputes' resolution procedure is accessible from the Pension Fund website, <https://www.lppapensions.co.uk/customer-care/>
- The Pension Fund achieved the statutory deadline of 31 August 2022 for the issue of the 2022 Annual Benefit Statements for 87.91% of members. Those members who did not receive their statements by the deadline were supplied with an interim statement.

## Performance of the Pensions Administration Service

Performance of the pensions administration service delivered by the LPPA is measured against targets set out in the Service Level Agreement and against the number of complaints raised about service delivery. The following provides details of performance for 2022/23:

- During 2022/23, 189 complaints were received; 40 of these were upheld and resolved, 98 were not upheld and 51 were outstanding at year end.
- Efficiency of the pensions administration service is measured against Service Level Agreement performance targets which are monitored and reported on a monthly basis. The following chart sets out results for 2022/23 for key service tasks.

## Administering Authority Report

Pensions Administration Task	Annual Total	Standard <sup>1</sup>	Within Standard
Joiners to the LGPS	4,008	10 working days	98.3%
Pensions transfer in	1,191	10 working days	84.3%
Pensions transfer out	1,518	10 working days	84.8%
Processing estimates for retirements	1,557	10 working days	91.1%
Processing pensions benefits for deaths	1,455	5 working days	71.8%
Processing refunds of pensions contributions	2,446	5 working days	82.3%
Processing deferred member retirements	3,113	5 working days	94.2%
Processing active member retirements	1,900	5 working days	86.9%

<sup>1</sup> From receipt of accurate information

## Charges and Value for Money

The Fund believes it is important that the costs and charges provide good value in relation to the benefits and services provided to members.

To ensure that this is the case, the cost per member is monitored as well as broader financial performance. The Pensions Committee is required to consider and approve the budget for the LPPA and its subsidiaries, including administration functions and there is the opportunity to challenge anticipated costs. The shareholder agreement principles include a requirement for any decision made by LPPA to ensure long term value for money. All staffing for the pension fund's administration service is provided by LPPA. Where a new service is carried out by the partnership then comparison should be made to wider market benchmarks.

## Performance of Employers

Employers' performance in administering the Scheme is measured against targets set out in the Administration Strategy and compliance with performance standards. The following provides details of performance for 2022/23:

- A total of 86 charges were levied against 56 employers (17.02% of active employers) for late submission of contribution returns or late payment of monthly contributions. Interest was levied on employers for late payment of contributions in accordance with regulation 70 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 94.83% of active employers paid contributions by the due date each month.
- 88.15% of active employers submitted LG221 monthly contribution returns by the due date.

To ensure compliance with the statutory deadline for the issue of the 2022/23 Annual Benefit Statements to LGPS members, the Pension Fund worked with scheme employers to ensure they understood their responsibilities under the Scheme and the sanctions that may apply if requirements were not met and implemented a communication plan for advising scheme employers of the requirements, timescales and support available.

## 5. Communication

The Pension Fund has published a Communication Policy Statement which sets out how it communicates with employers and representatives of employers, Scheme members and prospective Scheme members. It was approved by the Pensions Committee on 4 September 2017.

### Communication Policy Statement

This Statement is prepared in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013, which requires an Administering Authority to prepare, maintain and publish a statement on its policy for communicating with members and employing authorities.

### Employers

The following methods are used to communicate with employers in the Pension Fund:

- **Annual General Meeting/Employer Forum**  
All employers are invited to attend, to listen to presentations on topical issues and to raise questions about the Pension Fund.

- **Quarterly Employer Newsletters and Ad Hoc Bulletins**

All employers receive quarterly newsletters which provide information, advice and guidance about administering the Scheme. Ad hoc bulletins are also published to advise employers about specific issues that require attention or action e.g., changes to Scheme regulations.

- **Annual Report and Accounts**

A copy of this publication is sent to all employers and is available from the Pension Fund's website:

<https://www.hertfordshire.gov.uk/about-the-council/freedom-of-information-and-council-data/open-data-statistics-about-hertfordshire/hertfordshire-pension-fund.aspx>

- **Hertfordshire Chief Finance Officers' Meeting**

The Director of Finance for the County Council keeps in contact with the District and Borough Councils through these meetings and keeps them up to date with pension matters.

- **Pension Committee Reports and Minutes**

These are available to employers and members who wish to review them, from the Hertfordshire County Council website: <http://cmis.hertfordshire.gov.uk/hertfordshire/CabinetandCommittees.aspx>

- **Pension Board Reports and Minutes**

These are available to employers and members who wish to review them, from the Hertfordshire County Council website: <http://cmis.hertfordshire.gov.uk/hertfordshire/CabinetandCommittees.aspx>

- **Guidance and Help**

Hertfordshire County Council staff and the Local Pensions Partnership Administration (LPPA), the Pension Fund's outsourced scheme administrator, are available to give advice on the telephone, by letter or by email.

Comprehensive information and guidance are also accessible from the Pension Fund website:

<https://www.lppapensions.co.uk/>

## **Scheme Members\***

The following methods are used to communicate with Scheme members:

- **Telephone Helpline**

The LPPA provide a telephone helpline for all enquiries from Scheme members on any aspect of their pension arrangements.

- **Annual Benefit Statements**

All active and deferred Scheme members receive an Annual Benefit Statement (ABS) setting out the level of benefits that have been built-up, along with a forecast of benefits at retirement.

- **Internet**

The Pension Fund's website provides information about Scheme benefits. Scheme members may also have access to information about their pension benefits by subscribing to an online service.

- **Information Letters**

Information about changes in regulations is provided to employees via their employers in a range of media, including e-mail and letter.

- **Payslips**

All pensioners receive at least three payslips each year and messages are included whenever there is new information to be communicated.

- **Newsletter for Pensioners**

An annual newsletter is mailed to pensioners and two in-year newsletters are published and are accessible from the Pension Fund website.

\*The scheme has largely moved to electronic means of communication (including ABS Statements, Payslips and Pensioner Newsletters) with members, as opposed to paper copies, where possible. This includes online self-service, as well as e-mail communications, notifications and alerts. The Fund provided members with two written notices to this effect, allowing members the opportunity to opt-out of electronic communication, and continue to receive paper copies.

## Prospective Scheme Members

The methods used to ensure that prospective members are aware of the Scheme and its benefits are:

- **Job Advertisements**  
Many employers advertise the benefits of the Scheme in their job advertisements.
- **Scheme Booklet**  
All new starters in the employing organisations in the Pension Fund are provided with a Scheme booklet which summarises the benefits available from the Pension Fund.
- **Induction Sessions**  
Employers in the Pension Fund are encouraged to include pensions in their induction sessions for new starters.

## 6. Actuarial Valuation Report

The Pension Fund is financed by contributions from employees and employers and by investment income earned on accumulated funds not immediately required for the payment of benefits and expenses. The Pension Fund Actuary reports periodically to the County Council on the Pension Fund's solvency and to identify the contributions payable by employers to the Pension Fund in the future to meet the funding objectives of the Pension Fund.

The Pension Fund has published a Funding Strategy Statement (see page 72), which sets out the Pension Fund's strategy for meeting employers' pension liabilities. The aim of the funding strategy is to ensure the long-term solvency of the Pension Fund and to ensure that sufficient funds are available to meet all benefits as they fall due for payment. The Pension Fund Actuary takes account of the Funding Strategy Statement when advising on the level of employer contributions to be paid.

### Actuarial Statement for 2022/23 Provided by Hymans Robertson LLP

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

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2020. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 71% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £6,162 million, were sufficient to meet 106% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £370 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### Method

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

### Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

### Financial Assumptions

Financial assumptions	31 March 2022
Discount rate	3.8% pa
Salary increase assumption	3.2% pa
Benefit increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

### Males/Females

	Males	Females
Current Pensioners	22.1 years	24.7 years
Future Pensioners*	22.9 years	26.1 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

### Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

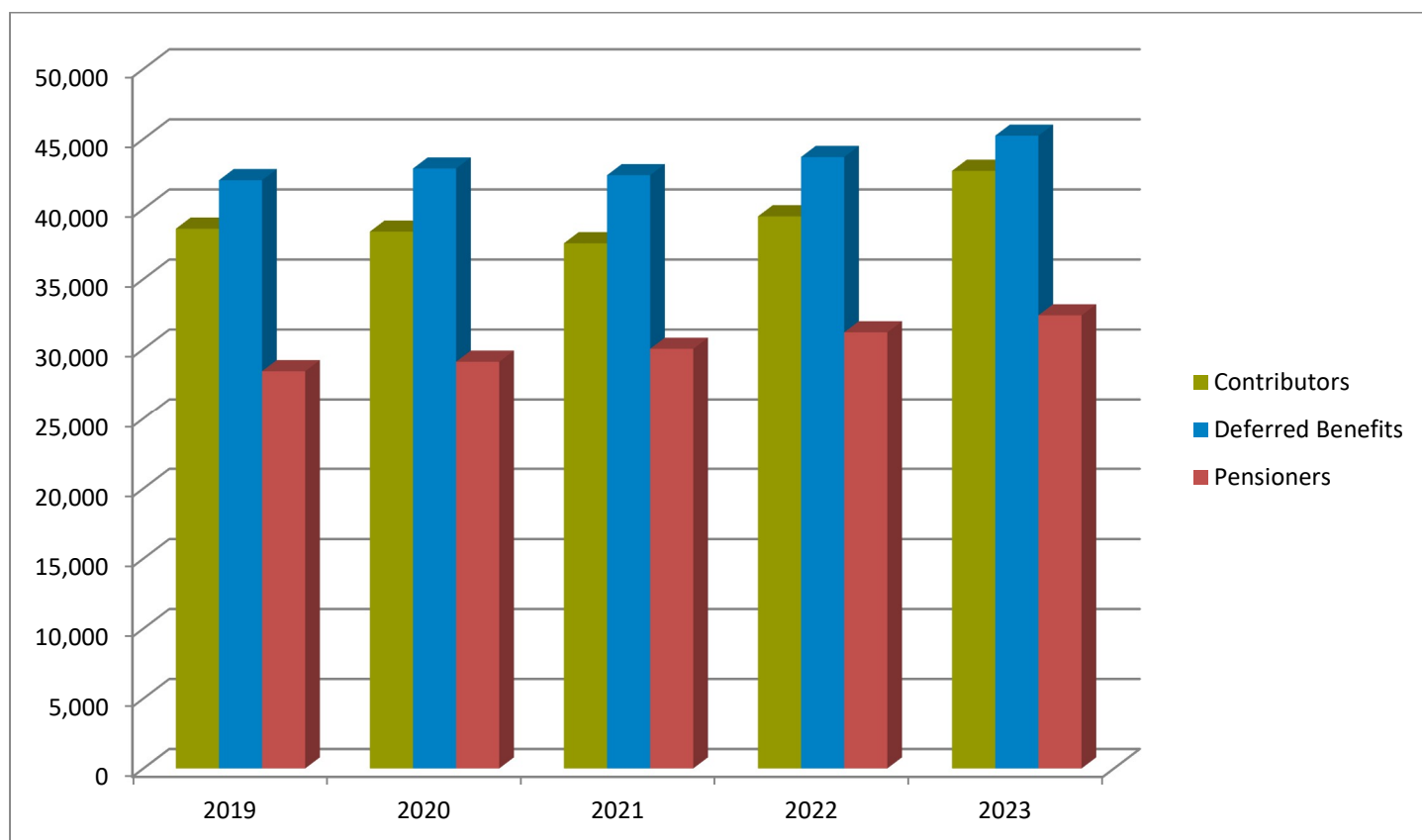
Barry Dodds FFA

30 May 2023

For and on behalf of Hymans Robertson LLP

## 7. Membership

The following graph shows the changes in membership over the last five years and the following table analyses the membership between member groups along with comparative figures for 2022.



31 March 2022		31 March 2023
39,472	Contributors	42,720
31,193	Pensioners	32,407
43,707	Deferred benefits (former contributors)	45,230
<b>114,372</b>	<b>Total Members</b>	<b>120,357</b>

The table below shows an analysis of the membership of the Pension Fund between the Administering Authority, admitted bodies and other employers at 31 March 2023.

	Contributors	Pensioners	Deferred Benefits
Administering Authority	21,318	16,947	27,977
Admitted Bodies	1,129	2,541	1,881
Other scheduled bodies	20,273	12,919	15,372
<b>Total</b>	<b>42,720</b>	<b>32,407</b>	<b>45,230</b>

## **1. Statement of Responsibilities**

### **Hertfordshire County Council's Responsibilities**

Hertfordshire County Council is the Administering Authority of the Pension Fund. The Administering Authority is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that one of its officers has responsibility for the administration of those affairs. In this Administering Authority that officer is the Director of Resources;
- manage the affairs of the Pension Fund to secure economic, efficient and effective use of the Pension Fund's resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Finances' Responsibilities**

The Director of Finance is responsible for the preparation of the Pension Fund's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**2. Independent Auditor's Report to the Members of Hertfordshire County Council on the Pension Fund's financial statements**

# **HOLD FOR AUDIT REPORT**



# **HOLD FOR AUDIT REPORT**

# **HOLD FOR AUDIT REPORT**

## 3. Fund Account

2021/22		Note	2022/23	
£000s	£000s		£000s	£000s
43,426		6.1	46,971	
154,144		6.1	166,476	
13,183		6.2	12,337	
4			1	
	<b>210,757</b>			<b>225,785</b>
(146,641)			(153,982)	
(23,379)			(23,366)	
(4,539)			(2,972)	
	<b>(174,559)</b>	<b>6.3</b>		<b>(180,320)</b>
(774)			(620)	
10			1	
(15,344)		6.4	(14,519)	
	<b>(16,108)</b>			<b>(15,137)</b>
	<b>-</b>			<b>-</b>
	<b>20,090</b>			<b>30,328</b>
(3,038)			(3,093)	
(1,784)			(1,987)	
(19,291)		6.5	(25,013)	
	<b>(24,114)</b>			<b>(30,092)</b>
46,808		6.6	69,337	
(172)			(122)	
240,812		6.7	(484,464)	
	<b>287,448</b>			<b>(415,248)</b>
	<b>283,425</b>			<b>(415,012)</b>
	<b>5,876,053</b>			<b>6,159,478</b>
	<b>6,159,478</b>			<b>5,744,466</b>

## 4. Net Assets Statement

31 March 2022		Note	31 March 2023	
£000s	£000s		£000s	£000s
316,183		Equities	315,745	
		<u>Pooled investment vehicles</u>		
824,083		Pooled property investments	753,612	
1,316,022		Unitised insurance policies	1,210,891	
2,504,387		Unit trusts	2,197,134	
349,763		Private Equity	398,064	
125,931		Infrastructure Debt	108,859	
611,105		Other managed funds	636,428	
31		Derivative contracts	3,281	
65,408		Cash deposits	63,121	
1,541		Other investment balances	6,095	
	<b>6,114,454</b>	<b>Total investment assets</b>		<b>5,693,230</b>
(2,322)		Derivative contracts	-	
-		Other investment balances	(3,366)	
	<b>(2,322)</b>	<b>Total investment liabilities</b>		<b>(3,366)</b>
	<b>6,112,131</b>	<b>Total investment assets and liabilities</b>		<b>5,689,864</b>
-		Long term assets	-	
	<b>-</b>	<b>Total non-current assets and liabilities</b>		<b>-</b>
50,983		Current assets	59,223	
(3,636)		Current liabilities	(4,621)	
	<b>47,347</b>	<b>Total current assets and liabilities</b>		<b>54,602</b>
	<b>6,159,478</b>	<b>Net assets of the Scheme available to fund benefits as at 31 March</b>		<b>5,744,466</b>

**S Pilsworth**  
**Director of Finance**

## 5. Statement of Accounting Policies

### Basis of Preparation

The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards, as amended for the UK public sector.

The accounts summarise the transactions for the 2022/23 financial year and net assets of the Pension Fund as at 31 March 2023. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits at the Net Assets Statement date is detailed in Note 6.15.

### Valuation of Assets

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the Net Asset Statement on the date the Pension Fund becomes party to the contractual acquisition of the asset or to the liability. From this date, any gains or losses arising from changes in the fair value of the asset or liability are recognised in the Fund Account. The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the regulation of the Code, IFRS13 and IFRS9. The values on investments as shown in the net assets statement have been determined as follows:

- Market-quoted securities, for which there is a readily available market price, are valued at bid price at the close of business on the net asset date.
- Fixed interest securities are recorded at net market value based on their current yields.
- Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are quoted by the respective Investment Managers. If only a single price is quoted, investments are valued at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income, which is reinvested in the fund net of applicable withholding tax.
- Unquoted investments for which market quotations are not readily available are valued having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.
- Indirect private equity investments are interests in limited partnerships and are stated at the partnership's estimate of fair value. Investments are valued based on the Pension Fund's share of the net assets of the private equity fund. For private equity limited partnerships there is usually a time delay in receiving information from the private equity Investment Managers. The valuations shown in the Net Assets Statement for these investments are the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the net asset date.
- Forward foreign exchange contracts are stated at fair value which is determined as the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract.
- Investment assets and liabilities include cash balances held by the Investment Managers and debtor and creditor balances in respect of investment activities as these form part of the net assets available for investment.
- Rights issues are processed on ex-date. If the value of the rights on ex-date is 15% or more of the value of the underlying security, cost is allocated from the parent to the rights. If the value is less than 15%, the rights are allocated at zero cost.

### Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution, repayable without penalty and on notice of not more than 24 hours. Cash equivalents comprise investments that are held to meet short-term liabilities rather than for investment or other purposes. These 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. Bank overdrafts, repayable on demand and which form an integral part of the County Council's treasury management function, are also included as a component of cash and cash equivalents.

### Foreign Currency Translation

All investments are shown in Sterling. Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of transaction. End of year spot market exchange rates are used to value foreign currency cash balances, market values of overseas investments and purchases and sales outstanding at the net asset date.

Gains and losses on exchange arising from foreign currency investment and cash balances are included within the Fund Account for the year.

## Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, allows the Administering Authority to charge directly to the Pension Fund any costs or expenses incurred in administering it. Management expenses are accounted for on an accruals basis and disclosed in accordance with the 2016 CIPFA guidance 'Accounting for Local Government Pension Scheme Management expenses' and analysed between administrative costs, oversight and governance costs and investment management expenses.

Fees of the external Investment Managers are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management. Where an Investment Manager's fee note has not been received for the final period, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund Account.

Investment management expenses include transaction costs relating to the purchase and sale of investments.

## VAT

The Pension Fund is exempt from VAT and is therefore able to recover such deductions. Investment management and administrative expenses are therefore recognised net of any recoverable VAT.

## Benefits Payable

Pension and lump sum benefits payable include all amounts known to be due as 31 March 2023. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

## Contributions

Normal contributions, both from members and employers, are accounted for on an accruals basis, at the percentage rate certified by the Pension Fund Actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on an accruals basis in accordance with the period to which they relate or are due, or on a cash basis if the payment is an additional contribution in excess of the minimum required by the Pension Fund Actuary and set out in the Rates and Adjustments Certificate.

Pension strain contributions and employers' augmentation contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is 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 joined or left the Pension Fund during the financial year and are calculated in accordance with Scheme regulations. Transfer values are treated on a cash basis when they are paid or received, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk transfers are accounted for on an accrual's basis in accordance with the terms of the transfer agreement.

## Investment Income

Investment income earned by the Pension Fund on its investments is recognised as follows:

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement under other investment balances.
- Investment income earned on pooled investment vehicles that are accumulation funds, where income is retained and automatically reinvested, are shown as changes in the value of investments in the Fund Account.
- Income from private equity investments is reported on the quarterly valuations provided by the private equity Investment Managers. Income is recognised in the period in which the valuation is received.
- Distributions from other pooled investment vehicles are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement under other investment balances.
- Changes in the value of investment income are accounted for as income and comprise all realised and unrealised profits and losses during the year.

## Taxation

The Pension 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. Tax is deducted from dividends paid on UK equities, which is not recoverable. Income from overseas investments suffers a withholding tax in the country of origin unless exemption is permitted. Provision is made for the estimated sums to be recovered and income grossed up accordingly. Irrecoverable tax is accounted for as a Pension Fund expense as it arises.

## Security Lending

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit the Pension Fund to lend up to 35% of its securities from its portfolio of stocks to third parties in return for collateral. The Pension Fund has set a limit of 20% of the total Fund value. The securities on loan are included in the Net Assets Statement to reflect the Pension Fund's continuing economic interest of a proprietary nature in these securities.

## Additional Voluntary Contribution Investments

The County Council has arrangements with the Standard Life Assurance Company and the Utmost Life and Pensions Company to enable employees to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. AVCs are invested separately from the Pension Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. As these contributions do not form part of the Pension Fund's investments, the value of AVC investments is excluded from the Pension Fund's Net Assets Statement in accordance with regulation 4(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefit is assessed on an annual basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial Standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts.

## Prior period adjustments

There were no material prior period adjustments in 2022/23 that require disclosure.

## Going Concern

To follow.

## Events after the Net Asset Date

There were no material post balance sheet events after 31 March 2023 that require disclosure.

## Critical judgements in applying accounting policies

In applying the accounting policies set out above, the Pension Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the accounts are:

- **Valuation of private equity investments:** Unquoted private equities are valued by the Investment Managers using the International Private Equity and Venture Capital Valuation Guidelines. These are inherently based on forward looking estimates and judgements involving many factors.
- **Pension fund liability:** The Pension Fund liability is calculated every three years by the Pension Fund Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 6.15. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the net asset date and the amounts reported for revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those assumptions and estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Valuation of private equity, pooled property and alternative investments:** The valuations for private equity, pooled property, infrastructure and alternative investments shown in the Net Assets Statement are based on the latest valuations provided to the Pension Fund, adjusted for cash movements between the valuation date and the net asset date. This may result in a variance between the valuation included in the Financial Statements and the actual value of the Pension Fund's investments as at 31 March 2023 issued by each of the Investment Managers. At 31 March 2023 private equity investments totalled £516.6m (including private equity investments held within the Global Alternatives Fund), pooled property investments totalled £788.0m (including property investments held within the Global Alternatives Fund), infrastructure investments totalled £115.5m (including infrastructure investments held within the Global Alternatives Fund) and alternative investments totalled £476.9m (excluding the investments from the prior asset classes).
- Contractual commitments:** Commitments to the private equity, infrastructure debt and private rental sector funds are made in local currency (Sterling, Euros and US Dollars). The total remaining commitment to each fund at 31 March 2023 has been converted to base currency, based on exchange rates applicable at the net asset date. The exact timing and amounts of when the Pension Fund's commitment will be drawn down is uncertain and therefore the actual payments made by the Pension Fund may be different from the estimates.
- Actuarial present value of promised retirement benefits:** Estimation of the liability to pay retirement benefits depends on a number of complex judgements relating to the discount rate used to value the liabilities, the rate at which salaries increase, and changes in retirement ages and mortality rates. The consulting actuary to the Pension Fund, Hymans Robertson, is engaged to provide the Pension Fund with expert advice about the assumptions to be applied. Further information about the key assumptions used to calculate the actuarial present value of promised retirement benefits and the effect on the pension's liability of changes in individual assumptions are shown in Note 6.15.

*NOTE: values throughout these accounts are presented rounded to the nearest thousand. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.*



2021/22			2022/23	
£000s	£000s		£000s	£000s
		<u>Members contributions</u>		
43,173		Normal contributions	46,722	
253		Additional contributions	248	
	<b>43,426</b>	<b>Total members contributions</b>		<b>46,971</b>
		<u>Employers contributions</u>		
139,235		Normal contributions	151,364	
13,325		Deficit funding contributions	13,614	
1,585		Augmentation and early retirement strain costs	1,499	
	<b>154,144</b>	<b>Total employers' contributions</b>		<b>166,476</b>
	<b>197,570</b>	<b>Total contributions receivable</b>		<b>213,447</b>

Employers' normal contributions represent the ongoing contributions paid into the Pension Fund by employers in accordance with the Rates and Adjustments Certificate, issued by the Pension Fund Actuary. These reflect the cost of benefits accrued by current members over the year.

Contributions received are further analysed in the table below by type of employer.

2021/22			2022/23	
Member £000s	Employer £000s		Member £000s	Employer £000s
19,759	68,702	Administering Authority	21,392	73,658
21,722	76,912	Other Scheduled Bodies	23,875	85,101
1,944	8,531	Admitted Bodies	1,704	7,717
<b>43,426</b>	<b>154,144</b>	<b>Total contributions receivable</b>	<b>46,971</b>	<b>166,476</b>

2021/22		2022/23
£000s		£000s
12,905	Individual transfers	12,337
278	Bulk transfers	-
<b>13,183</b>	<b>Total Transfers out to other schemes</b>	<b>12,337</b>

Hertfordshire Pension Fund Annual Report and Accounts 2022/23

**6.3 Benefits Payable**

2021/22		2022/23
£000s		£000s
74,520	Administering Authority	77,757
82,931	Other Scheduled Bodies	84,922
17,107	Admitted Bodies	17,640
<b>174,559</b>	<b>Total benefits payable</b>	<b>180,320</b>

**6.4 Transfers out to other Schemes or Funds**

2021/22		2022/23
£000s		£000s
15,344	Individual transfers	14,519
-	Bulk transfers	-
<b>15,344</b>	<b>Total Transfers out to other schemes</b>	<b>14,519</b>

Transfers are shown on a cash basis, in accordance with the accounting policy.

**6.5 Management Expenses**

The Pension Fund's Investment Managers are remunerated on the basis of fees calculated as a percentage of assets under management or as a fixed annual fee and are reviewed on an annual basis by the Pensions Committee. Investment management expenses include transaction costs associated with the acquisition, issue or disposal of Pension Fund assets and associated financial instruments. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments set out in Note 6.7.

The Pension Fund's assets are held in custody by an independent custodian. The custodian is responsible for the safekeeping of the Pension Fund's financial assets, the settlement of transactions, income collection, tax reclamation and other administrative actions in relation to the Pension Fund's investments.

The Pension Fund's performance measurement service is provided by BNY Mellon and Mercer (investment consultant). An analysis of the Pension Fund's performance is shown in the Investment Performance section on pages 63 – 65.

2021/22		2022/23
£000s		£000s
18,256	Management fees	23,421
821	Transaction costs	1,422
215	Custody	169
<b>19,291</b>	<b>Total investment management expenses</b>	<b>25,013</b>

An analysis of transaction costs by asset class is shown in the following table;

2022/23	£000s			
	Total	Management Fees	Performance Related Fees	Transaction Costs
Investments managed by ACCESS asset pool:				
Unit Trusts	4,767	4,767	-	-
	<b>4,767</b>	<b>4,767</b>	-	-
Investments managed outside ACCESS asset pool:				
Equities	800	775	-	25
Pooled Property Investments	7,449	7,443	6	-
Unitised Insurance Policies	249	249	-	-
Unit Trusts	3,335	1,943	-	1,392
Private Equity	6,279	6,279	-	-
Infrastructure Debt	282	282	-	-
Other Managed Funds	1,683	1,677	-	5
	<b>20,077</b>	<b>18,648</b>	<b>6</b>	<b>1,422</b>
	<b>24,843</b>	<b>23,415</b>	<b>6</b>	<b>1,422</b>
Custody Fee	169			
<b>Total</b>	<b>25,013</b>			

2021/22	£000s			
	Total	Management Fees	Performance Related Fees	Transaction Costs
Investments managed by ACCESS asset pool:				
Unit Trusts	3,333	3,267	-	66
	<b>3,333</b>	<b>3,267</b>	-	<b>66</b>
Investments managed outside ACCESS asset pool:				
Equities	996	825	-	171
Pooled Property Investments	4,371	4,289	-	82
Unitised Insurance Policies	351	351	-	-
Unit Trusts	1,928	1,433	-	495
Private Equity	5,990	5,990	-	-
Infrastructure Debt	315	315	-	-
Other Managed Funds	1,792	1,785	-	7
	<b>15,743</b>	<b>14,988</b>	-	<b>755</b>
	<b>19,077</b>	<b>18,256</b>	-	<b>821</b>
Custody Fee	182			
<b>Total</b>	<b>19,258</b>			

## 6.6 Investment Income

### a) Analysis of investment income

2021/22		2022/23
£000s		£000s
3,186	Dividends from equities	3,133
	Income from pooled investment vehicles:	
18,339	- Pooled property investments	28,564
21,849	- Other pooled investments	33,402
1,847	- Private Equity	1,531
1,561	- Infrastructure Debt	1,373
17	Interest on cash deposits	1,331
9	Other investment income	2
<b>46,808</b>	<b>Total investment income</b>	<b>69,337</b>

An analysis of investment income accrued during 2021/22 and 2022/23 is shown in the following table.

2021/22					2022/23			
UK	Overseas	Global	Total		UK	Overseas	Global	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
63	3,132	-	<b>3,195</b>	Equities	73	3,060	-	<b>3,133</b>
21,849	-	-	<b>21,849</b>	Unit trusts	20,067	13,335	-	<b>33,402</b>
-	1,847	-	<b>1,847</b>	Private equity	-	1,531	-	<b>1,531</b>
10,934	-	7,404	<b>18,339</b>	Pooled property investments	18,914	-	9,649	<b>28,564</b>
1,561	-	-	<b>1,561</b>	Infrastructure	1,373	-	-	<b>1,373</b>
14	5	(1)	<b>17</b>	Cash and cash equivalents	1,208	72	52	<b>1,331</b>
-	-	-	-	Other	-	2	-	<b>2</b>
<b>34,421</b>	<b>4,984</b>	<b>7,403</b>	<b>46,808</b>	<b>Total investment income</b>	<b>41,635</b>	<b>18,000</b>	<b>9,701</b>	<b>69,337</b>

Assets are classified in different areas of the world:

- UK are assets held within the UK.
- Overseas are assets held within one country outside of the UK.
- Global are assets held within two or more countries outside of the UK (global assets can only be through pooled investments).

### b) Securities lending

The Pension Fund has an arrangement with its Custodian to lend securities from within its portfolio of stocks to third parties in return for collateral. Collateralised lending generated income of £0 for 2022/23 (£0 for 2021/22). This is included within investment income in the Fund Account.

The Pension Fund obtains collateral at 102% of the market value of securities loaned for collateral denominated in the same currency as that of the loans, or 105% in the case of cross-currency collateral. The market value of securities on loan and collateral held at 31 March 2022 and 2023 is shown in the following table, analysed by collateral type.

As of August 2020, the Pension Fund stopped securities lending through its custodian Bank of New York Mellon as the value of equities held by our custodian reduced with the transfer of assets into the ACCESS pool. Securities lending is completed by the ACCESS pool custodian Northern Trust, however this is held in trust by Link and therefore is not identified in these accounts.

2021/22			2022/23		
Market value of securities on loan	Collateral held		Market value of securities on loan	Collateral held	
£000s	£000s		£000s	£000s	
-	-	Government debt and supranationals	-	-	
-	-	G10 debt	-	-	
-	-	<b>Total</b>	-	-	

## 6.7 Profit and Losses on the Disposal of Investments and Changes in the Value of Investments

An analysis of investment transactions in 2022/23 is shown in the following table.

Value at 31 March 2022		Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Profits and losses on disposals and change in value of investments	Transfer to Other Categories <sup>3</sup>	Value at 31 March 2023
£000s		£000s	£000s	£000s	£000s	£000s
	<u>Equities</u>					
3,590	UK	305	(1)	276	-	4,171
312,593	Overseas	50,007	(50,099)	(927)	-	311,574
	<u>Pooled investment vehicles</u>					
824,083	Pooled property investments	9,907	(12,528)	(67,850)	-	753,612
1,316,022	Unitised insurance policies	-	-	(105,130)	-	1,210,891
2,504,387	Unit trusts	32,838	(7,538)	(332,553)	-	2,197,134
349,763	Private equity	66,435	(46,836)	28,701	-	398,064
125,931	Infrastructure Debt	1,812	(2,069)	(16,815)	-	108,859
611,105	Other managed funds	-	(1,680)	19,005	8,000	636,428
		3.00				
(2,291)	Derivative contracts (net) <sup>1</sup>	47,975	(31,977)	(10,427)	-	3,280
65,408	Cash deposits	-	(3,544)	1,257	-	63,121
<b>6,110,590</b>	<b>Subtotal</b>	<b>209,278</b>	<b>(156,270)</b>	<b>(484,464)</b>	<b>8,000</b>	<b>5,687,134</b>
1,541	<b>Net other investment balances <sup>2</sup></b>	-	668	-	-	2,729
<b>6,112,131</b>	<b>Total investments assets / (liabilities)</b>	<b>209,278</b>	<b>(155,602)</b>	<b>(484,464)</b>	<b>8,000</b>	<b>5,689,864</b>

<sup>1</sup> Net forward foreign exchange assets/liabilities (see note 6.8a).

<sup>2</sup> Net other investment balances assets/liabilities (see note 6.8a). Accrued income shown within closing balance.

<sup>3</sup> The £8m movement shown in the table above was the proceeds from the outstanding sale being received, which were classified as an current asset within the accounts in 21/22.

## Financial Statements

An analysis of investment transactions in 2021/22 is shown in the following table.

Value at 31 March 2021		Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Profits and losses on disposals and change in value of investments	Transfer to Other Categories <sup>3</sup>	Value at 31 March 2022
£000s		£000s	£000s	£000s	£000s	£000s
<u>Equities</u>						
3,544	UK	24,619	(24,480)	(92)	-	3,590
294,601	Overseas	537,116	(547,179)	28,055	-	312,593
<u>Pooled investment vehicles</u>						
595,457	Pooled property investments	146,021	(21,026)	103,632	-	824,083
1,651,925	Unitised insurance policies	-	(471,950)	136,047	-	1,316,022
2,242,437	Unit trusts	1,177,216	(759,241)	(156,026)	-	2,504,387
271,707	Private equity	56,301	(67,684)	89,439	-	349,763
119,739	Infrastructure Debt	12,448	(1,646)	(4,610)	-	125,931
570,791	Other managed funds	-	(1,792)	50,106	(8,000) <sup>4</sup>	611,105
1,498	Derivative contracts (net) <sup>1</sup>	13,421	(11,611)	(5,600)	-	(2,291)
79,876	Cash deposits	-	(14,329)	(139)	-	65,408
<b>5,831,574</b>	<b>Subtotal</b>	<b>1,967,142</b>	<b>(1,920,938)</b>	<b>240,812</b>	<b>(8,000)</b>	<b>6,110,590</b>
4,423	<b>Net other investment balances <sup>2</sup></b>	-	(1,307)	-	-	1,541
<b>5,835,997</b>	<b>Total investments assets / (liabilities)</b>	<b>1,967,142</b>	<b>(1,922,245)</b>	<b>240,812</b>	<b>(8,000)</b>	<b>6,112,131</b>

<sup>1</sup> Net forward foreign exchange assets/liabilities (see note 6.8a).

<sup>2</sup> Net other investment balances assets/liabilities (see note 6.8a). Accrued income shown within closing balance.

<sup>3</sup> A number of transitions occurred in 2021/22 including:

- £110m from Baillie Gifford Global Growth (Unit Trusts) to Insight (Unit Trusts)
- £368.5m from Longview (Unit Trusts) to Insight (Unit Trusts)
- £275m from RLAM (Unit Trusts) to BlueBay (Unit Trusts)
- £375m from UBS (Unitised insurance policies) to Dodge & Cox (Unit Trusts)

All of these transfers have been included in the purchases or sales columns and therefore won't add into the value at 31 March 2022 column.

<sup>4</sup> The £8m movement shown in the table above was due to a late redemption on an asset, where funds were still outstanding as of the 31 March 2022. Due to this, these funds have been identified as a current asset within the accounts.

## 6.8 Investment Analysis

### a) Analysis of investment assets at market value

Eight holdings exceeded 5% of the total investment assets and liabilities available to fund benefits at 31 March 2023, these are: UBS Climate Aware; UBS North America Equity Index Fund; The Royal London Core Plus Bond Fund; LGT Crown HCC Segregated Portfolio; Insight LDI Solution Plus Active 52 B; ACCESS Dodge & Cox Global Stock Fund; CBRE Global Alpha Fund and ACCESS Baillie Gifford UK Equity.

There are nine Pooled Funds which exceed 5% of their asset class at 31 March 2023, these being: UBS Climate Aware; UBS North America Equity Index Fund; The Royal London Core Plus Bond Fund; LGT Crown HCC Segregated Portfolio; Insight LDI Solution Plus Active 52 B; CBRE Global Alpha Fund; Dodge & Cox ACCESS Global Stock Fund; ACCESS Baillie Gifford UK Equity and ACCESS Baillie Gifford LTGG.

Cash deposits (including cash and cash instruments) and other investment balances (including accrued dividend entitlements) are accounted for as investment assets as these form part of the net assets available for investment within the investment portfolio.

### b) Analysis by Investment Manager

The value of investments held by each Investment Manager on 31 March were:

31 March 2022			31 March 2023	
£000s	%		£000s	%
<b>Investments managed by ACCESS asset pool:</b>				
707,875	11.6	Baillie Gifford & Co.	664,841	11.7
370,609	6.1	Dodge & Cox	379,142	6.7
446,501	7.3	Royal London Asset Management Ltd.	394,821	6.9
1,316,022	21.5	UBS Group AG	1,210,891	21.3
<b>2,841,006</b>	<b>46.5</b>		<b>2,649,696</b>	<b>46.6</b>
<b>Investments managed outside ACCESS asset pool:</b>				
370,232	6.1	Allianz Global Investors Europe GmbH	363,257	6.4
282,473	4.6	BlueBay Asset Management LLP	265,918	4.7
537,729	8.8	CBRE Global Collective Investors (UK) Ltd.	503,422	8.8
211,674	3.5	HarbourVest Partners, LLC.	222,346	3.9
611,087	10.0	LGT Capital Partners (Ireland) Ltd.	636,428	11.2
244,363	4.0	Legal & General Assurance (Pensions Management) Limited	221,011	3.9
696,929	11.4	Insight Investment Management Limited	492,411	8.7
79,711	1.3	Macquarie Group Limited	71,133	1.3
81,221	1.3	Municipal & General Securities Company Limited	81,851	1.4
143,887	2.4	Pantheon Ventures	172,369	3.0
60	0.0	Permira Advisers LLP	49	0.0
11,638	0.2	Standard Life Investments Ltd.	9,864	0.2
121	0.0	Residual funds from previous portfolios	109	0.0
<b>3,271,125</b>	<b>53.5</b>		<b>3,040,168</b>	<b>53.4</b>
<b>47,347</b>		<b>Funds held at Hertfordshire County Council and non-investment balances</b>	<b>54,602</b>	
<b>6,159,478</b>		<b>Net Assets of the Scheme</b>	<b>5,744,466</b>	

The market values in table note 6.8(b) include the value of investments, cash and net current assets held by each Investment Manager at 31 March. The funds held by Hertfordshire County Council include net current assets, long term assets and cash required to manage the cash flow associated with the payment of benefits and collection of contributions.

Residual funds from previous portfolios represent residual cash and investment income still due to the portfolios previously run by outgoing Investment Managers following the review of the Pension Fund's Investment Strategy.

### c) Encumbrance of Assets

The Custodian has a lien over the Pension Fund's assets in order to recover any outstanding debts. This is held for the protection of the Custodian and has never been invoked.

## 6.9 Derivatives

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

### Forward foreign exchange contracts

Forward foreign exchange contracts are over the counter contracts with non-exchange counterparties and are used to hedge against foreign currency movements. Forward foreign exchange contracts are disclosed in the accounts at fair value, which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date.

The counterparties at 31 March 2022 and 31 March 2023 were UK and overseas investment banks and the contracts held with these investment banks are analysed in the following table by duration.

2021/22				Duration	2022/23			
Currency Payable	Currency Receivable	Fair Value			Currency Payable	Currency Receivable	Fair Value	
		Asset	Liability				Asset	Liability
£000s	£000s	£000s	£000s		£'000	£000s	£000s	£000s
-	-	-	-	Within 1 month	-	-	-	-
-	-	-	-	0-3 months	-	-	-	-
(287,367)	285,076	31	(2,322)	3-6 months	(312,342)	315,623	3,281	-
(287,367)	285,076	31	(2,322)	Total	(312,342)	315,623	3,281	-

## 6.10 Current Assets

2021/22		2022/23
£000s		£000s
18,293	Contributions due from employers	17,677
23,372	Cash and cash equivalents	40,318
-	VAT due from HMRC	-
9,318	Other debtors and prepayments	1,227
<b>50,983</b>	<b>Total current assets</b>	<b>59,223</b>

Cash and cash equivalents represent investments in money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.



Current assets are further analysed by type of debtor organisation.

2021/22		2022/23	
£000s	£000s	£000s	£000s
2,841		1,002	
14,686		7,840	
-		-	
10,084		10,064	
	<b>27,611</b>		<b>18,905</b>
23,372		40,318	
	<b>23,372</b>		<b>40,318</b>
	<b>50,983</b>		<b>59,223</b>

### 6.11 Current Liabilities

2021/22		2022/23	
£000s		£000s	
(1,553)	Tax payable to HMRC	(1,714)	
(566)	Investment management fees	(564)	
(515)	Other creditors	(2,343)	
(1,002)	Unpaid benefits	-	
-	Cash and cash equivalents	-	
	<b>Total current liabilities</b>		<b>(4,621)</b>

Cash balances in the table above include cash balances less cash in transit in the form of unpresented cheques and payments committed by BACs at the net asset date.

Current liabilities are further analysed by type of creditor organisation.

2021/22		2022/23	
£000s		£000s	
(1,553)	Central government bodies	(1,714)	
-	Other local authorities	-	
(2,083)	Other entities and individuals	(2,907)	
-	Cash and cash equivalents	-	
	<b>Total current liabilities</b>		<b>(4,621)</b>

## 6.12 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Equities quoted</b>	Level 1	Published bid market price ruling on the final day of accounting period	N/A	N/A
<b>Other managed funds – equities</b>	Level 2	Closing single price	NAV based pricing set on a forward pricing basis	N/A
<b>Unitised insurance contracts – equities</b>	Level 2	Price of a recent transaction for an identical asset	Inputs other than quoted prices that are observable, either directly or indirectly	N/A
<b>Unitised insurance contracts – bonds</b>	Level 2	Price of a recent transaction for an identical asset	Inputs other than quoted prices that are observable, either directly or indirectly	N/A
<b>Unit trusts – equities</b>	Level 2	Average of broker prices	Evaluated price feeds	N/A
<b>Unit trusts – bonds</b>	Level 2	Closing bid, mid and offer prices are published	NAV based pricing set on a forward pricing basis	N/A
<b>Global Alternatives fund</b>	Level 3	Closing single price	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
<b>Private equity</b>	Level 3	At fair value as determined by the General Partner in accordance with the terms of the Partnership Agreement and GAAP	Manager's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar properties, valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis
<b>Infrastructure Debt</b>	Level 3	At fair value as determined by the General Partner in accordance with the terms of the Partnership Agreement and GAAP	Manager's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar properties, valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis
<b>Pooled property investments</b>	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

### 6.13 Financial Instruments

#### a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

All financial instruments are carried in the balance sheet at their fair value. The Pension Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

31 March 2022				31 March 2023			
Fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	
£000s	£000s	£000s		£000s	£000s	£000s	
316,183	-	-	Equities	315,745	-	-	
824,083	-	-	Pooled property investments	753,612	-	-	
1,316,022	-	-	Unitised insurance policies	1,210,891	-	-	
2,504,387	-	-	Unit trusts	2,197,134	-	-	
349,763	-	-	Private equity	398,064	-	-	
611,105	-	-	Other managed funds	636,428	-	-	
125,931	-	-	Infrastructure Debt	108,859	-	-	
31	-	-	Derivative contracts	3,281	-	-	
-	65,408	-	Cash deposits	-	63,121	-	
1,541	-	-	Other investment balances	6,095	-	-	
-	-	-	Long term assets	-	-	-	
-	50,983	-	Current assets	-	59,223	-	
<b>6,049,045</b>	<b>116,391</b>	<b>-</b>	<b>Total financial assets</b>	<b>5,630,109</b>	<b>122,343</b>	<b>-</b>	
(2,322)	-	-	Derivative contracts	-	-	-	
-	-	-	Other investment balances	(3,366)	-	-	
-	-	(3,636)	Current liabilities	-	-	(4,621)	
<b>(2,322)</b>	<b>-</b>	<b>(3,636)</b>	<b>Total financial liabilities</b>	<b>(3,366)</b>	<b>-</b>	<b>(4,621)</b>	
<b>6,046,723</b>	<b>116,391</b>	<b>(3,636)</b>	<b>Total</b>	<b>5,626,743</b>	<b>122,343</b>	<b>(4,621)</b>	

#### b) Net gains and losses on financial instruments

2021/22		2022/23	
£000s		£000s	
240,951	Fair value through profit and loss	(485,720)	
(139)	Financial Assets at amortised cost	1,257	
<b>240,812</b>	<b>Total gains and losses</b>	<b>(484,464)</b>	

### c) Valuation of financial instruments carried at fair value

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

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

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

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

The following tables provide an analysis of the financial assets and liabilities of the Pension Fund analysed across levels 1 to 3, based on the level at which the fair value is observable, along with comparative figures for 2022.

Values as at 31 March 2023	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
<b>Financial Assets at fair value through profit and loss</b>				
Equities	315,745	-	-	315,745
Pooled property investments	-	-	753,612	753,612
Unitised insurance policies	-	1,210,891	-	1,210,891
Unit trusts	-	1,704,722	492,411	2,197,134
Private equity	-	49	398,015	398,064
Other managed funds	-	-	636,428	636,428
Infrastructure debt	-	-	108,859	108,859
Derivatives	-	3,281	-	3,281
Other investment balances	6,095	-	-	6,095
<b>Total</b>	<b>321,840</b>	<b>2,918,943</b>	<b>2,389,326</b>	<b>5,630,109</b>
<b>Financial Assets at amortised cost</b>				
Cash deposits	63,121	-	-	63,121
Current assets	59,223	-	-	59,223
<b>Total</b>	<b>122,343</b>	<b>-</b>	<b>-</b>	<b>122,343</b>
<b>Financial Liabilities at fair value through profit and loss</b>				
Other investment balances	(3,366)	-	-	(3,366)
<b>Total</b>	<b>(3,366)</b>	<b>-</b>	<b>-</b>	<b>(3,366)</b>
<b>Financial Liabilities at amortised cost</b>				
Current liabilities	(4,621)	-	-	(4,621)
<b>Total</b>	<b>(4,621)</b>	<b>-</b>	<b>-</b>	<b>(4,621)</b>
<b>Net financial assets</b>	<b>436,197</b>	<b>2,918,943</b>	<b>2,389,326</b>	<b>5,744,466</b>

Values as at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
<b>Financial Assets at fair value through profit and loss</b>				
Equities	316,183	-	-	316,183
Pooled property investments	-	-	824,083	824,083
Unitised insurance policies	-	1,316,022	-	1,316,022
Unit trusts	-	1,807,457	696,929	2,504,387
Private equity	-	60	349,703	349,763
Other managed funds	18	-	611,087	611,105
Infrastructure debt	-	-	125,931	125,931
Derivatives	-	31	-	31
Other investment balances	1,541	-	-	1,541
<b>Total</b>	<b>317,742</b>	<b>3,123,571</b>	<b>2,607,733</b>	<b>6,049,045</b>
<b>Financial Assets at amortised cost</b>				
Cash deposits	65,408	-	-	65,408
Current assets	50,983	-	-	50,983
<b>Total</b>	<b>116,391</b>	<b>-</b>	<b>-</b>	<b>116,391</b>
<b>Financial Liabilities at fair value through profit and loss</b>				
Derivatives	-	(2,322)	-	(2,322)
<b>Total</b>	<b>-</b>	<b>(2,322)</b>	<b>-</b>	<b>(2,322)</b>
<b>Financial Liabilities at amortised cost</b>				
Current liabilities	(3,636)	-	-	(3,636)
<b>Total</b>	<b>(3,636)</b>	<b>-</b>	<b>-</b>	<b>(3,636)</b>
<b>Net financial assets</b>	<b>430,497</b>	<b>3,121,248</b>	<b>2,607,733</b>	<b>6,159,478</b>

#### d) Transfers between Levels 1 and 2

There were no transfers between levels in 2022/23.

**e) Reconciliation of fair value measurements within level 3**

Values at 31 March 2022		Transfers into Level 3	Transfers out of Level 3	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Values at 31 March 2023
£000s				£000s	£000s	£000s	£000s	£000s
696,929	Unit Trusts	-	-	-	-	(204,518)	-	492,411
349,703	Private Equity	-	-	66,435	(46,836)	(6,837)	35,550	398,015
125,931	Infrastructure Debt	-	-	1,812	(2,069)	(16,815)	-	108,859
824,083	Property	-	-	9,907	(12,528)	(68,481)	631	753,612
611,087	Global Alternatives Fund - LGT	-	-	-	-	25,341	-	636,428
<b>2,607,733</b>		<b>-</b>	<b>-</b>	<b>78,154</b>	<b>(61,432)</b>	<b>(271,310)</b>	<b>36,180</b>	<b>2,389,326</b>

**f) Sensitivity of assets valued at level 3**

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation method described above is likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Asset Class	Value as at 31 March 2023	Assessed valuation range (+/-)	Value on Increase	Value on Decrease
	£000s	%	£000s	£000s
Unit Trusts	492,411	15%	566,273	418,550
Private Equity	398,015	15%	457,717	338,313
Infrastructure Debt	108,859	15%	125,188	92,530
Property	753,612	10%	828,974	678,251
Global Alternatives Fund (LGT)	636,428	15%	731,892	540,963
	<b>2,389,326</b>		<b>2,710,044</b>	<b>2,068,607</b>

**6.14 Nature and Extent of Risks Arising from Financial Instruments**

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

**a) Overall procedures for managing risk**

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an administering authority to invest any pension fund money that is not needed immediately to make payments from the pension fund. These regulations require the Pension Fund to formulate a policy for the investment of its Fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Pension Fund has prepared an Investment Strategy Statement which is provided at page 72 and sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's treasury management strategy and lending policy ("Treasury Management Strategy"), prepared in accordance with the CIPFA

Prudential Code, CIPFA Treasury Management in the Public Services Code of Practice and the legal framework and investment guidance set out and issued through the Local Government Act 2003. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Pension Fund's financial instrument exposure.

Investment performance by external Investment Managers and the Administering Authority is reported to the Pensions Committee and Board quarterly. Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns. For Pension Fund cash held by the Administering Authority, performance of the treasury function is assessed against treasury management performance measures modelled on the CIPFA Treasury Management Code of Practice which has been adopted by the County Council.

## b) Credit risk and counterparty risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Pension Fund's financial assets and liabilities. Therefore, credit risk on investments is reflected in the market risk, in the other price risk figures given in section d) Market Risk.

In addition, the Pension Fund reviews its exposure to credit and counterparty risk on its investments through its external Investment Managers by the review of the Investment Managers' annual internal control reports. This is to ensure that Investment Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers. The Investment Management Agreements for the Pension Fund's bond managers prescribes the investment restrictions on the securities they can invest in, including the minimum acceptance criteria for investments.

Credit risk also arises through the Pension Fund's deposits with banks and financial instruments. For cash managed by the Administering Authority, the Pension Fund's Treasury Management Strategy for 2022/23 sets out the type and minimum acceptable criteria for investments by reference to credit ratings from Fitch, Moody's and Standard & Poor's and outlines the process to be followed for credit rating downgrades.

The credit ratings and amounts held in money market funds, call accounts and cash/current accounts at 31 March 2022 and 2023 are shown in the table below.

2021/22			2022/23	
£000s	Credit rating		£000s	Credit rating
<b>Cash managed by Administering Authority</b>				
(27)	A	Bank current accounts <sup>1</sup>	(68)	A
4,197	A	Call accounts	2,684	A
19,200	AAA	Money market funds	37,700	AAA
<b>Cash managed by Custodian and Investment Managers</b>				
64,673	AA-	Bank current account (Custodian)	63,121	AA-
9,332	A+/A+	Bank current accounts (Alternatives Manager) <sup>2</sup>	13,162	A+/A+
-	-	Bank current accounts (Unitised Manager) <sup>3</sup>	3,119	Aa3
736	AAA	Money Market Funds	-	-
<b>98,110</b>		<b>Total cash and cash equivalents</b>	<b>119,718</b>	

<sup>1</sup> Cash balances include cash balances less cash in transit in the form of unpresented cheques and payments committed by BACs at the Net Asset date.

<sup>2</sup> In 2021/22 and 2022/23, cash held by our alternatives manager was across two bank accounts, both ratings have been provided.

<sup>3</sup> In 2022/23, cash held by one of our unitised managers was held outside the custodian bank.

### **c) Liquidity risk**

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a cashflow management system that seeks to ensure that cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. At 31 March 2023, £40,318,114 (100%) of the cash and cash equivalents held by the Administering Authority was held in money market funds, call accounts and bank current accounts.

The Pension Fund has set a cap of £58,000,000 on the amount of cash held by the Administering Authority to balance the need for the Pension Fund to be as fully invested as possible whilst maintaining liquidity to avoid the need to sell assets at inopportune times. Where there are surplus funds in excess of the cap, these funds are distributed to Investment Managers, after taking advice from the Pension Fund's Investment Consultant.

External Investment Managers have substantial discretionary powers over their individual portfolios and the management of their cash positions. The Pension Fund's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable. The Pension Fund defines liquid assets as assets which can be converted into Sterling cash within three months. At 31 March 2023 the value of liquid assets was £4,224,484,177 (74.2% of total fund assets) and illiquid assets was £1,465,379,464 (25.8% of total fund assets).

### **d) Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. The change in the market value of its investments during the year was £240,812,033.

In order to manage market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended). Details of these can be found in the Pension Fund's Investment Strategy Statement on pages 59 - 66.

The Pension Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure that the agreed limit on maximum exposure to any one issuer or class of asset is not breached.

For cash managed by the Administering Authority, the Pension Fund has set institution and group limits to diversify the Pension Fund's investment across a range of individual holdings, sectors and countries.

### **e) 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 these changes are caused by factors specific to the individual instrument or issuer or factors affecting all such instruments in the market.

The Pension Fund is exposed to changes in equity and bond prices, as the future price is uncertain. All securities investments present a risk of loss of capital. This risk is mitigated using diversification and policies on selecting investments as discussed above.

The one year expected volatility in market prices are shown in the following table, along with the changes in the value of the Pension Fund's investment assets and liabilities if the market price of investments increase or decrease in line with these movements. The total fund volatility takes into account the expected interactions between the different asset classes, based on the underlying volatilities and correlations of the assets in line with mean variance portfolio theory.



Asset Class	Value as at 31 March 2023 £000s	Change %	Value on Increase £000s	Value on Decrease £000s
UK Equities, Unit Trusts and Pooled Funds	740,145	18.20%	874,851	605,438
Global equities, Unit Trusts and Pooled Funds (ex UK)	2,514,268	19.00%	2,991,979	2,036,557
Property	788,034	15.50%	910,179	665,889
Corporate Bonds (medium term)	394,821	7.50%	424,433	365,209
Index-Linked Gilts (medium term)	90,094	7.20%	96,581	83,608
Private Equity	516,525	31.20%	677,680	355,369
Infrastructure equity	115,470	16.00%	133,945	96,995
High Yield Debt, Convertible Bonds, Insurance linked securities	85,388	9.40%	93,415	77,362
Private Debt	45,351	7.80%	48,889	41,814
Emerging market debt	25,573	14.70%	29,332	21,814
Absolute Return/Diversified Growth	286,722	8.90%	312,240	261,203
Cash, other investment balances and forward foreign exchange contracts	87,474	0.30%	87,736	87,211
<b>Total Fund</b>	<b>5,689,864</b>		<b>6,681,259</b>	<b>4,698,468</b>

Asset Class	Value as at 31 March 2022 £000s	Change %	Value on Increase £000s	Value on Decrease £000s
UK Equities, Unit Trusts and Pooled Funds	769,076	19.90%	922,122	616,030
Global equities, Unit Trusts and Pooled Funds (ex UK)	2,810,698	20.10%	3,375,648	2,245,748
Property	856,801	15.00%	985,321	728,280
Corporate Bonds (medium term)	446,501	8.10%	482,667	410,334
Index-Linked Gilts (medium term)	129,707	7.30%	139,175	120,238
Private Equity	447,474	31.20%	587,086	307,862
Infrastructure equity	129,704	14.60%	148,641	110,767
High Yield Debt, Convertible Bonds, Insurance linked securities	83,004	9.00%	90,474	75,533
Private Debt	35,545	7.40%	38,175	32,915
Emerging market debt	22,283	14.40%	25,492	19,074
Absolute Return/Diversified Growth	309,013	9.10%	337,133	280,892
Cash, other investment balances and forward foreign exchange contracts	72,327	0.30%	72,544	72,110
<b>Total Fund</b>	<b>6,112,131</b>		<b>7,204,478</b>	<b>5,019,784</b>

**f) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund recognises that interest rates can vary and can affect both income to the Pension Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates has been advised by the Pension Fund Actuary, as a sensible level to indicate interest rate sensitivity.

The analysis in the following table 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. Movement in bond values have been calculated to include the impact of modified duration. Modified duration expresses the measurable change in the value of a security in response to a change in interest rates.

Value at 31 March 2022 £000s	Potential change +/- 100 BPS £000s	Value on Increase £000s	Value on Decrease £000s	Asset class exposed to interest rate risk	Value at 31 March 2023 £000s	Potential change +/- 100 BPS £000s	Value on Increase £000s	Value on Decrease £000s
74,741	N/A	74,741	74,741	Cash at Custodian and Investment Managers	79,402	N/A	79,402	79,402
23,372	N/A	23,372	23,372	Cash held by Administering Authority	40,318	N/A	40,318	40,318
906,115	79,359	826,756	985,473	Bond (pooled funds)	804,898	57,700	747,199	862,598
<b>1,004,227</b>	<b>79,359</b>	<b>924,868</b>	<b>1,083,586</b>	<b>Total</b>	<b>924,618</b>	<b>57,700</b>	<b>866,918</b>	<b>982,318</b>

Value at 31 March 2022 £000s	Potential change +/- 100 BPS £000s	Value on Increase £000s	Value on Decrease £000s	Income source exposed to interest rate risk	Value at 31 March 2023 £000s	Potential change +/- 100 BPS £000s	Value on Increase £000s	Value on Decrease £000s
4	-	4	4	Cash at Custodian and Investment Managers	788	8	796	780
14	-	14	14	Cash held by Administering Authority	543	5	549	543
<b>18</b>	<b>-</b>	<b>18</b>	<b>18</b>	<b>Total</b>	<b>1,331</b>	<b>13</b>	<b>1,344</b>	<b>1,323</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The Pension Fund's bond holdings are held in accumulation funds where income is retained and automatically reinvested rather than being distributed to the Pension Fund. Income earned from these funds is therefore excluded from the analysis above.

**g) 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 Pension Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2023, the Pension Fund had overseas investments (excluding forward foreign exchange contracts) of £3,339,307,164 and £6,990,600 cash denominated in currencies other than Sterling.

The Pension Fund Actuary has advised that the one year expected standard deviation for an individual currency at the 31 March 2023 is 9.5% (9.5% at 31 March 2022). This assumes no diversification, and in particular that interest rates remain

constant. An analysis of the impact this would have on the Pension Fund is given in the following table together with the prior year comparator.

Asset Class	Value as at 31 March 2023	Potential market movement +/-9.5%	Value on Increase	Value on Decrease
	£000s	£000s	£000s	£000s
Overseas Equity	311,574	29,600	341,174	281,975
Overseas Property	313,091	29,744	342,834	283,347
Overseas Unitised Insurance Policies	1,117,812	106,192	1,224,004	1,011,620
Overseas Unit Trusts	848,833	80,639	929,472	768,194
Overseas Private Equity	398,064	37,816	435,880	360,248
Overseas Managed Funds	604,606	57,438	662,044	547,169
Foreign currencies	6,100	580	6,680	5,521
<b>Total</b>	<b>3,600,080</b>	<b>342,008</b>	<b>3,942,088</b>	<b>3,258,072</b>

Asset Class	Value as at 31 March 2022	Potential market movement +/-10%	Value on Increase	Value on Decrease
	£000s	£000s	£000s	£000s
Overseas Equity	312,593	29,696	342,289	282,897
Overseas Property	328,739	31,230	359,969	297,509
Overseas Unitised Insurance Policies	837,086	79,523	916,609	757,563
Overseas Unit Trusts	928,971	88,252	1,017,223	840,718
Overseas Private Equity	349,763	33,227	382,990	316,535
Overseas Managed Funds	611,087	58,053	669,140	553,033
Foreign currencies	17,766	1,688	19,453	16,078
<b>Total</b>	<b>3,386,004</b>	<b>321,670</b>	<b>3,707,674</b>	<b>3,064,333</b>

External Investment Managers manage this risk through the use of forward foreign exchange contracts and futures, to hedge currency exposures back to the base currency. See section 6.9 for further information.

The Treasury Management Strategy does not permit the Administering Authority to invest in foreign currency denominated deposits.

### 6.15 Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits of the Pension Fund at 31 March 2023 and 31 March 2022 are set out in the following table. This is the underlying commitment of the Pension Fund in the long term to pay retirement benefits to its active (employee members), deferred and pensioner members.

31 March 2022		31 March 2023
£000s		£000s
7,464,000	Present value of promised retirement benefits	5,526,000

Liabilities have been projected using a roll forward approximation from the latest formal valuation as at 31 March 2022. The liability at 31 March 2023 is estimated to comprise of £1,933m with respect to employee members, £1,263m with respect to deferred members and £2,330m with respect to pensioners. The principal assumptions used by the Pension Fund Actuary were:

31 March 2022		31 March 2023
<b>Financial assumptions</b>		
3.20% per annum	Inflation/pension increase rate	2.95% per annum
3.60% per annum	Salary increase rate	3.45% per annum
2.70% per annum	Discount rate	4.75% per annum
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners:		
21.9	• Men	21.7
24.4	• Women	24.5
Longevity at 65 for future pensioners:		
22.9	• Men	22.5
26.0	• Women	25.8

Allowance has been made for future pensioners to elect to exchange 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.

The actuarial present value of promised retirement benefits is sensitive to changes in actuarial assumptions. The significant changes and their impact on the value of the Pension Fund's liabilities between 31 March 2022 and 31 March 2023 were:

Change in assumptions at 31 March 2023	£k	%
0.1% p.a. decrease in discount rate	98,000	2%
1 year increase in member life expectancy	221,000	4%
0.5% p.a. increase in salary increase rate	8,000	0%
0.5% p.a. increase in pensions increase rate	91,000	2%
<b>Total increase in liabilities due to changes in assumptions</b>	<b>418,000</b>	<b>8%</b>

The assumptions used by the Pension Fund Actuary to calculate the present value of promised retirement benefits are those required by the Code of Practice on Local Authority Accounting 2022/23. The liability set out in the table above is used for statutory accounting purposes and should not be compared against the value of liabilities calculated on a funding basis, which is used to determine contribution rates payable by employers in the Pension Fund. Further information on the Pension Fund's policy for funding its liabilities is set out in section 6.16.

## 6.16 Funding Policy

The Pension Fund's approach to funding its liabilities is set out in its Funding Strategy Statement. The statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

The Pension Fund Actuary is required to report on the "solvency" of the Pension Fund at least every three years. The latest actuarial valuation of the Pension Fund was carried out as at 31 March 2022 to determine contribution rates for the financial years 2023/24 to 2025/26, with the new rates effective from 1 April 2023.

The market value of the Pension Fund's assets at the valuation date was £6,162m and represented 106% of the Pension Fund's accrued liabilities, allowing for future pay increases.

In accordance with the Scheme regulations, employer contribution rates were set to meet 100% of the Pension Fund's existing and prospective liabilities.

The main actuarial assumptions were as follows:

<b>Discount rate</b>	<b>3.8%</b>
<b>Price inflation/pension increases</b>	<b>2.7%</b>
<b>Salary increases</b>	<b>3.2%</b>

Further information can be found in the Funding Strategy Statement on page 72 and the Actuarial Valuation report on page 19.

## 6.17 Additional Voluntary Contributions (AVCs)

Scheme members have the option to make AVCs to enhance their pension benefits. These contributions are invested separately from the Pension Fund's assets, with either the Standard Life Assurance Company or Utmost Life and Pensions Company.

2021/22						2022/23						
Standard Life		Utmost Life		Total AVCs		Value at 1 April	Standard Life		Utmost Life		Total AVCs	
£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
5,632		1,212		6,844			6,852		1,095		7,947	
						Income						
1,466		5		1,471		Contributions received	1,733		5		1,738	
31		-		31		Transfer values received	31		-		31	
1,497		5		1,502		Total Income	1,764		5		1,769	
						Expenditure						
(334)		(61)		(394)		Retirement benefits	(600)		(53)		(653)	
(92)		(118)		(211)		Transfer values paid	(151)		(5)		(155)	
-		-		-		Lump sum death benefit	-		-		-	
(7)		(4)		(11)		Refunds	-		-		-	
(433)		(183)		(616)		Total Expenditure	(751)		(58)		(809)	
156		61		217		Change in market value	(108)		(52)		(159)	
6,852		1,095		7,947		Value at 31 March	7,758		990		8,747	

## 6.18 Related Parties

### a) Hertfordshire County Council

The County Council incurred costs of £673,352 in relation to the management of the Pension Fund and was subsequently reimbursed by the Pension Fund for these expenses. The County Council also contributed £70,055,850 to the Pension Fund in 2022/23.

### b) Pensions Committee

No members of the County Council Pensions Committee were councillor members of the Hertfordshire Local Government Pension Scheme during 2022/23. Each member of the Pensions Committee is required to declare their interests at each meeting.

### c) Member Allowance

Each elected member is allowed a basic allowance of £11,303 per annum unless they request not to receive it. The post holder of Chair of the Pensions Committee also receives a special responsibility allowance of £11,303, however if the current post holder is also a Cabinet Member for the County Council, they would only receive the higher allowance of the two.

### d) Key Management Personnel

The Administering Authority disclosure of senior officer remuneration includes the S151 Officer who has responsibility for the proper financial administration of the Pension Fund under the Local Government Act 1972. This Officer was employed by the Administering Authority and spent a proportion of time on the financial management of the Pension Fund. Details for the remuneration for the previous two years is shown overleaf.

Position	Year	Apportioned salary £	Apportioned pension contributions £	Total apportioned remuneration £
Executive Director of Resources <sup>1</sup>	2022/23	-	-	-
	2021/22	9,753	1,778	<b>11,530</b>
Director of Finance <sup>2</sup>	2022/23	12,778	2,320	<b>15,098</b>
	2021/22	3,792	693	<b>4,485</b>
Supporting Positions <sup>3</sup>	2022/23	10,756	1,985	<b>12,741</b>
	2021/22	-	-	-

<sup>1</sup> On the 22 September 2021 the Employment Committee formally changed the title of Director of Resources to Executive Director of Resources.

<sup>2</sup> In 2021/22 the Executive Director of Resources had S151 responsibilities until 13 December 2021, this then transferred to the Director of Finance on the 14 December 2021, with the approval of full County Council.

<sup>3</sup> In 2022/23 the Pension Fund agreed to remunerate other positions within the County Council who provide a service to the Fund, these included Democratic Services officers who assist with Pension Committee and Pension Board meetings and Corporate Services staff who are authorisers of Pension Fund banking and custodian transactions.

These costs comprise an element of the total remuneration from the Pension Fund to the County Council in 2022/23 of £673,352.

## 6.19 Contingent Liabilities and Contractual Commitments

### Contractual Commitments

Where the Pension Fund has entered into agreements with fund managers offering private equity, property (with the Fund's 'Alternatives' fund manager), infrastructure debt and private rental sector mandates, commitments held by the Fund until the relevant fund managers require funds to fulfil a purchase of an investment. The value of outstanding contractual commitments by investment asset category are outlined below;

31 March 2022 £000s		31 March 2023 £000s
277,724	Private Equity	222,193
25,284	Property	22,033
-	Infrastructure Debt	-
-	Private Rental Sector	-
<b>303,007</b>	<b>Total</b>	<b>244,225</b>

## 6.20 Contingent Assets

### a) Withholding tax reclaims

The Pension Fund has entered into a process to reclaim withholding tax made by other European Union (EU) countries, based on precedent cases in some EU countries that tax has been withheld unfairly under EU law. Claims have been submitted in France and Germany.

The Pension Fund's claims are set out in the following table in both Euros and Sterling (calculated using exchange rates as at 31 March 2023). The claims are subject to legal processes but based on precedent and legal advice, the Pension Fund expects to be successful in these claims. Therefore, the amounts below are contingent assets for the Pension Fund.

Country	Euro Value at 31 March 2023 €000s	Sterling Value at 31 March 2023 £000s
Germany	148	130
France	191	168
<b>Total</b>	<b>339</b>	<b>298</b>

### b) Bonds

28 admitted bodies in the Pension Fund held bonds as surety to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

## 6.21 Investment Strategy Statement

The 2023 Investment Strategy Statement ("ISS") of the Hertfordshire Pension Fund ("the Fund"), which is administered by Hertfordshire County Council, ("the Administering Authority") was made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"). The ISS, which was approved by the Pensions Committee on 28 November 2022, is subject to periodic review at a maximum every three years or following any significant change in investment policy. The Pensions Committee has provided the Pension Board with an opportunity to review and comment on the contents of the Fund's investment strategy and will continue to work with the Pension Board to review its operation. The ISS can be found on the Fund's website: <https://www.hertfordshire.gov.uk/about-the-council/freedom-of-information-and-council-data/open-data-statistics-about-hertfordshire/hertfordshire-pension-fund.aspx>

**6.22 External Audit Costs**

The Pension Fund has incurred the following costs in relation to the audit of the Statement of Accounts and Annual Report by the council's external auditors:

2021/22	2022/23
£000s	£000s
50	58
Fees payable to Ernst & Young with regards to external audit services carried out by the appointed auditor for the year.	



## 1. Investment Management

### Powers of Investment

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. The regulations provide a prudential framework within which the Pension Fund's investment strategy should be implemented and managed.

The regulations state that the Administering Authority must, after taking proper advice, formulate an investment strategy which includes:

- a requirement to invest fund money in a wide variety of investments;
- the authority's assessment of the suitability of particular investments and types of investments;
- the authority's approach to risk, including the ways in which risks are to be assessed and managed;
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

When setting its Investment Strategy, the Pension Fund is required to have a properly diversified portfolio of assets to reduce overall portfolio risk and volatility and must ensure that the asset allocation policy is compatible with achieving its locally determined solvency target.

The regulations permit a range of investments and the Fund is required to must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The Pension Fund's Investment Strategy Statement, which was in force during the 2022/23 financial year is set out on page 72.

### Responsibility for Investing the Pension Fund's Assets

The Pensions Committee of the County Council is responsible for setting the overall investment strategy of the Pension Fund and monitoring investment performance.

The majority of the Pension Fund's investments are managed by external Investment Managers, who have substantial discretionary powers regarding their individual portfolios. The split of the Pension Fund between these managers at 31 March 2023 is shown in the following table.

Investment Manager	Pension Fund %
Allianz Global Investors Europe GmbH	6.4
Baillie Gifford & Co.	11.7
BlueBay Asset Management LLP	4.7
CBRE Global Collective Investors (UK) Ltd.	8.8
Dodge & Cox Worldwide Funds plc	6.7
HarbourVest Partners, LLC.	3.9
Insight Investment Management Limited	8.7
Legal & General Assurance (Pensions Management) Limited	3.9
LGT Capital Partners (Ireland) Ltd.	11.2
Macquarie Group Limited	1.3
Municipal & General Securities Company Limited	1.4
Pantheon Ventures	3.0
Royal London Asset Management Ltd.	6.9
Standard Life Investments Ltd.	0.2
UBS Group AG	21.3

## Investment Report

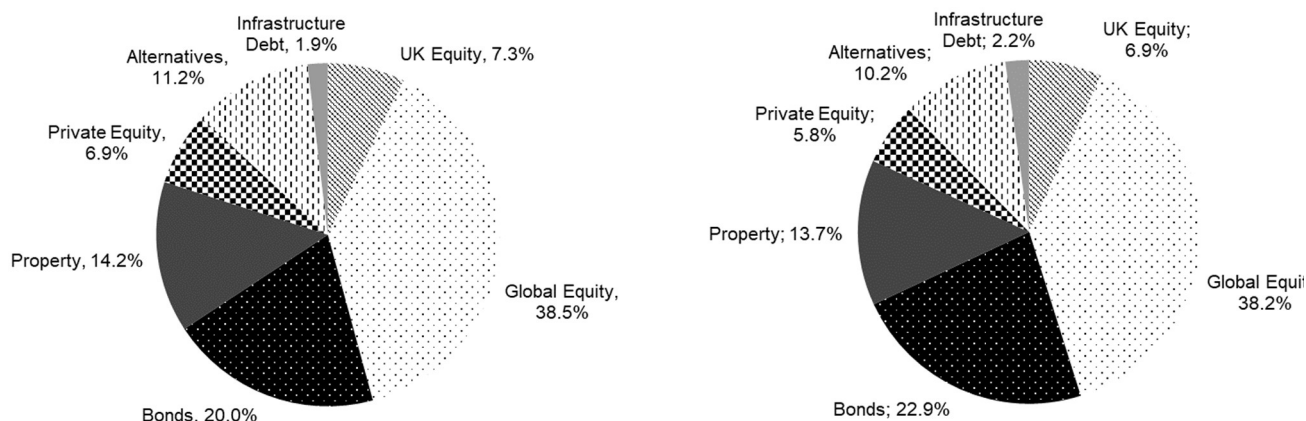
An amount of cash is held by the County Council in order to manage the payment of members' pension benefits and the collection of contributions. This is invested in accordance with the Pension Fund's Treasury Management Strategy which is reviewed and approved annually by the Pensions Committee. The 2022/23 Treasury Management Strategy was approved by the Pensions Committee on 3 March 2022.

## 2. Investment Policy

The Investment Strategy Statement, on page 72, sets out the target asset allocation of the Pension Fund for 2022/23, in comparison with the Pension Fund's specific benchmark allocation.

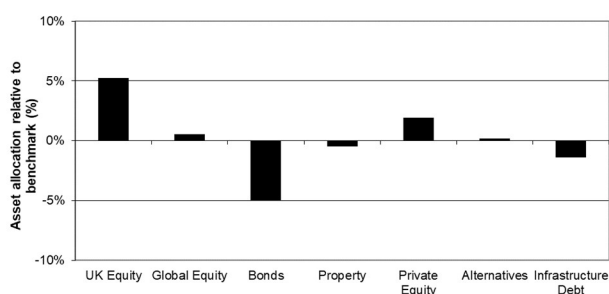
The actual distribution of the Pension Fund's assets across the main asset classes as at 31 March 2023 (and as at 31 March 2022 for comparison) are shown below:

**Distribution of the Pension Fund at 31 March 2023      Distribution of the Pension Fund at 31 March 2022**

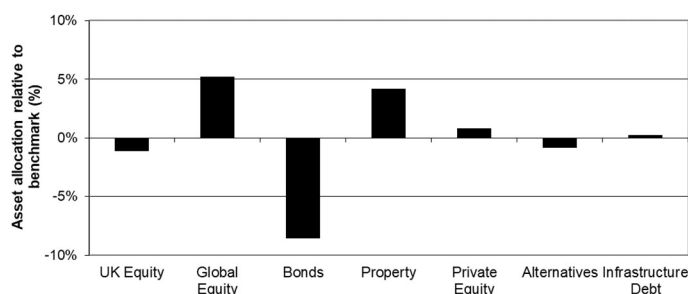


The actual asset allocation of the Pension Fund relative to the benchmark allocation is outlined below as at 31 March 2023 (with 31 March 2022 also shown for comparison):

**Actual asset allocation relative to benchmark allocation as at 31 March 2023**



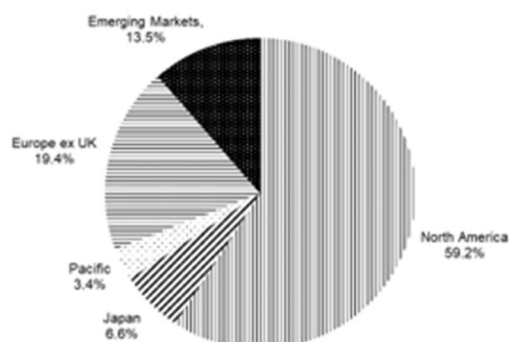
**Actual asset allocation relative to benchmark allocation as at 31 March 2022**



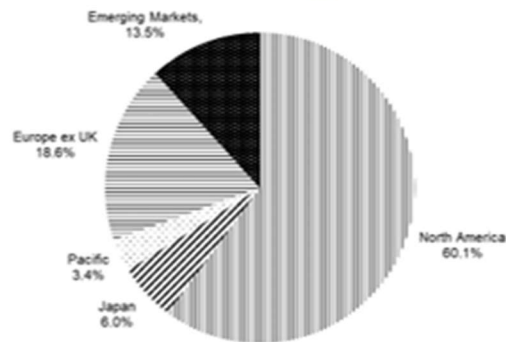
As at 31 March 2023, the Pension Fund's allocation to UK Equities and Private Equity was overweight relative to the benchmark allocation, with other allocations underweight, particularly Bonds.

The regional distribution of the Pension Fund's overseas equity investments as at 31 March 2023 (and as at 31 March 2022 for comparison) is shown below:

**Distribution of Pension Fund's Overseas equity investments at 31 March 2023**



**Distribution of Pension Fund's Overseas equity investments at 31 March 2022**



May not sum due to rounding

The top ten largest direct equity holdings of the Pension Fund as at 31 March 2023 (and as at 31 March 2022 for comparison) are shown below.

Ten Largest Equity Holdings at 31 March 2023	Market Value (£millions)	% of Total Investments
LVMH Moët Hennessy Louis Vuitton	15.1	0.3
Novo Nordisk	14.0	0.2
Visa	13.6	0.2
Amazon	13.4	0.2
Roper Technologies	13.4	0.2
Adobe	13.3	0.2
UnitedHealth Group	13.3	0.2
S&P Global	13.3	0.2
Thermo Fisher Scientific	13.3	0.2
Cooper	13.3	0.2

Ten Largest Equity Holdings at 31 March 2022	Market Value (£millions)	% of Total Investments
Visa	14.5	0.2
Amazon	14.3	0.2
Cooper	13.8	0.2
Fleetcor Technologies	13.6	0.2
Microchip Technology	13.5	0.2
Roper Technologies	13.5	0.2
Novo Nordisk	13.4	0.2
Thermo Fisher Scientific	13.3	0.2
Assa Abloy	13.3	0.2
S&P Global	13.2	0.2

### **3. Review of World Markets (courtesy of Mercers)**

#### **Investment Markets <sup>1</sup>**

The second calendar quarter of 2022 saw a continuation of the broad trends seen from the start of the year. Surging commodity prices, to some degree the result of the conflict in Ukraine and associated sanctions against Russia, alongside the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. Central banks in major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialed down with a growing number of investors seeing a recession as an increasingly plausible scenario. On the brighter side, there was evidence of supply chains gradually beginning to improve.

Inflation and central bank policy continued to drive markets in the third calendar quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore most major asset classes ended September 2022 with another quarter of negative returns. On a positive note significant weakening of sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November, but hawkish messaging from central banks in December led to a premature end of the "Santa rally" even though the quarter as a whole ended with positive equity returns for the first time in a year.

The first three months of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected.

Overall, the 12-month period to March 2023 saw tightening of financial conditions by major central banks, with the notable exception of China and to some extent Japan, who changed their yield curve control in Q4 2022 by widening the permitted range of the 10-year yield. Inflation remained elevated and peaked in 2022Q4.

#### **Equities**

On a year-on-year basis to 31 March 2023, sterling returns for developed market equities were marginally negative, -0.7%. Sterling depreciation mitigated negative equity performance for unhedged UK investors. Emerging market equities also posted negative returns. Markets sold off for the first three quarters of 2022 as inflationary pressures, exacerbated by Russia's invasion of Ukraine, accelerated monetary tightening from developed market central banks and heightened recessionary risks. Markets attempted to stage a mini-rally in July 2022 but this proved short lived as the Federal Reserve re-iterated its hawkish outlook for monetary policy. A similar rally took place in October and November following some softer than expected US inflation data but positive momentum came once again to an end in December after major central banks retained their hawkish forward guidance.

The first three months of 2023 were volatile once again as a speculative rally in January characterised by short selling gave way to a risk off environment driven by distress in the banking system with investor expectations pivoting between monetary tightening ending and having to continue for longer. The quarter ended with positive returns for most equity sub sectors, in particular technology which benefited from falling real yields.

#### **Bonds**

On a year-on-year basis to 31 March 2023, UK government bond returns were deeply negative, negative 16.3%, as were returns for UK corporate bonds, negative 10.3%. Inflation-linked bonds also performed poorly over the year, negative 26.7%.

In 2022, inflation pressures in the UK showed little signs of receding until very late in the year. The Bank of England had started its hiking cycle as early as late 2021. By the end of Q2 2022 the UK base rate reached 1.25%. In September 2022, the UK went through a major government bond (gilt) sell-off after the government announced a mini budget that

markets deemed fiscally unsound. In the immediate aftermath following the mini-budget, 10-year yields spiked ~70 bps higher. Two weeks following the announcement despite volatility falling, 10-year yields remained 40 bps higher than where they were prior to the announcement, this said over this period gilts did not perform considerably different to other government bonds globally. For context, over the 12-month period to March 2023, 10-year UK gilts yields rose 188bps.

Markets positioned for the Bank of England having to double down on tightening in order to offset the expansionary mini budget. Soaring yields led to a scramble for collateral by UK pension plans who were exposed to leveraged liability hedging strategies. This ultimately led to the Bank of England providing liquidity support at the longer end of the yield curve. However, the Bank of England also continued to raise rates in the third and fourth quarter of 2022, ending the year at a base rate of 3.5%. Bond yields fell slightly through Q1 2023 despite the BOE continued raising rates, with the base rate increasing 0.75%, finishing March 2023 at 4.25%.

UK real yields rose over the 12 months to March 2023, with most of the increase in yields occurring in Q3 2022, in particular September. 10-year real yields rose 247bps over the 1-year period to 31 March 2023. Market-based measures of inflation, as measured by the 10-year break-even inflation rate fell by 57bps over the 12-month period reaching 3.7% as at the end of March 2023 – lower than the recent peak of 4.5% reached in May 2022. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022 when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads widened over the 12-month period to March 2023, leading to a negative performance for spread based assets, albeit most of the negative impact was led by rising gilt yields. The negative return impact of rising government bond yields was exacerbated by rising credit spreads. Non-gilt credit spreads widened by 39 basis points over the 12-months to March 2023. Credit marginally underperformed equivalent duration government bonds. However, given most bond indices were down in double digit figures over the 12-month period to March 2023 this relative underperformance was not a headline.

## Property

The UK property market is going through a period of correction driven by the unprecedented rises in interest rates which are yet to come to an end. While higher interest rates are negatively affecting the yield side of the returns equation, strong inflation is having a broadly positive impact on rental growth. The UK, due to its tradition of monthly valuations and deep investor base, tends to be the fastest correcting property market in the world, which means that during downturns pricing opacity and low market transparency are deemed to be less problematic than elsewhere.

After reaching a low point of gross asset-level returns at negative 14.5% for the 3-months to December, the MSCI UK Monthly Property Index shows the negative return trend improving over the first quarter, with the 3-months to February 2023 recording a negative total return of negative 3.7%. All property types continued to record negative but moderating returns. In the 3-months to February 2023 capital growth ranged between negative 1.4% in residential to negative 6.4% in industrial.

## Investment Performance<sup>1</sup>

### Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned negative 0.7%. Meanwhile, a return of -3.9% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 8.7% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 2.9%. The FTSE USA index returned negative 2.4% while the FTSE Japan index returned 2.0%. The considerable outperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in sterling terms over the 12-month period to 31 March 2023.

## Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned negative 16.3%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of negative 29.7% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the

longer-dated gilt returns. The yield for the FTSE Gilts All Stocks index rose over the year from 1.7% to 3.7% while the Over 15 Year index yield rose from 1.7% to 3.8%.

The FTSE All Stocks Index-Linked Gilts index returned negative 26.7% with the corresponding over 15-year index exhibiting a return of negative 39.1%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned negative 10.3%.

Bond market total return figures are in sterling terms over the 12-month period to 31 March 2023.

## Commodities

The price of Brent Crude Oil fell 25.8% from \$107.46 to \$79.76 per barrel over the one-year period. Over the same period, the price of Gold rose 1.8% from \$1941.15 per troy ounce to \$1976.50.

The S&P GSCI Commodity Spot Index returned -15.6% over the one-year period to 31 March 2023 in sterling terms.

## Currencies

Over the 12-month period to 31 March 2023, sterling depreciated by 6.1% against the US Dollar from \$1.32 to \$1.24. Sterling appreciated by 3.0% against the Yen from ¥159.81 to ¥164.56. Sterling depreciated against the Euro by 6.1% from €1.32 to €1.24 over the same period.

<sup>1</sup> Statistics sourced from Thomson Reuters Datastream unless otherwise specified.

<sup>2</sup> Statistics sourced from MSCI Investment Property Database.

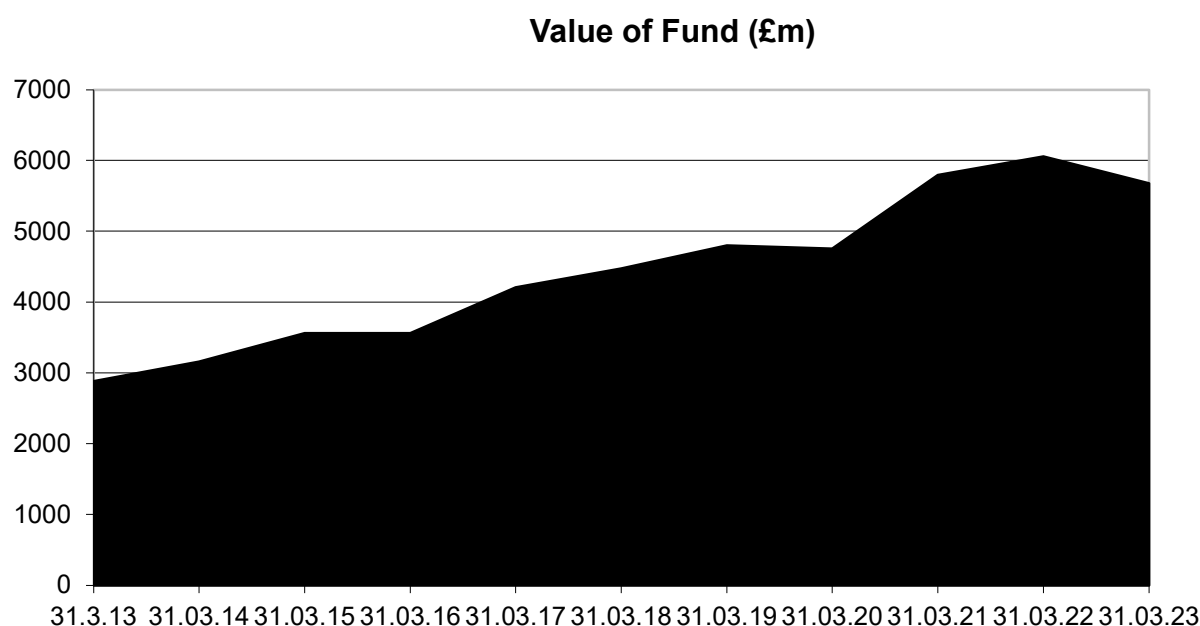
#### 4. Investment Performance

In order to monitor the performance of the investment managers, the Pension Fund participates in performance measurement services. In 2022/23 these services were provided by Northern Trust and Mercer. The performance of the investment managers is reported to the Pensions Committee on a quarterly basis.

Over the twelve months to 31 March 2023, the Pension Fund return was negative 6.9% (gross of fees) and negative 6.7% (net of manager fees).

#### Change in the Pension Fund's Total Assets

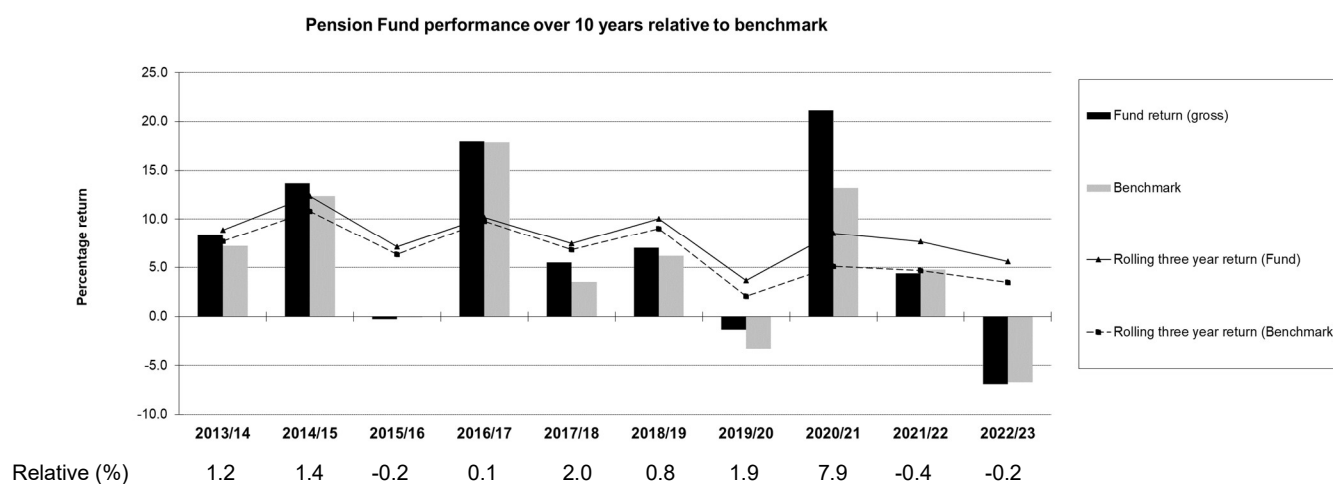
The change in the value of the Pension Fund's invested assets over the ten years to 2022/23 is shown below.



#### Comparison with the Pension Fund's Benchmark

The Pension Fund's performance is analysed against a customised benchmark, as set out in the Investment Strategy Statement on page 72. The graph below shows the annual investment returns (gross of fees) of the Pension Fund compared to the benchmark over the last ten years. This shows that the Pension Fund has performed above benchmark in seven years out of the last ten.

Overlaid on the chart is a rolling three-year annualised return of the Fund's assets compared with the equivalent figures for the benchmark.





## Investment Report

The table below shows the long-term performance of the Pension Fund to 31 March 2021 against the benchmark.

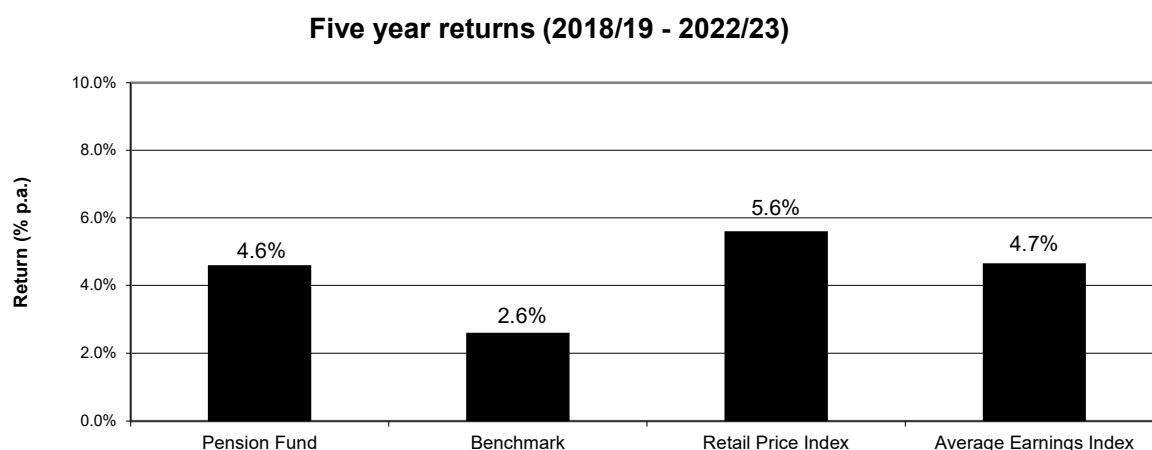
	Pension Fund	Benchmark	Relative Performance
3 year (% p.a.)	5.9	3.5	2.4
5 year (% p.a.)	4.6	2.6	2.0
10 year (% p.a.)	6.8	5.3	1.5

*Pension Fund performance is shown gross of fees, source BNY Mellon/Northern Trust.*

## Performance Comparisons

### Long term returns

The five-year returns from 31 March 2018 to 31 March 2023 are shown in the chart below:

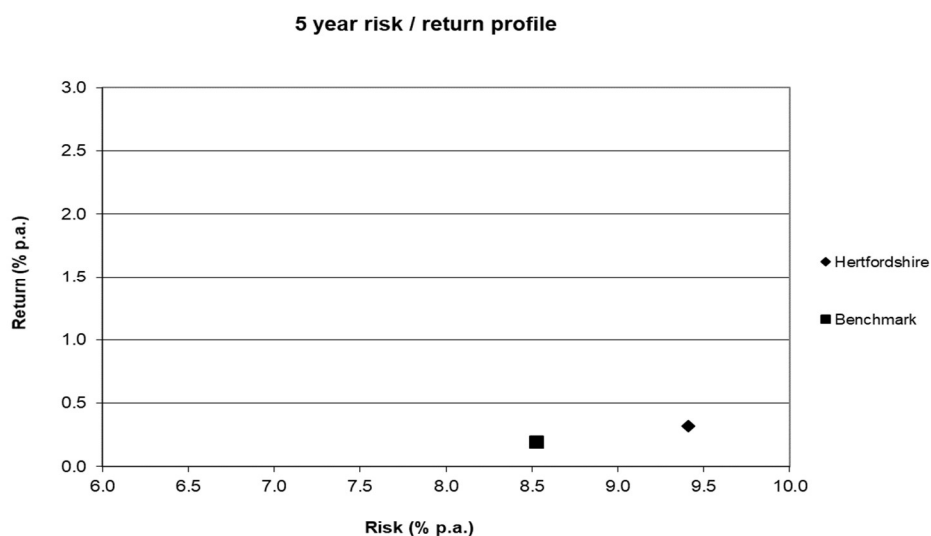


*Pension Fund performance is shown gross of fees. Retail Price Index and Return for Average Earnings Index shown for the five years to 31 March 2023.*

The chart above shows that over the last five financial years, the Pension Fund's performance underperformed retail price inflation and overperformed the rate of growth in average earnings.

## Risk comparisons

The chart below highlights the risk and return profile of Pension Fund relative to its benchmark over the last five years to 31 March 2023.



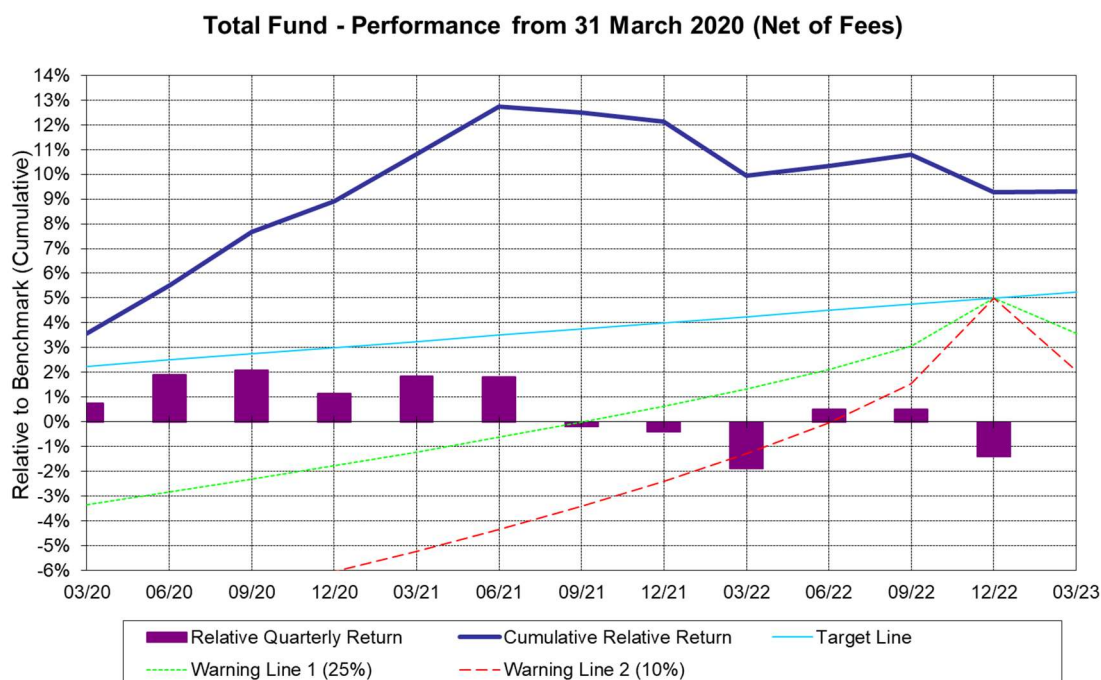
*Risk is defined as the volatility or annualised standard deviation of quarterly returns.*

This highlights that the Pension Fund's returns have been marginally more volatile than the Pension Fund's benchmark. The Pension Fund did however generate higher returns than the benchmark over this period and so has been more than compensated for the additional risk.

## Control chart

The control chart below highlights the performance of the Pension Fund over time against its targets to put into perspective any significant deviation from the target.

The chart spans three years as this is the time period over which the majority of the managers are expected to meet their target.



Relative returns based on quarterly values and performance available at the time. Chart may not sum exactly to other figures in the report which are based on custodians figures who will have allowed for finalised accounting values.

The lines on the charts are as follows:

### The Benchmark Return

This is the horizontal line, at point 0%, representing the benchmark return. If the Fund's performance was exactly in line with the benchmark return, the performance line (see below) would follow this horizontal line exactly.

### Relative Quarterly Return

The bars represent the difference between the Fund's investment returns from those of the benchmark over each quarterly period. A positive bar (above zero) represents positive performance and a negative bar (below zero) represents negative performance.

### Cumulative Relative Return

This solid line represents the cumulative performance achieved relative to the benchmark return. Because active investment management produces uneven returns, the performance is not expected to exactly follow the target line. Instead the performance will fluctuate with the objective that the performance line will meet or exceed the target line by the end of the period.

### The Target Line

This is a simplistic representation of cumulative added value over the period. If, for example, a manager has a target to achieve a return of 0.5% p.a. in excess of the benchmark return, the graph will show the target of 1.5% added value by the end of the three year period. This is shown as a thin light blue line.

## ACTIVE EMPLOYERS

### Scheduled Bodies

#### Councils and other bodies whose employees have a statutory right to be in the Scheme

Broxbourne Borough Council	Police and Crime Commissioner
Dacorum Borough Council	St Albans District Council
East Herts District Council	Stevenage Borough Council
Hertford Regional College	Three Rivers District Council
Hertfordshire Constabulary	University of Hertfordshire
Hertfordshire County Council	Watford Borough Council
Hertsmere Borough Council	Welwyn Hatfield Borough Council
North Hertfordshire College	West Hertfordshire College
North Herts District Council	West Herts Crematorium
Oaklands College	

#### Academies, Free Schools, Studio Schools and Technical Schools

Adeyfield School (STAGS)	Longdean School
Agora Learning Partnership (HFL MAT)	Loreto College
Alban City School	Mandeville Primary
Alban Wood Primary School & Nursery	Manor Fields Primary School
Applecroft	Marlborough School Science College
Ascot Road Community Free School	Meryfield Community Primary School
Aspire Academies Trust	Monkswalk School
Beaumont	Mount Grace
Bedmond Academy	Mount Pleasant Lane School
Beech Hyde Primary School & Nursery	Nicholas Breakspear Catholic School
Beechfield Primary School	Northgate Primary School
Birchwood High School	Onslow St Audreys
Bishops Hatfield Girls School	Our Lady Catholic Primary School
Bovingdon Primary	Oxhey Wood Primary School
Brandles School	Parmiter's School (AC)
Broadfields Primary School	Pinewood School
Bromet Primary School	Presdales
Broxbourne Academy	Queens School
Bushey Meads School	Ralph Sadlier
Camps Hill Academy	Richard Hale
Chancellors School	Rickmansworth School
Chaulden Junior Academy	Ridgeway Academy (Sir Frederic Osborn Academy)
Chauncy School	Robert Barclay Academy
Cherry Tree Primary School	Roebuck Academy
Christ Church C of E School	Roman Fields (JMAT)
Churchfield C of E Academy	Roman Way First School
Countess Anne Academy	Roselands School
Crabtree Infants School	Roundwood Park School
Crabtree Junior School	Roysia
Cranbourne School	
	Sacred Heart RC Primary School

Appendix 1: List of Employing Bodies

Croxley Danes School	Samuel Ryder Academy
Dame Alice Owens School	Sandringham School
Danes Education Trust	Sarratt Primary School
De Havilland Primary School	Scholars' Education Trust - Central Team
Divine Saviour RC Primary School	Simon Balle
Dundale Primary & Nursery School	Sir John Lawes School
Elstree UTC	Sir Thomas Moore
Fair Field Junior School	Springmead Primary School
Fairlands Academy	Spiral Partnership Trust
Flamstead End Primary & Nursery	St Augustine's Catholic Primary School
Fleetville Infants	St Albans Girls School
Fleetville Juniors	St Catherine of Siena
Francis Combe	St Clement Danes School
Freman College	St Cross Catholic Primary School
Garden City Academy	St Georges
Garden Fields JMI School	St Joan of Arc
Goffs Churchgate Academy	St Johns
Goff's School	St John's Catholic Primary School
Grange Junior School	St Johns C of E infant Nursery school
Greneway	St Joseph's Catholic Primary School (BS)
Grove Academy (Aspire Trust) formerly Berrygrove Academy	St Joseph's RC Primary School
Grove Road Primary School	St Joseph's Catholic Primary School (WC)
Hailey Hall School	St Mary's Catholic School (BS)
Haileybury Turnford	St Mary's Catholic School Royston
Hammond Primary	St Mary's C of E High School
Harpenden Academy	St Michael's
Hartsbourne Primary School	St Thomas of Canterbury Catholic Primary School
Hatfield Community Free School	Skywood Academy
HCL - Designated Body	Stanborough
Herts and Essex Academy	Summercroft Primary School
Hertsmere Jewish Primary School	The Barclay School
Hertswood School	The Grange Academy (Meller Educational Trust)
Hitchin Boys	The Orchard Primary School
Hitchin Girls School	The Reach Free School
Holy Rood Catholic Primary School	The Sele School
Inclusive MAT	The Wroxham School
John Henry Newman	Thomas Alleyne
John Warner School	Tring School
Jupiter Community Free School	Verulam School
Katherine Warrington School	Warren Dell Primary School
King James Academy Royston (previously Meridian Academy - Actives)	Waterside Academy
Kings Langley School	Watford Grammar School for Boys
Knights Templar School	Watford Grammar School for Girls
Knightsfield	Watford St John's CofE Primary School
Knutsford School	Watford UTC
Lanchester Community Free School	Westfield Academy
Larkspur Primary School	Wheatfields Junior School
Larwood Academy	Wheatfields Infants and Nursery School

Appendix 1: List of Employing Bodies

Laurance Haines School	Wilbury Junior School
Laureate Academy	Wilshere Dacre Academy
Leventhorpe School	Windhill
Links Academy Hatfield	Woodside Primary School
Links ESC	Woolgrove School
Little Reddings Primary School	Yavneh College

**Employers who can designate their employees to be in the Scheme**

Abbots Langley Parish Council	London Colney Parish Council
Aldbury Parish Council	Markyate Parish Council
Aldenham Parish Council	Nash Mills Parish Council
Ashwell Parish Council	North Mymms Parish Council
Berkhamsted Town Council	Redbourn Parish Council
Bishop's Stortford Town Council	Royston Town Council
Buntingford Town Council	Sandridge Parish Council
Chipperfield Parish Council	Sarratt Parish Council
Chorleywood Parish Council	Sawbridgeworth Town Council
Colney Heath Parish Council	South Mimms Parish Council
Croxley Green Parish Council	St Stephens Parish Council
E2BN	Stanstead Abbots Parish Council
Elstree & Borehamwood Town Council	Stanstead St Margaret's Parish Council
Harpenden Town Council	Tring Town Council
Hatfield Town Council	Tring Rural Parish Council
Hertford Town Council	Walkern Parish Council
Hertingfordbury Parish Council	Ware Town Council
Hertford Heath Parish Council	Watford Rural Parish Council
Hertfordshire Association of Local Councils	Welwyn Parish Council
Kimpton Parish Council	Wheathamsted Parish Council
Kings Langley Parish Council	Woolmer Green Parish Council
Knebworth Parish Council	

## **Admitted Bodies (employers who participate by virtue of an admission agreement)**

ABM Catering Ltd (Verulam School)	Hertfordshire NHS Partnership Trust
Accent Catering Ltd	Herts Ability Ltd (prev Hertfordshire Action on Disability)
APCOA Parking Ltd	Herts at Home
Aramark	Herts Building Control Ltd
Aspens Services Limited	Herts Community Meals
Atlas Cleaning Limited	HFL
B3 Living (formerly Broxbourne Housing Association)	Highfield Park Trust
Banardos (Lot 5)	Innovate Service Ltd
Birkin Cleaning Services	Inspire All Leisure and Family Support
Broxbourne Environmental Services Trading (BEST) LTD	John O'Conner (Grounds Maintenance)
Care By Us (East Herts)	Letchworth Garden City Heritage Foundation
Carter Jonas	ONE YMCA (East Quad)
Caterlink Ltd	Quantum Care Ltd
Churchill Contract Services	Radlett Centre Trust
City and County Healthcare	Refuge
Cleantec Services Ltd - St Mary's CE Academy, Cheshunt	Ringway Infrastructure Service
Compass Group UK Ltd	Securitas
Cucina	Settle Group
Dacorum Sport Trust	SLM Community Leisure Charitable Trust
Edwards & Blake	Sports and Leisure Management
Elstree Film Studio	Sopra Steria
Energy Kidz	Stevenage Leisure Limited
European Cleaning Service Limited	Tenon FM Ltd
Evergreen Facilities Services Limited	Thrive Homes
Fusion Lifestyle	Urbaser Ltd
Geoffrey Osborne Ltd	Watford Community Housing Trust
Greenwich leisure limited	WPS UK Ltd (formerly Opus (UK) Ltd)
Haywards Services Limited	
HCL	

## **CEASED EMPLOYERS**

### **Employers with no active members but with some outstanding liabilities whose pensioners are or will be paid from the Pension Fund**

#### **Scheduled Bodies**

Brookman's Park JMI	Lee Valley Water
Christchurch JMI	Magistrates Courts Committee
Colne Valley Water Company	Rickmansworth & Uxbridge Valley Water Company
Da Vinci Studio School (North Herts School Trust)	St Catherines of Sienna RC JMI
Department of Health	Thames Water Authority
Department of Transport - Motor Tax	West Herts Community Free School
Hertfordshire Probation Trust	Wroxham JMI
Hertingfordbury Cowper Primary	

## Designated Bodies

Codicote Parish Council  
Letchworth Garden City Council

Shenley Parish Council  
University Bus

## Admitted Bodies

Abbots Care  
ABM Catering Ltd  
Action for Children  
Affinity Sutton  
Age Concern Hertfordshire  
Aldenham Renaissance Ltd  
Alliance in Partnership Ltd  
Amey Plc  
ARP Trading  
Art Café  
Aspire Leisure Trust  
Association of Charity Officers  
Barnados (Hoddesdon)  
Bushey Citizens Advice Bureau  
Capita Secure Info Solutions  
Carers in Hertfordshire  
Carers in Herts  
Caterplus  
Central Parking Systems  
Change, Grow, Live (CGL)  
Chauncy Housing Association  
Churchill Contract Services Limited  
Citizens Advice Bureau in Hertsmere  
Citizens Advice Service in Three Rivers  
Colesseum Theatre  
Coombs Catering Partnership Limited  
Comfort Call  
Commission for New Towns - Hemel Hempstead  
Commission for New Towns - Stevenage  
Community Building Services  
Compass Contract Services Ltd  
CP Plus Limited  
Cucina (Hertswood Academy)  
Dacorum Council for Voluntary Service  
Culinera Limited  
Dacorum Sports Trust  
DC Leisure Management Ltd  
Digica FMS  
East Herts Citizens Advice Service  
EEIDB  
Elior UK  
Europa Services Limited

Hemel Hempstead Day Centre Ltd  
Hertford Museum Trust  
Hertfordshire Care Trust  
Hertfordshire Career Services Ltd  
Hertfordshire E-Learning Partnership  
Hertfordshire Training & Enterprise Council  
Herts Family Mediation Service  
HERTS YOUNG MARINERS BASE (HYMB)  
Hitchin Markets Ltd  
Interserve  
Kameleon 4  
Leonard Cheshire  
MACE Ltd  
Mitie Property Services  
Mears (Building Contractors) Ltd  
Mountain Healthcare Ltd  
National Car Parks  
North Hertfordshire Hospice Care Association  
Northgate Information Solutions  
NSL  
Office and General  
Offley Place Ltd  
Principle Cleaning  
Pro Action  
PSLA (Holywell School)  
Rhodes Museum Foundation  
Riversmead Housing Association (Network Homes)  
RM Education Ltd  
Serco (Welwyn Hatfield BC)  
Shenley Park Trust  
Society of Education Officers  
St Albans Diocesan Board for Social Responsibility  
St Mary's Trading (All Sorts)  
Stevenage Homes  
Superclean Services Wolthorpe Ltd  
The Fairway Public House Limited  
Three Rivers West Trust  
Town & Country Markets  
TSG Mechanical Services Ltd  
Udata Infrastructure UK Ltd  
Veolia  
Watford & Three Rivers Trust

Appendix 1: List of Employing Bodies

Evergreen Facilities Services (Hemel Hempstead School)	Watford Town Centre Partnership Limited
Exemplas	Wellfield Trust
Finesse Leisure (formally Welwyn Hatfield Leisure Limited)	Welwyn and Hatfield Community Housing Trust
Goldsborough Home Care	West Hertfordshire Computer Consortium
Gosling Sports Park (previously Welwyn Hatfield Sports Centre Trust)	Weston Voluntary Nursery
Group for the Rootless of Watford	Womans Royal Voluntary Society
Haywards Services Ltd (W&H)	Watford and District YMCA
Herts Living Ltd	YMCA - (Royston & Buntingford)
Hertsmere Leisure Trust	



The following reports discussed in this document can be found at the following:

ACCESS Annual Report: <https://www.accesspool.org/document/14560>

Admission Strategy: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/hertfordshire-pension-fund/archived-strategy-and-policies/administration-strategy-effective-1-april-2015.pdf>

Communication Strategy: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/hertfordshire-pension-fund/archived-strategy-and-policies/communication-policy-statement-sep-2017.pdf>

Funding Strategy Statement: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/hertfordshire-pension-fund/archived-strategy-and-policies/funding-strategy-statement-2020-final.pdf>

Governance and Compliance Statement: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/hertfordshire-pension-fund/archived-strategy-and-policies/governance-compliance-statement-april-2021.pdf>

Investment Strategy Statement: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/hertfordshire-pension-fund/archived-strategy-and-policies/investment-strategy-statement-2020.pdf>

Actuary	An independent qualified consultant who advises on the financial position of the Pension Fund. Every three years the Actuary reviews the assets and liabilities of the Pension Fund and produces the actuarial valuation which recommends the employer contribution rates.
Administering Authority	A local authority required to maintain a pension fund under the Local Government Pension Scheme regulations. Within the geographical boundary of Hertfordshire, the Administering Authority is Hertfordshire County Council.
Admission agreement	A contract between an administering authority, admitted body and if applicable, the outsourcing Scheme employer.
Augmentation	Additional membership awarded to a member by their employer, to a maximum of ten years.
Benchmark	A notional fund which is developed to provide a standard against which an Investment Manager's performance is measured.
Bonds	A certificate of debt issued by a company, government or other institution. A bondholder is a creditor of the issuer and usually receives interest at a fixed rate. Also referred to as fixed interest securities.
Career Average Revalued Earnings (CARE) scheme	<p>A scheme that are a type of defined benefit pension scheme where the benefits at retirement are based on average pensionable earnings and the length of membership of the scheme.</p> <p>From 1 April 2014, the Scheme moved from a final salary scheme to a career average revalued earnings (CARE) scheme details of which are accessible from the Pension Fund website at <a href="https://www.lppapensions.co.uk/">https://www.lppapensions.co.uk/</a></p>
Chief Finance Officer	An officer of that has delegated responsibility to manage the financial arrangements for an organisation. Hertfordshire County Council delegates these responsibilities to the post of the Director of Resources.
Communication Policy Statement	A statement of policy on communications with members and employers including the provision of information about the Scheme, the format, frequency and method of distributing such information and the promotion of the Scheme to prospective members.
Custody/Custodian	The safe keeping of securities by a financial institution. The Custodian is responsible for maintaining investment records, the settlement of transactions, income collection, tax reclamation and other administrative actions in relation to the Pension Fund's investments.
Deferred members	Members who leave their employment or opt out of the Scheme and have their benefits deferred until retirement or until they request a transfer to another pension scheme.
Defined benefit final salary scheme	A pension scheme where the scheme rules define the benefits independently of the contributions paid by the members and employer. Members' benefits are a specified fraction of a scheme member's final pay.
Equities	Shares in UK and overseas companies.
Ex-officio	A member of a body (a board, committee, council, etc.) who is part of it by virtue of holding another office.
Final pensionable pay	The figure used to calculate a member's pension benefits and is normally a members pay in the last year before they retire. A member's benefits could also be calculated on one of the previous two years pay if that amount is higher, or the average of any three consecutive years in the last ten years if the member has had a downgrade in the last ten years or pay has been restricted in that period.
Fixed interest securities	Investments which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange until this time. Also known as bonds.
Forward foreign exchange contract	An agreement between two parties to exchange one currency for another at a forward or future date.
Funded scheme	A pension scheme that has available assets to cover all liabilities, including the obligation of future payments to retirees.
Funding Strategy Statement	A statement of the Pension Fund's strategy for meeting employers' pension liabilities.
Futures	Contracts to buy or sell specific quantities of a commodity or financial instrument at a specified price with delivery set at a specified time in the future.
Governance Policy and Compliance Statement	A statement of the governance arrangements of the Pension Fund including the delegation of responsibility, terms of reference, representation and compliance with statutory guidelines.

Hertfordshire Local Government Association	A voluntary organisation, acting on behalf of the local government sector in Hertfordshire.
Index linked	Bonds on which the interest and ultimate capital repayment are recalculated on the basis of changes in inflation.
Investment Consultant	A professionally qualified individual or company who provides objective, impartial investment advice to the Pension Fund.
Investment Manager	An organisation that specialises in the investment of a portfolio of securities on behalf of an organisation subject to the guidelines and directions of the investor.
Lien	A form of security interest granted over an asset to secure the payment of a debt or performance of some other obligation.
Mandate	A set of instructions given to an investment manager as to how a fund is to be managed. Targets for performance against a benchmark or limits on investing in certain stocks or sectors may be set. This is formalised within an investment manager agreement between a pension fund and investment manager.
Pooled investment vehicles	An investment which allows investors' money to be pooled and used by investment managers to buy a variety of securities, thereby giving investors a stake in a diversified portfolio of securities.
Private equity	An asset class consisting of equity securities in operating companies that are not publicly traded on a stock exchange.
Quoted securities	Shares with prices quoted on a recognised stock exchange.
Rates and Adjustments Certificate	A certificate issued by the Pension Fund Actuary setting out the contribution rates payable by participating employers
Scheme	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. The LGPS Regulations also dictate eligibility (particularly for scheduled bodies), members' contribution rates, benefit calculations and certain governance requirements. The Scheme is divided into 101 Pension Funds throughout the UK. Each pension fund is autonomous to the extent not dictated by the LGPS Regulations, e.g., regarding investment strategy, employer contributions and choice of advisers.
Scheme Administrator	An organisation responsible for the administration of the benefits of the Pension Fund, including the payment of benefits and maintenance of membership records. This is contracted to The London Pensions Fund Authority.
Spot market exchange rate	A spot exchange rate refers to the current exchange rate.
Investment Strategy Statement	A formal policy on how a pension fund will invest its assets including the types in investments to be held, the balance between different types of investments and risk.
Transfer values	A capital value transferred to or from a pension scheme in respect of a contributor's previous periods of pensionable employment.
Transferee admission bodies	An external body contracted to provide services or assets in connection with the exercise of a function of the local authority.
Unit Trust	A pooled fund in which investors can buy or sell units on an ongoing basis.
Unquoted securities	Shares which are dealt in the investment market, but which are not listed on a recognised stock exchange.
VitaCurves	Bespoke analysis of the longevity of the Pension Fund's members.
Whole time equivalent salary	The pay a part-time member would receive if they worked full time.