LONDON BOROUGH OF REDBRIDGE

PENSION FUND

INVESTMENT STRATEGY STATEMENT

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London Borough of Redbridge Pension Fund (“the Fund”)

1. INTRODUCTION

The Local Government Pension Scheme (LGPS) was established in accordance with statute to provide death and retirement benefits for all eligible employees and their dependents. Eligible employees are mainly local government staff, except teachers who have separate pension arrangements, and a number of other bodies as permitted by Local Government Pension Scheme Regulations 2013 (and amendments thereto).

The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not immediately needed to pay benefits. The London Borough of Redbridge (“the Council”) is a designated administering authority. The governance arrangements for the Fund are set out in Appendix 1.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) (and as amended) require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The Fund’s investment objective is to minimise the long-term cost of funding commensurate with an appropriate level of risk and volatility. This objective will be achieved through the formulation of an appropriate investment strategy that takes into account the assumptions made within the actuarial valuation, which are linked to the liabilities of the Fund. The investment strategy seeks to achieve a real return of at least 3.5% per annum sub-divided between bond and equity type assets. Further details of the structure of the investment portfolio are set out in Section 2.

The strategic asset allocation of the Fund is currently broadly split 80% equity type investment (includes property) and 20% bonds although during periods of market volatility this may vary. External fund managers have been appointed to manage the Fund’s investments and each manager has a clear investment objective. The Fund invests in a wide range of assets with its fund managers in order to provide diversification and to spread the risk. Within Section 2 are details of the risks associated with the Fund and the measures in place to minimalize these risks.

The Fund considers that collaborative working and the pooling of assets has the potential to provide services possibly at a lower cost. The Fund has therefore taken the opportunity to use framework agreements to procure advisory services when contracts are due for renewal. The Fund also seeks to pool its investments using the London Collective Investment Vehicle as opportunities arise. Further details on this pooling of investments are set out in Section 3.

As a public sector scheme, the Local Government Pension Scheme is frequently scrutinised on its investment decision processes. In response to a review by the Department of Communities and Local Government six principles, as a measure of best practice were proposed. The Fund’s compliance with these principles is set out at Appendix 2.

This Investment Strategy Statement has been prepared in collaboration with the Fund’s advisers. It is a living document which means that it is subject to revision as the investment markets change. It is also an important tool for the Fund as well as providing transparency in relation to how the Fund’s investments are managed.

The Pension Fund Committee (“the Committee”) reviews the Fund’s compliance with the Investment Strategy Statement at least triennially or more frequently should any significant change occur.

2. INVESTMENT STRATEGY AND THE PROCESS FOR ENSURING SUITABILITY OF INVESTMENTS

The Fund's primary investment aim is to ensure that over the long term the Fund will have sufficient assets to meet pension liabilities as they are due.

The power and duties of the Administering Authority to invest Fund monies are set out in Regulations. The Fund is required to invest any monies which are not immediately required to pay pensions and any other benefits and, in so doing, take account of the need for a suitable diversified portfolio of investments and the advice of persons properly qualified on investment matters. During periods of market volatility, the Council may retain any surplus cash balance to invest in the money market in accordance with the Council's Treasury Management Strategy.

The Fund seeks to achieve this investment objective through the formulation of an appropriate investment strategy that:

- Maximises the return on investments whilst maintaining acceptable levels of risk.
- Recognises the short term volatility that can occur within the stock-markets with diversification across different asset classes.
- Recognises the assumptions made within the actuarial valuation that links to the liabilities of the Fund.
- Enable employer contribution rates to be kept as affordable and as stable as possible.

In broad terms, investments may be made in accordance with the regulations in equities, fixed interest and other bonds, and property, in both the UK and overseas markets and in accordance with the investment managers' agreements. The Fund has decided to access these types of investments via Pooled Unit Trusts. It is considered that with the size of the Fund in mind, investment in these vehicles leads to lower volatility of returns and a wider spread of investments than would be possible, in some cases, from direct investments in these sectors albeit the Fund will consider other vehicles or ways of accessing investments through Pooling as these become available. The Fund, however, does maintain a policy that applies a restriction as to the maximum percentage to which the Fund can invest as shown in the table below:

LIMIT	RESTRICTION
5%	Investment in entities connected with the Council
10%	Cash Deposit with the Local Authority
10%	Direct investment in any one company or entity
40%	In any single Pooled Unit Trust

Asset Allocation

The Fund's asset strategy, along with an overview of the role each asset plays is set out in the table overleaf:

Asset Class	Manager	Allocation %	Allowable Ranges %	Role(s) within the Strategy
Global Equities	LCIV – Legal & General	30	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To achieve a return in-line with the various market indices
Global Equities	LCIV - Baillie Gifford	15	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To outperform the MSCI AC World Index by 3%
Emerging Markets Equities	Schroders	5	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements. To outperform the MSCI Emerging Market Index by 3%
Diversified Growth Fund	LCIV – Baillie Gifford	20	+/- 5	To generate positive long-term returns to meet the Fund's funding requirements with lower volatility than the Fund's equity investment. To provide diversification by allowing the Fund to access a range of underlying asset classes to achieve a return of 3 ½% above 1 month LIBOR (London Inter-Bank Offer Rate)
Bonds	Aberdeen Standard	20	+/- 5	To reduce volatility of the Fund's funding level and to provide protection against inflation increases.
Property	Schroders	10	+/- 5	To provide diversification and access to alternative drivers of return by investing in a diverse property portfolio. To outperform the relevant benchmark by 1%

The Fund's investments are currently held in pooled units as opposed to holding direct shares in individual companies. The investments with both Baillie Gifford and Legal & General are managed through the LCIV as the Fund seeks to pool its investments in accordance with Government requirements. Further details concerning the pooling arrangements are set out in Section 3.

Performance targets are set in relation to the benchmark and (where appropriate weighted indices specified). The investment managers' performance data is provided over a range of periods, including quarterly, annually and triennially by State Street Analytics. The Committee reviews the performance of the Fund and its Fund Managers at quarterly meetings against the respective benchmarks. The objective set for the Fund Managers are primarily over a rolling three-year periods.

3. RISK MEASUREMENT AND MANAGEMENT

As mentioned previously in Section 2, the gradual reduction of the funding deficit is a core objective of the Committee. The funding deficit is calculated by the Fund's Actuary and is influenced by both assets and liabilities. The funding position has implications for the setting of contribution rates for the various employers in the Fund.

The Fund is exposed to a number of risks that pose a threat to meeting the core objective, which includes funding risks, assets risks and operational risks. Details of these risks are set out in the Risk Register which is attached at Appendix 3.

In regards to the risks from the investments, the Committee has agreed an investment strategy that seeks to maintain an asset allocation that provides diversification, thereby spreading the risk whilst seeking to reduce the deficit over a period of time. The expectation is that this will offer protection due periods of market volatility where some assets will preserve capital better than others or in rising markets where some assets will perform better than others. Additional diversification is achieved by employing more than one investment manager.

The Investment Advisers, whilst constructing their review of the Investment Strategy, consider how the portfolio would perform in different situations and the possible outcomes. This then helps format the strategy to incorporate constraints on the maximum exposure to a specific asset class, sector, region or country. The equity market is invariable volatile and therefore the monitoring of the performance of the Fund and its Fund Managers is more focused towards the longer term than the short-term performance.

The Committee pays close attention to the risks that may arise through a mismatch between the Fund's assets and its liabilities as well as the risks that may arise from a lack of diversification of investments. For the time being, the Fund's long-term asset allocation will follow the benchmarks as previous specified and an equity-biased approach will be maintained. A higher weighting in the equity pooled unit trusts is held in the expectation that superior returns will be achieved in the long term. This reflects the need to keep the Council's cost of the Fund at reasonable levels, even at the risk of possible adverse and volatile returns in the shorter term.

In accordance with Regulations, the Council has created a Local Pension Board that consists of an independent Chair, two Representatives for the Employers in the Fund and two Representatives for the Members of the Fund. The role of the Local Pension Board is to secure compliance with the LGPS Regulations and to ensure good governance and administration of the Fund.

4. APPROACH TO ASSET POOLING

The Fund considers that collaborative working and the pooling of assets has the potential to produce some efficiencies and possibly at a lower cost. The Fund has therefore taken the opportunity to use framework agreements to procure the services.

The Fund has been a supporter of the pooling of assets with London Collective Investment Vehicle (LCIV) since it was created in 2013 and contributed to the funding of set-up costs. In 2014 the Fund became a shareholder of the LCIV. Following the launch of funds under management by the LCIV, the Fund has invested 15% of the portfolio into the Alpha Growth Global Equity Fund managed by Baillie Gifford and 20% of the portfolio into the Diversified Growth Fund also managed by Baillie Gifford. The Fund has also transferred the index-tracking equity mandate from State Street Global Advisors to Legal & General Investment Management Ltd (LGIM) as the LCIV has an arrangement with LGIM to provide index-tracking mandates. This means that 65% of the Fund is currently invested via the LCIV.

The Fund regularly monitors the performance of underlying holdings at Committee meetings and also has regular meetings with the LCIV to ensure it is undertaking its duties as appointed.

In due course the LCIV expects to launch further products, including fixed income and property that will offer greater diversification. As these new options become available the Fund will consider these as part of its investment strategy, considering the cost savings available and the alignment of these options with the Fund's strategy.

The Fund does not currently hold any assets that it expects will not be suitable for pooling via the LCIV. This position will be reviewed at least every three years, with a report to be submitted to the Scheme Advisory Board on an annual basis providing an update on the progress of asset transfers to the LCIV.

5. SOCIAL, ENVIRONMENTAL AND CORPORATE GOVERNANCE POLICY

The Regulations require the Pension Fund to state its policy on the extent (if at all) to which social, environmental or ethical consideration are taken into account in the selection, retention and realisation of investments.

The Committee has considered socially responsible investment in the context of its legal and fiduciary duties, and the obligations that these place upon it. The Committee takes the view that non-financial factors should not drive the investment process at the cost of financial return on the Fund. Therefore, the Committee holds a policy of non-interference with the day-to-day decision making of the investment managers.

However the Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which may present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund manager to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social , environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

6. POLICY OF THE EXERCISE OF RIGHTS ATTACHING TO INVESTMENTS

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interest of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively excise the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

Following a review of the Investment Managers' voting polices the Committee agreed that voting on both UK and Overseas holdings should be undertaken by the Investment Managers in accordance with their voting policies since the Fund's investments are made through pooled vehicles.

The Fund's investments through the LCIV are covered by the voting policy of the LCIV which has been agreed by the Pension Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The LCIV will arrange for managers to vote in accordance with the voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voting in accordance with the LAPFF directions.

The Investment Managers provide quarterly reports that provide details of the voting activity together with details of the meetings held with companies as part of their engagement process.

The polices adopted by Legal & General are published on their website at https://documentlibrary.lgim.com/documentlibrary/library_55458.html

Details of Schroders policies on responsible investing can be viewed at http://www.schroders.com/en/about-us/corporate-responsibility/

The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders. The Fund through its participation in the LCIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which they invest.

The Fund is a member of the LAPFF which was set up in 1991 to promote the investment interests of local authority pension funds. LAPFF seeks to maximise the influence of the local authorities as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

The Fund is also a member of the Pensions & Lifetime Savings Association (PLSA). The PLSA provide its members with examples of good stewardship practice and recommendations for key voting at the Annual General Meetings of their investee companies.

7. ADVICE TAKEN

The Fund has appointed Investment Advisers, Mercer Ltd, to provide guidance and advice to the Committee and Officers. In 2014-15 Mercers were commissioned to undertake a review of the Fund's Investment Strategy and their recommendations have been implemented as investment opportunities have arisen. Mercers will continue to monitor the investment strategy with Officers and the Committee to ensure that it continues to meet the Fund's objectives.

The Fund has also appointed Hymans Robertson as the Fund's Actuary to provide guidance and advice to the Committee and Officers. Hymans Robertson provides calculations on the funding position of the Fund which influences the decisions regarding the investment strategy.

The Fund has appointed State Street Analytics as Performance Monitoring Advisers to provide performance statistics on the Fund and its various fund managers. The results of the analysis are reported to the Committee at their quarterly meeting.

The Chartered Institute of Public Finance and Accountancy ("CIPFA") also provides guidance to the Council on a range of matters including pensions to assist in complying with the LGPS Regulations.

Appendix 1

ROLES AND RESPONSIBILITIES

Pension Fund Committee

The Committee consists of five local Councillors who are appointed by Council annually. The Council is responsible for the overall investment policy, strategy and operation of the Fund and its performance, including taking into account the profile of the Fund's liabilities. The Committee meets at least four times per annum.

Advice
The Committee obtains and considers advice from the Council's Corporate Director of Resources and from the Fund's Actuary, Investment Managers and independent Investment consultants are required.

Management
The management of the Pension Fund's investments has been delegated to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Local Pension Board

The Public Services Pension Act 2013 outlined new governance structures for public sector pension schemes, which included the requirement for the Council to establish a Local Pension Board by the 1 April 2015.

The role of the Pension Board covers all aspects of governance and administration of the LGPS, including funding and investments. The Pension Board does not make decisions or carry out duties that are the responsibility of the Administering Authority and those of the Pension Fund Committee.

The Pension Board comprises of two employer representatives, two scheme member representatives and one independent member. No officer or elected member of the Council who is responsible for the discharge of any function under the pension regulations (apart from those of the Local Pension Board and the national Scheme Advisory Board may be a member of this Council's Local Pension Board.

The Pension Board meets four times a year.

Appendix 2

MYNERS PRINCIPLES OF INVESTMENT PRACTICE

	Description of Principle	Redbridge Position	Further Development Opportunity
1	**Effective Decision Making** Administering Authorities should ensure that decisions are taken by persons or organisations with skills, knowledge, advice and resources necessary to take them effectively and monitor their implications	**Compliant** Elected members have a fiduciary duty to the Fund, scheme members and local council tax payers in relation to the LGPS. Functions can be delegated to officers but they retain overall responsibility for the management of the fund and its investment strategy and the individual decisions about investments. Under the Council's Constitution investment functions for the Pension Fund has been delegated to the Pension Fund Committee. This Committee act as "quasi trustees". The Committee comprises of five experienced Councillors who are advised by the Corporate Director of Resources. The Fund's Actuary and Investment Adviser also provide advice to the Committee. Training is provided as required on a range of topics to ensure that the Committee members are able to make informed decisions and to be able to challenge the advice being provided.	Members and Officers have developed a training programme as part of the business plan which seeks to increase the knowledge and skills of all those responsible for pension matters.
2	**Clear Objectives** An overall investment objective(s) should set out for the scheme that takes account of the scheme's liabilities, the potential impact on local tax-payers, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.	**Compliant** The Committee receives an annual presentation from the Fund's Actuary on the funding position and changes affecting the Fund's liabilities. The Committee also receives an annual presentation from the Performance Monitoring Advisors that reports on the individual managers as well as the Fund as a whole.	

		The Committee also receives quarterly reports as well as regular presentations from the Investment Managers on the performance of the Fund against their respective benchmarks. The Fund's Advisers periodically provide reports to the Investment Panel reviewing the investment strategy to ensure that the strategy continues to achieve the Fund's objectives as well as providing advice on changes to the mix of asset classes.	
3	**Risks and Liabilities** In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local tax-payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	**Compliant** The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund. The Committee reviews the investment strategy in consultation with the Fund's Actuary, to ensure that the strategy reflects the profile of the Fund's liabilities whilst seeking to achieve stable contribution rates for the various participating employers. New Admission Agreements are not granted without the presence of a suitable guarantor.	
4	**Performance Assessment** Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administrating authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	**Compliant** Periodically reviews are undertaken to determine whether the recommendations of the advisers in respect of the investment strategy have added value to the Fund. The investment advisory contract is periodically reviewed and in 2013 the Fund signed up to the National Framework for Investment Advisory Services. The contract for Actuarial services is subject to a separate tender process.	Development in line with changes in legislation concerning the governance of pension schemes. These changes seek to strengthen monitoring, decision-making and performance.

		The performance of the Investment Managers and assets held are monitored on a quarterly basis but the emphasis is on the long-term investment objective. A review of the effectiveness of the investment strategy introduced in May 2006 has been undertaken as part of the Annual Business Plan. Whilst it demonstrated that changes in strategy had added value to the fund, in order to ensure that the strategy continues to meet the Fund's objectives some changes to the asset allocation and the managers were required. A revised strategy was agreed and implementation has been undertaken as investment opportunities arise. Following the appointment of new Independent Investment Advisers, a review of the investment strategy has been undertaken and the changes proposed have now been implemented. An Annual Report together with an Annual Review along with other publications provide details to scheme members and employers of the activities of the Pension Fund and the Committee along with the decisions that have been taken throughout the year.	
5	**Responsible Ownership** Administrating Authorities should: • Adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles on the responsibility of shareholders and agents • Include a statement of their policy on responsible ownership should be included in the Statement of Investment Principles	**Partial Compliance** The Committee would encourage, rather than insist that the investment managers adopt the Institutional Shareholders' Committee Statement of Investment Principles. The Fund Managers have clear policies with regards to corporate governance which have been reviewed and considered appropriate for the Redbridge Fund. The Committee has an approved policy on voting which places responsibility for voting on the Fund Managers in accordance with their policies. Details of the voting activity by the Fund Managers are presented on a quarterly basis to the	

	• Report periodically to scheme members on the discharge of such responsibilities.	Investment Panel. All of the Fund's Investment Managers are signatories to the UK Stewardship Code.	
6	**Transparency and Reporting** Administrating authorities should: • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Provide regular communication to scheme members in the form they consider most appropriate.	**Compliant** Redbridge maintains a Communication Policy that sets out how the Fund communicates with all stakeholders in the Fund. All policy statements relating to the Pension Fund are published on the Council's website. The Pension Fund produces an Annual Report which includes the Annual Accounts that is published on the website that provides full details of the activities of the Fund, including details of the various policy statements and the activities of the Committee. The Committee meetings are open to the public and agendas, papers and minutes are available on the Council's website – www.redbridge.gov.uk In accordance with Regulations a Local Pension Board has been set up which reviews the administration and management of the Pension Fund. The Local Pension Board consists of equal number of representatives from employees and employers.	

TYPES OF RISK

The Council has an active risk management programme in place. This measures that is has in place to control key risks are summarised under the following categories – financial, demographic, regulatory and governance.

FINANCIAL RISKS

Financial Risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms
Inappropriate long-term investment strategy	L	H	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consider measuring performance and setting managers' targets relative to absolute returns or a Liability Benchmark Portfolio and not relative to indices.
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	M	H	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between formal valuations at whole fund/employer level, monitored on an annual basis against returns.
Fall in risk-free returns on Government bonds leading to rise in value placed on liabilities	M	H	Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark over medium term	M	M	Short term (quarterly) investment monitoring to analyse market performance and active managers relative to their index benchmark. Supplement with an analysis of absolute returns against those under-pinning the valuation.

Financial Risks (continued)	**Probability (H/M/L)**	**Impact (H/M/L)**	**Summary of Control Mechanisms**
Pay and price inflation significantly more than anticipated	L	M	Focus actuarial valuation process on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and will be advised of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Insufficient funds to meet liabilities as they fall	L	M	Cash flow is monitored monthly and remains with a net inflow position for the foreseeable future
Effect of possible increase in employer's contribution rate on service delivery and admission / scheduled bodies	M	M	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.
Orphaned employers give rise to added costs for the Fund	L	M	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers.

DEMOGRAPHIC RISKS

Demographic risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms
Period of paying pensions lengthening	M	H	Set realistic longevity assumptions and consider some allowance for future increases in life expectancy. Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees	M	H	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies
Deteriorating patterns of early retirements	M	M	Employers are charged the extra capital cost of non ill health retirements on each decision. Employer ill health retirement experience will be monitored between valuations.
Reductions in payroll causing insufficient deficit recovery payments	M	M	In many cases this many not be sufficient cause for concern and will be reflected at the next formal valuation. However, there are protections where there is concern, such as: • Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases • For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

Demographic risks (continued)	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms
A company admitted to the Fund as an admission body may become financially unviable	L	L	A surety bond is required to cover the potential risk of the admitted body becoming insolvent and the value of this surety or bond is reviewed regularly to ensure it provides adequate cover the financial risks involved.
Ill health retirements significantly more than anticipated	L	M	Monitoring of each employer's ill health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill health assumption built in. Monitoring the effect of the change in the regulations resulting in assessing ill health retirements in tiers. Arrangements are available for employers to take out insurance cover with an external provider.

REGULATORY RISKS

Regulatory risks	Probability (H/M/L)	Impact (H/M/L)	Summary of Control Mechanisms
Changes to local government pension scheme regulations	H	M	Monitor the potential creation of additional liabilities and administrative difficulties for employers and London Borough of Redbridge. Consider all consultation papers issued by the CLG and comment where appropriate. Consult employers where appropriate.
Changes to national pension requirements and / or Inland Revenue Rules	M	M	

Time, cost and/or reputational risks associated with any CLG intervention triggered by the section 13 analysis (see section 5).	L	M	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
London Borough of Redbridge failing to meet/comply with the code of practice of the pension regulator and recommendations by the scheme advisory board	L	M	Monitor the Pension Regulator's Code of Practice Consider all papers issued by the Scheme Advisory Board. The Local Pension Board has an oversight role in administration matters.

GOVERNANCE RISKS

<table>
<tr><th>Governance Risks</th><th>Probability (H/M/L)</th><th>Impact (H/M/L)</th><th>Summary of Control Mechanisms</th></tr>
<tr><td>London Borough of Redbridge unaware of structural changes in an employer's membership</td><td>L</td><td>L</td><td rowspan="2">Monitor membership movements on a quarterly basis.
Review the rates and adjustments certificate to increase an employer's contributions (under regulation 64) between triennial valuations.
Deficit contributions expressed as monetary amounts rather than percentage of pensionable pay.</td></tr>
<tr><td>London Borough of Redbridge not advised of an employer closing to new entrants</td><td>L</td><td>L</td></tr>
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Actuarial or investment advice is not sought, or is not heeded, or provide to be insufficient in some way	L	M	The Council maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
London Borough of Redbridge failing to commission the fund actuary to carry out a termination valuation for a departing admission body and losing the opportunity to call in a deficit	L	M	Monitor contribution payments to trigger notification. Operate a diary system to monitor short life or term bodies.
An employer ceasing to exist with insufficient funding or adequacy of a bond	M	M	The risk is mitigated by a prudent admissions policy which: • Sets out the employer obligations clearly • Seeks a funding guarantee from another scheme employer, external body, or government. • Encourages the employer to take independent actuarial advice. • Requires vetting of financial standing. • Periodically review value of bond where appropriate.