

PORT OF LONDON AUTHORITY
PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

PORT OF LONDON AUTHORITY PENSION FUND

FOR THE YEAR ENDED 31 MARCH 2014

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PORT OF LONDON AUTHORITY PENSION FUND
ANNUAL TRUSTEES REPORT FOR THE YEAR ENDED 31 MARCH 2014

Principal Employer:	Port of London Authority
Committee:	
Chairman	Mr W Everard
Port Authority Committee Men	Mr B Chapman Mr R Everitt (to 31 March 2014) Mr R Lenthall Mr J Mills Mr R Mortimer (from 27 May 2014) Dr S Steedman
Members' Committee Men	Mr R G Brodie Mr P Durkin Mr P F Golds Miss A Jeffrey (from 1 January 2014) Mr C McQueen (to 31 December 2013) Mr L Steggles
Administrator:	Port of London Authority
Treasurer:	Mr D Giles
Secretary:	Mr W T Bean
Actuary:	Mr M Whitfield, Aon Hewitt
Auditors:	Ernst & Young LLP
Investment Consultant:	Aon Hewitt
Investment Managers:	Invesco Asset Management AXA Investment Managers Ltd JP Morgan Alternative Asset Management Prisma Capital Partners Antin Infrastructure Partners Fund II (from 19 November 2013)
AVC Providers:	Equitable Life Assurance Society Clerical Medical Investment Group Standard Life
Custodians:	Citibank International HSBC International Fund Services PFPC Trust Company BNP Paribas Securities Luxembourg
Solicitors:	Sacker and Partners
Bank:	National Westminster Bank PLC
Scheme Reference Number:	10076146

PORT OF LONDON AUTHORITY PENSION FUND
ANNUAL TRUSTEES REPORT FOR THE YEAR ENDED 31 MARCH 2014

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Fund in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Administration

The Fund is administered by a Committee of Management consisting of a Chairman and five Committee men appointed by the Authority and five Committee men, comprising three in service members and two pensioners, elected by the members and pensioners respectively.

The Committee are regarded as Trustees of the Fund for the purposes of exercising their powers under the Rules.

Any casual vacancy is filled in the case of a Port Authority Committee man by nomination by the Port Authority and in the case of a members' Committee man or pensioners' Committee man by the co-option of another member or pensioner (as appropriate).

Following the retirement of Mr R Everitt on 31 March 2014, Mr R Mortimer was appointed to the Committee with effect from 27 May 2014.

There are no procedures for the removal of Committee men.

The Committee met on five occasions during the year to 31 March 2014.

In accordance with the provisions of Rule 23(2) a new Committee was appointed to serve for the period 1 April 2012 to 31 March 2017.

The new Committee comprised of:-

Mr W Everard – Chairman

Port Authority Committee Men

Mr B Chapman
Mr R Everitt
Mr R Lenthall
Mr J F Mills
Dr S Steedman

Members Committee Men

Mr R G Brodie
Mr P Durkin
Mr P F Golds
Mr C McQueen
Mr L Steggle

The Committee as a Board of Trustees have received training as appropriate throughout the year.

Changes in the Fund Rules

The Rules of the Fund were amended at a general meeting of members held on 15 April 2013.

These changes will move all active members of the Fund to the CARE benefit structure with effect from 1 January 2014.

There were also amendments to the CARE benefit structure effective from 1 January 2014, details as follows:

- Changes to revaluation of pensions - members benefits accrued from 1 January 2014 will revalue by the rate required by law i.e. assessed by reference to the annual increase in the Government's Consumer Prices Index not exceeding 2.5% in any given year.
- Changes to annual pension increases – members benefits accrued from 1 January 2014 will increase by the rate required by law i.e. assessed by reference to the Government's Consumer Prices Index not exceeding 2.5% in any given year.
- Termination of Additional Voluntary Contributions with effect from 1 January 2014.
- Change to the number of Committee men. When the current term of office expires in March 2017 the new Committee will comprise of the Chairman, four committee men appointed by the Authority, three by the Fund's members and one by the Fund's pensioners.

There were no other changes in the benefit and contribution structure of the Fund nor in any of the other provisions of the Rules.

General Information

The Fund is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed to tax in the normal way. To the Committee's knowledge there is no reason why this registration should be prejudiced or withdrawn.

The Fund is a defined benefits scheme membership of the Fund is voluntary, with contributions being made by both the member and the employer.

Pre 1 April 2009 members

On retirement, benefits are calculated by reference to the member's final pensionable salary and length of pensionable service, with the option to take a tax-free cash sum instead of part of the pension.

Spouses' pensions and child allowances are payable on the death of members with pensionable service from 1 October 1980 onwards.

Post April 2009 members

For members who join the Fund after the 31 March 2009 benefits are calculated on a career average revalued earnings (CARE) basis.

Spouses' pensions and child allowances are payable on the death of members.

Post January 2014 members

All active members of the Fund from 1 January 2014 will have benefits calculated on a career average revalued earning (CARE) basis

Spouses' pensions and child allowances are payable on the death of members.

Investment Manager

Following an asset liability study the Committee, at their meeting held on 19 November 2013, agreed to assign 5% of the Funds assets (£14m : €16m) into an infrastructure portfolio. On 19 November 2013, Antin Infrastructure Managers Fund II were appointed and the paperwork signed in January 2014.

Antin called €302,164.10 on 19 April 2014 and a further €2.672m on 30 June 2014.

The monies were disinvested from the AXA portfolio.

Custodial Arrangements

The Fund's assets are held by Citibank International, HSBC, PFPC Trust Company and International Fund Services. The custodians are responsible for the safe keeping of documents relating to the ownership of Fund investments.

Following the appointment of Antin Infrastructure Managers, BNP Paribas Securities Luxembourg have been appointed as custodian with effect from the same date.

The Committee are responsible for ensuring that the Fund's assets continue to be held securely. The custodian arrangements are reviewed from time to time.

Scheme Advisers

There are written agreements in place between the Trustees and each of the Fund advisers listed on page 1.

Occupational Pension Schemes Disclosure Regulations

This report is prepared in accordance with the requirements of the Occupational Pension Schemes Disclosure Regulations. For further details, and information about the Fund, please contact the Secretary at the address given on page 10.

Actuarial Valuation

A triennial actuarial valuation was carried out as at 31 March 2012 and signed on 28 June 2013. This valuation complied with Scheme Specific Funding Regulations.

The key assumptions used for calculating the technical provisions and future contributions requirement for the Fund were:

		Principal actuarial assumptions for valuation as at 31 March 2012
▪ Investment return pre retirement		6.75% p.a.
▪ Investment return post-retirement		3.5% p.a.
▪ RPI price inflation		3.0% p.a.
▪ CPI price inflation		2.5% p.a.
▪ Salary increases		3.5% p.a.
	RPI (min 3, max 5)	3.5% p.a.
▪ Pension increases in payment	RPI (max 5)	2.9% p.a.
	CPI (max 2.5)	1.9% p.a.
▪ Mortality		105% SAPS Tables, CMI 2011, 1.25% p.a. long term improvements

The valuation assessed that the technical provisions (£358.9m) were 73% covered by the market value of the assets (£263.6m) at the effective date.

Treating the Fund as an ongoing entity, this revealed a deficit of £95.3m.

Following discussions between the Committee and the Authority, it was agreed that the Authority will make the following contributions to the Fund in respect of the past service deficit:

- A payment of £2.8m will be paid in level monthly instalments of £233,333 for the period 1 July 2013 to 30 June 2014
- A payment of £4m will be paid in level monthly instalments of £333,333 for the period 1 July 2014 to 30 June 2033

Based on the above contributions and allowing for the revised investment strategy and further outperformance on the assets of 1.25% per annum during the Recovery Plan, it is expected that the deficit of £95.3m will be recovered over a period of 20 years if the assumptions are borne out in practice.

A further special contribution of £2.5m (over the requirement of the Schedule of Contributions dated 30 April 2010) was paid by the Authority in December 2012. This sum will be used as a pre payment towards the revised Recovery Plan.

The next actuarial valuation of the Fund is due as at 31 March 2015.

Annual Funding Statement

As part of the Scheme Specific Funding Regulations the Trustees were required to issue the annual statement to all members about the funding of the Fund. All members received their statement in October 2013.

Membership in Service

Membership at 31.03.2013		314
New members		<u>21</u>
Membership ceased		
Left service on pension	(2)	
Withdrawal after attaining Normal Pension Age - Pension paid but remained in service	(8)	
Withdrawal before attaining Normal Pension Age - Remained in service	(2)	
Left service before retirement age	(12)	
Death in service	-	
Transfer out	(1)	<u>(25)</u>
Membership at 31.03.2014		<u>310</u>

Pensions and Annuities

	Pensions (inc Child Allow's)	Annuities	G'tee Allow's, Widows', Widowers' and Dependants' Pensions	Ex PLA New Pension Scheme Pensioners & Widows	Basic* Annual Amount £
Numbers at 31.03.2013	1,920	17	581	13	9,528,245
Commenced during the year	<u>15</u>	<u>2</u>	<u>45</u>	<u>1</u>	<u>324,753</u>
	1,935	19	626	14	9,852,998
Ceased during the year	<u>(110)</u>	<u>(3)</u>	<u>(24)</u>	<u>(1)</u>	<u>(339,750)</u>
Numbers at 31.03.2014	1,825	16	602	13	9,513,248
Change during the year	(95)	(1)	21	(0)	(14,997)

* Membership data detailed above reflects the member benefits payable per annum and not the amount paid over the 12 months covered by the report (as stated in the accounts)

Included in the above total annual amount in payment at 31 March 2014, was an annual amount of £27,180 in respect of child allowances in payment.

In addition at 31 March 2014 cumulative Pension Increases per annum amounted to £9,916,778. This amount was £55,322 per annum less than at 31 March 2013.

	At 31.03.13	From Service	Adjustment Late Starter	Transfers Out	Attained NPA	At 31.03.14
Deferred Pensioners	139	8	0	0	(4)	143

Pensions Increases

In accordance with the Rules of the Fund, an increase in the pensions of retired staff and beneficiaries was made with effect from 1 December 2013. The increase was 3.27% and applied in all instances to staff who had left service prior to 1 July 2012. The increase was also to be applied to deferred pensions and potential benefits, except for former deferred members of the PLANPS where statutory revaluation in deferment applies.

In the case of those members of staff who left service between 2 July and 30 November 2013, a proportional amount of the standard increase was paid on 1 December 2013.

In the case of pensioners below the age of 55 years on 1 December 2013, the increase was to apply from their 55th birthdays.

Where a pensioner had a Guaranteed Minimum Pension which had been increased by the State in April 2013, the amount of the GMP at State Retirement Age was deducted before applying the increase.

Transfer Values

Transfer values paid during the year were determined, where appropriate, in accordance with the statutory cash equivalent requirements, and fully reflected the value of the deferred pensioners' accrued benefit rights. During the year, other than AVC transfers out 1 transfer payment was made. All calculations conform with factors and instructions provided by the Actuary. Transfer values are calculated as the cash value of the deferred pension entitlement, the spouse's pension payable in the event of death and an allowance for guaranteed pension increases.

At the meeting held on 1 June 2009, the Committee agreed to the Authority's proposal that the Fund should cease to accept transfer values with immediate effect.

Contributions

A revised schedule of contributions was prepared following the 2012 actuarial valuation as required by Section 227 of the Pensions Act 2004 and this is included, together with the associated actuarial certificate, on pages 11 to 15 of this report.

Statement of Investment Principles

The Committee, after consultation with the Investment Consultant and the Authority, have prepared a Statement of Investment Principles (SIP) which is available upon request.

The Rules of the Fund do not permit Employer related investments.

The Committee's policy on the custody of the Fund's assets is set out in the Rules of the PLA Pension Fund. To ensure compliance with the Pensions Act 1995 a written 'Notice of Appointment' between the Pension Fund and the custodian is in place.

Financial Statements

The Fund's financial statements for the year ended 31 March 2014 are shown on pages 17 to 25. They have been prepared and audited in accordance with regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

Financial and Investment Review

The Committee, after consultation with the Investment Consultant and Actuary, set a broad investment policy with day to day investment decisions being delegated to the Investment Managers.

During the year to 31 March 2014 net assets decreased by £1.332m to £284.710m.

The investment management expenses for the year ended 31 March 2014 amounted to £321,000. The rebate due from Invesco Asset Management of £223,000 resulted in net expenses of £98,000.

The notes to the financial statements include an investment note (7) which sets out the purchases, sales and net change in market value for each type of investment held by the Fund, together with an analysis of the market values of investments held at the year end between listed and unlisted investments and between UK and foreign denominated investments, which should be read in conjunction with the accounting policies in note (2).

Investment Report

INVESTMENT COMMENTARY

On the back of some encouraging economic data and the fastest developed market GDP growth, UK equity market returns over the 12 months to 31 March 2014 were 8.8%. US and European equity market returns were even more impressive.

Bank of England (BoE) policy rates remained at 0.5%, unchanged since March 2009. New BoE Governor Mark Carney, who started in July, issued forward guidance that interest rates would stay low until unemployment falls. After falling faster than anticipated, the unemployment rate was dropped as the main trigger for allowing interest rates to rise. Improving UK economic data caused sterling to appreciate against most major currencies over the year. Sterling ended the year up 7.2% on a trade-weighted basis.

The Federal Reserve (Fed) continued its open-ended quantitative easing (QE) programme to support the US economy. However, investors became anxious in May as Fed Chairman Bernanke signalled a reduction in QE sooner than expected. In the event, the Fed actually initiated its withdrawal of QE in December 2013. As the Fed continued to wind down its asset purchases, Bernanke's successor Janet Yellen emphasised her commitment to maintain accommodative monetary policy in order to support continuing economic growth.

The Eurozone emerged from recession in Q2 2013, led by stronger German growth, although many peripheral countries continued to struggle. Deflationary concerns caused the ECB to lower its policy rate to 0.25%

Growth in emerging economies slowed, with the larger economies, such as China, particularly disappointing investors.

Markets brushed aside concerns over a reduction in QE, and despite various economic and political difficulties, global equity returns were strong over the 12 months to 31 March 2014, and the MCSI All Country World Index returned 17.4% in local currency

terms. However sterling strength over the year eroded the majority of these returns, the sterling return on the index was only 6.7%

UK fixed interest gilts provided a negative return over the year as better economic data resulting in falling US bond prices put pressure on UK bonds.

Index-linked gilt returns were weaker than their fixed interest gilt counterparts across all maturities as future expectations of inflation fell.

The combination of income return and the perceived riskiness of holding corporate bonds falling, more than offset the fall in gilt prices over the year and corporate bonds returned 1.6%.

The IPD Monthly Index moved up by 14.0% over the year, giving the highest 12 month return since 2010. The income return was 6.7%, capital growth was 6.8%, while rental value growth was 1.2%.

Fund Values

The market values of the Fund's invested assets are shown below:

Assets	AXA (£'m)	Invesco (£'m)	JP Morgan (£'m)	Prisma (£'m)	Total (£'m)
Assets as at 31 March 2012	161.6	49.1	27.1	26.0	263.8
Assets as at 31 March 2013	171.9	57.8	29.0	28.1	286.8
Assets as at 31 March 2014	165.0	58.1	31.6	30.3	285.0

Valuation figures above are based on the bid price for AXA and Invesco and NAV price for JPMorgan and Prisma.

Over the year and annualised three years, the estimated total Fund return after fees were 3.8% and 8.3% p.a. respectively, outperforming the annual and three-year benchmark by 1.0% and 1.3% p.a. respectively.

Data Protection Act 1998

The Committee and the Employer have both a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Fund and paying benefits under it. This may include passing on data about members to the Fund's actuary, auditor, administrator and such other third parties as may be necessary for the administration and operation of the Fund.

The Committee and the Employer are both regarded as 'Data Controllers' (for the purposes of the Data Protection Act 1998) in relation to data processing referred to above and can be contacted at the address shown below.

TPAS, Pension Ombudsman and the Pensions Regulator

If a member has a complaint against the scheme, which has not been resolved to their satisfaction through the scheme's dispute procedure, TPAS (The Pensions Advisory Service) an independent voluntary organisation may be able to offer advice. The name of the local TPAS advisor can be obtained from any local Citizens Advice Bureau. If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the trustee or scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

The Pensions Regulator is responsible for overseeing pension scheme administration and for complaints about non-disclosure of information. It also now acts as the registrar of occupational and personal pension schemes. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Enquiries concerning the Fund, or potential benefits under it, should be addressed to:

Mr W T Bean
Fund Secretary
Port of London Authority
London River House
Royal Pier Road
Gravesend
Kent
DA12 2BG



(on behalf of)
The Trustees of the
Port of London Authority Pension Fund

PORT OF LONDON AUTHORITY PENSION FUND
(**"the Fund"**)

SCHEDULE OF CONTRIBUTIONS
CONTRIBUTIONS PAYABLE FOR THE PERIOD
1 JULY 2013 TO 30 JUNE 2033

Status

This schedule of contributions has been prepared by the Committee of Management, after obtaining the advice of Mr M R Whitfield, the actuary to the Fund.

For each complete month ending after the 28 June 2013, contributions of at least the following rates for retirement benefits and for administration expenses are due:

By active members:

Fund members contribute in accordance with the Rules of the Fund. The rates of member contributions are listed below:

- Pre-2009 members – 1 July 2013 to 31 December 2013

Band	Percentage of Salary
1	5.50%
2	5.75%
3	6.00%
4	6.25%
5	6.50%
6	6.75%
7	7.00%
8	7.25%
9	7.50%

- Post-2009 members – 1 July 2013 to 31 December 2013

Higher rate members – 6.6% of Pensionable Salary

Lower rate members – 4.95% of Pensionable Salary

- All members – from 1 January 2014

Higher rate members – 6.7% of Pensionable Salary

Lower rate members – 5.03% of Pensionable Salary

In addition to the above contributions, during the period 1 July 2013 to 31 December 2013, active members may make Additional Voluntary Contributions of such amounts and on such dates as they may decide subject to the Rules of the Fund.

The contributions for each month are to be deducted from Salary/Pensionable Salary by the Port of London Authority and paid to the Fund on or before the 19th of the calendar month following deduction.

By the Port of London Authority:

In respect of the future accrual of benefits

- Pre-2009 members -- 1 July 2013 to 31 December 2013
33.05% of Salaries

- Post-2009 members -- 1 July 2013 to 31 December 2013
Higher rate members -- 13.2% of Pensionable Salary
Lower rate members -- 9.9% of Pensionable Salary

- All members -- from 1 January 2014
Higher rate members -- 13.4% of Pensionable Salary
Lower rate members -- 10.05% of Pensionable Salary

To be paid to the Fund on or before the 19th of the calendar month following that to which the payment relates.

Salary is defined as a member's emoluments in cash or in kind as are pensionable under the terms (express or implied) of his contract of service from time to time.

Pensionable Salary is defined as the member's salary or wages specified by the Port Authority to be pensionable subject to the permitted maximum.

The expenses of administering the Fund and the Pension Protection Fund levy are payable separately by the Port of London Authority.

In respect of the shortfall in funding

In accordance with the Recovery Plan dated 28 June 2013, the Port of London Authority will pay contributions as follows:

- £2,800,000 per annum, payable in level monthly instalments of £233,333 for the period 1 July 2013 to 30 June 2014. This is to be paid to the Fund on or before the 19th of the calendar month following that to which the payment relates.

- £4,000,000 per annum, payable in level monthly instalments of £333,333 for the period 1 July 2014 to 30 June 2033. This is to be paid to the Fund on or before the 19th of the calendar month following that to which the payment relates.

£2,500,000 of the above contributions had been paid to the Fund by the Port of London Authority prior to the date of this Schedule of Contributions.

Signed on behalf of the Port of London Authority: 

Name: BRIAN CHAPMAN

Position: CHIEF FINANCIAL OFFICER

Date: 28 June 2013

Signed on behalf of the Committee of Management
of the Port of London Authority Pension Fund:



Name: WILLIAM BEAN

Position: SECRETARY

Date: 28 June 2013

Form of actuary's certification of schedule of contributions

Name of scheme: Port of London Authority Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2012 to be met by the end of the period specified in the Recovery Plan dated 28 June 2013.

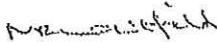
I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 14 June 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:



Date:

28 June 2013

Name:

M R Whitfield

Qualification:

Fellow of the Institute and Faculty of Actuaries

Address:

Verulam Point
Station Way
St Albans
AL1 5HE

Name of employer:

Aon Hewitt Limited

Appendix 6: Certificate of technical provisions

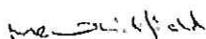
Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Port of London Authority Pension Fund

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the scheme and set out in the statement of funding principles dated 14 June 2013.

Signature



Date

28 June 2013

Name

M R Whitfield

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point
Station Way
St Albans
AL1 5HE

Name of Employer

Aon Hewitt Limited

PORT OF LONDON AUTHORITY PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE PORT OF LONDON AUTHORITY PENSION FUND

We have audited the financial statements of the Port of London Authority Pension Fund for the year ended 31 March 2014 which comprise the fund account, the net assets statement and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, set on page 2, the Fund's trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP

Ernst & Young LLP

Statutory Auditor

Manchester

Date: 30 Oct 2014

PORT OF LONDON AUTHORITY PENSION FUND

FUND ACCOUNT

for the year ended 31 March 2014

	<i>Note</i>	2014 £000	2013 £000
Contributions and benefits			
Employer contributions		7,202	4,836
Employee contributions		<u>1,101</u>	<u>1,186</u>
Total contributions	3	<u>8,303</u>	<u>6,022</u>
Benefits paid or payable	4	(20,457)	(20,411)
Payments to and on account of leavers	5	<u>(265)</u>	<u>(37)</u>
Total contributions		<u>(20,722)</u>	<u>(20,448)</u>
Net withdrawals from dealings with members		<u>(12,419)</u>	<u>(14,426)</u>
Returns on investments			
Investment income	6	7,836	8,020
Foreign currency gains		(6)	-
Change in market value of investments	7	3,355	27,611
Investment management expenses	8	<u>(98)</u>	<u>(299)</u>
Net returns on investments		<u>11,087</u>	<u>35,332</u>
Net (decrease) / increase in the fund during the year		(1,332)	20,906
Net assets of the Fund			
At 1 April		<u>286,042</u>	<u>265,136</u>
At 31 March		<u><u>284,710</u></u>	<u><u>286,042</u></u>

The notes on pages 19 to 25 form part of these financial statements.

PORT OF LONDON AUTHORITY PENSION FUND

NET ASSETS STATEMENT

as at 31 March 2014

	Note	2014 £000	2013 £000
Investment assets			
Investment assets	7	291,197	289,108
Investment liabilities	7	(4,243)	(128)
Net investment assets		<u>286,954</u>	<u>288,980</u>
Current assets	9	42	42
Current liabilities	10	(2,286)	(2,980)
Net assets of the scheme at 31 March		<u><u>284,710</u></u>	<u><u>286,042</u></u>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposition of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Trustees' Report and actuary's certificate of the calculation of technical provisions on pages 11 to 15 of this annual report, and these financial statements should be read in conjunction with them.

The financial statements on pages 17 to 25 were approved by the Committee of Management on 26 September 2014 and are signed on its behalf by:

Committee man



Committee man



Committee man



PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. They have also been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised May 2007).

2. Accounting policies

The principal accounting policies, which have been applied consistently in the preparation of the financial statements, are set out below.

a. Solvency of the Fund

Under the Port of London Act 1968, the Port of London Authority is liable for the solvency of the Fund.

b. Investments and Cash Deposits

Fixed interest and index linked securities to be accounted for on a "clean" basis (excluding the value of interest accruing from the previous interest payment date to the valuation date). The Funds fixed interest and index linked securities have been accounted for on a "clean" basis (excluding accrued interest).

Pooled investment vehicles are valued at the closing single price as advised by the investment manager. Following the decision to draw down regular cash payments from Invesco to pay part of the monthly pensions, units were switched from UK Enhanced Index to Income Shares. Resulting from the switch dividends became payable, which were used for pension payments.

The Fund includes Additional Voluntary Contributions consisting of policies of assurance underwritten by Standard Life, Equitable Life Assurance Society Plc and Clerical Medical Investment Group Ltd. The market value of these investments has been taken as the surrender values of the policies at the year end as advised by the underwriter.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees.

c. Income from investments

Income from cash and short term deposits is dealt with in these financial statements on an accruals basis. Income from fixed interest, index-linked securities and related tax credits are accounted for on the date the stocks are quoted ex-dividend.

Investment income from pooled funds which is distributed is accounted for on an accruals basis.

The change in market value of the investments during the year comprises all increases and decreases in the market value of the investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

d. Derivatives

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivatives contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income.

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit and loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

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

e. Administrative Expenses

The rules of the Fund provide that the Port of London Authority shall bear the full costs of the administration expenses. Expenses incurred in the acquisition, variation, management, maintenance, improvement, development and disposal of any investment are payable directly by the Fund.

f. Benefits

Refunds on withdrawal and single cash sums on retirement are accounted for on an accruals basis based on the date of leaving or retirement. Retirement benefits where a member has a choice to either a full pension or a lump sum plus reduced pension are accounted for on an accruals basis based on the date the option was exercised. Lump sum death benefits are accounted for on an accruals basis.

g. Contributions

Employer's and members' contributions are accounted for on an accruals basis at rates agreed between the Trustees and the employer based on the recommendations of the actuary and schedule of contributions. Members' additional voluntary contributions are accounted for on an accruals basis.

h. Transfer values

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pensions schemes of new employers for members who have left the scheme. They take account of transfers where the Trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end and where the amount of the transfer can be determined with reasonable certainty. Individual transfers in are accounted for on the basis when the member liability is accepted or discharged.

With effect from 1 June 2009, the Committee agreed to the Authority's proposal that the Fund should cease to accept transfer values with immediate effect. Transfer in requests received before 1 June 2009 would be honoured.

i. Foreign currencies

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Income received in foreign currency is translated into sterling at the exchange rate ruling on the date of receipt. Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Surpluses and deficits arising on conversion or translation of investments are dealt with as part of the change in market value of investments.

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

3. Contributions

	2014	2013
	£000	£000
Employer contributions		
Normal	3,502	3,236
Deficit funding	3,700	1,600
Employee contributions		
Normal	973	986
Additional Voluntary Contributions-ELAS	5	6
Additional Voluntary Contributions-Clerical Medical	11	10
Additional Voluntary Contributions-Standard Life	112	184
	8,303	6,022

During the year the employer made deficit funding contributions of £3.7m as required under the schedules of contributions. Deficit funding contributions are due until 30 June 2033.

4. Benefits

	2014	2013
	£000	£000
Pensions	19,326	19,516
Commutations	800	682
Lump sum death benefits	232	213
AVC retirement benefits	99	-
	20,457	20,411

The 2013 general pension increase was 3.27%

5. Payments to and on account of leavers

	2014	2013
	£000	£000
Refund of contributions on withdrawal of members	4	19
Contributions - equivalent premiums	6	7
Transfer out of AVC's	255	11
	265	37

6. Investment income

	2014	2013
	£000	£000
Income from fixed interest securities - Government	97	106
Income from fixed interest securities - other	5,346	5,477
Income from variable interest securities	1,126	1,240
Income from index linked securities	362	354
Interest receivable on cash deposits	9	6
Dividends receivable from Pooled investment vehicles	896	837
	7,836	8,020

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

7. Investment assets and liabilities

	2014			2013		
	U.K. £000	Overseas £000	Total £000	U.K. £000	Overseas £000	Total £000
Investment assets						
Fixed interest securities	100,212	-	100,212	111,637	-	111,637
Index linked securities	36,286	-	36,286	39,076	-	39,076
Variable interest securities	19,335	-	19,335	17,670	-	17,670
Pooled investment vehicles	96,326	29,053	125,379	85,411	29,471	114,882
Derivatives	-	-	-	-	-	-
AVC investment	1,572	-	1,572	1,776	-	1,776
Cash deposits & other investment assets	8,323	90	8,413	3,980	87	4,067
Total investment assets	262,054	29,143	291,197	259,550	29,558	289,108
Investment liabilities						
Derivatives	(15)	-	(15)	(54)	-	(54)
Cash deposits and other investment liabilities	(4,228)	-	(4,228)	(74)	-	(74)
Total investment liabilities	(4,243)	-	(4,243)	(128)	-	(128)
Net investment assets	257,811	29,143	286,954	259,422	29,558	288,980

Excluding UK government securities, investments exceeding 5% of the value of the net assets are detailed below:

	2014		2013	
	Bid Value £000	% of Net Assets	Bid Value £000	% of Net Assets
Invesco Perpetual Institutional UK Equity Fund Accumulation Shares	29,060	10	28,315	10
Invesco Perpetual Institutional Foreign Equity Fund Accumulation Shares	29,053	10	29,471	10
Prisma Spectrum Fund - Class E	30,313	11	28,052	10
J.P.Morgan Multi-Strategy Fund - Class C	31,570	11	29,044	10

Net investment assets

	Value at 31 March 2013 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 31 March 2014 £000
Fixed interest securities	105,016	17,867	(18,806)	(3,865)	100,212
Index linked securities	39,076	-	-	(2,790)	36,286
Variable interest securities	17,670	3,573	(2,495)	587	19,335
Pooled investment vehicles	121,503	1,686	(7,288)	9,478	125,379
Derivatives contracts	(54)	187	(12)	(136)	(15)
AVC investment	1,776	127	(412)	81	1,572
	<u>284,987</u>	<u>23,440</u>	<u>(29,013)</u>	<u>3,355</u>	<u>282,769</u>
Cash deposits	537				582
Other investment assets	3,530				7,831
Cash deposits and other investment liabilities	(74)				(4,228)
Net investment assets	<u>288,980</u>				<u>286,954</u>

Transaction costs incurred in the year amounted to £7,178 (2013: £13,793). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs is not separately provided to the Fund.

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

7. Investment assets and liabilities (Continued)

	2014	2013
	£000	£000
Fixed interest securities:		
UK quoted - Government	2,673	2,120
UK quoted - Other	97,539	103,447
	100,212	105,567
Index linked securities:		
UK quoted - Government	36,286	39,076
	36,286	39,076
Variable interest securities:		
UK quoted - Other	19,335	17,670
	19,335	17,670
Pooled investment vehicles:		
Managed funds	£000	£000
AXA Fund Managers GBL	5,383	6,070
Invesco Perpetual - UK Enhanced Index Fund	29,060	28,315
Invesco Perpetual - Global ex UK Enhanced Index Fund	29,053	29,471
Prisma Spectrum Fund Ltd - GBP - Class E1	30,313	28,052
J.P. Morgan Multi-Strategy Fund II - Class C-A GBP Series	31,570	29,044
	125,379	120,952

Invesco Asset Management, who operate the Invesco Perpetual UK & Global Enhanced Index funds, are registered in the UK. Prisma Spectrum Fund Ltd., who operates the Prisma Spectrum Fund (Class E1) & J.P. Morgan Multi-Strategy Fund II, Ltd., who operates the J.P. Morgan Multi-Strategy Fund II (Class C-A GBP), are both registered in Cayman Islands.

	2014	2014	2013	2013
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Derivatives				
Futures contracts - UK	-	(15)	-	(54)
Net derivatives	(15)		(54)	

The objectives for holding derivatives are detailed in the investment report.

	Expiration	Nominal value	2014	2014
		£000	Assets	Liabilities
			£000	£000
Futures				
UK Long (10Y) Gilt	3 months	4,400	-	(15)
			-	(15)

The nominal value of the stock purchases under the futures contract is the value subject to market movements and is the economic exposure.

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

7. Investment assets and liabilities (Continued)

AVC investments

Members are entitled to make additional voluntary contributions for the purpose of purchasing additional benefits within certain permissible limits set out by the Inland Revenue. These monies are paid over to the Standard Life, Equitable Life Assurance Society and Clerical Medical Investment Group Ltd for securing these benefits. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. Purchases at cost in respect of AVC investments represent AVC's paid onwards by the Trustees to third party AVC providers. Sale proceeds in respect of AVC investments represent AVC funds returned to the Trustees by AVC providers to settle benefits due to members. The change in market value of investments comprises realised and unrealised gains and losses during the year. It also includes increases in separately invested AVC funds, whether arising from interest, bonuses or changes in the value of the investments underlying the funds.

	2014	2013
	£000	£000
Equitable Life Assurance Society	43	40
Clerical Medical Investment Group Ltd	240	278
Standard Life	1,289	1,458
	<u>1,572</u>	<u>1,776</u>

Transfers of AVC investments were made in the year from Equitable Life Assurance Society, Clerical Medical Investment Group Ltd and Standard Life to Port of London Authority Pension Fund to enhance member's benefits within the fund.

	2014	2013
	£000	£000
Other investment assets		
Amount due from broker	4,456	-
Dividends receivable	364	393
Derivatives cash - initial margin	100	84
Derivatives cash - other	144	109
Accrued Interest	2,767	2,944
	<u>7,831</u>	<u>3,530</u>

	2014	2013
	£000	£000
Cash deposits and other investment liabilities		
Derivatives cash - variation margin	(125)	(74)
Amount due to broker	(4,103)	-
	<u>(4,228)</u>	<u>(74)</u>

PORT OF LONDON AUTHORITY PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

8. Investment management expenses

	2014	2013
	£000	£000
Investment management fee	298	472
Rebate	(223)	(199)
Transaction fees	7	14
Custody charges	15	9
Income tax	1	3
	98	299

The management fee covers investment management, valuations, broker commissions, custodian services, tax recovery and investment accounting.

9. Current assets

	2014	2013
	£000	£000
Rebate	35	31
Other debtors	7	11
	42	42

10. Current liabilities

	2014	2013
	£000	£000
Accrued expenses	72	184
Unpaid benefits	514	296
Prepaid income	1,700	2,500
	2,286	2,980

During the year £800,000 was drawn down from prepaid income, being the difference between deficit contributions due for the year under the schedules of contributions, of £3,700,000, and that received from the employer of £2,900,000.

11. Self investment

The Fund does not hold any investment in the Port of London Authority or in any other company or person connected with the Authority.

12. Related party transactions

The employer meets all of the costs of administration of the scheme. During the year five Trustees were contributing members of the Fund. Trustee contributions were paid in accordance with the schedule of contributions. Two Trustees are in receipt of a pension from the Fund. Trustee benefits have been paid in accordance with the Fund rules. No other transactions have been entered into during the year with related parties which require disclosure under Financial Reporting Standard No. 8.

13. Contingent Liabilities and contractual commitments

During the year the Trustees entered into a commitment to invest €16m (£13,227,513 at 31 March 2014) with Antin Infrastructures Partners Fund II. At 31 March 2014, no calls had been made and the full commitment was outstanding. Other than this, and the commitment to pay future pensions, there are no further contingent liabilities.

PORT OF LONDON AUTHORITY PENSION FUND

Independent Auditor's Statement about Contributions to the Trustees of the Port of London Authority Pension Fund.

We have examined the summary of contributions to the Port of London Authority Pension Fund for the Fund year ended 31 March 2014 to which is set out on page 27

This statement is made solely to the Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our work, for this statement, or the opinion we have formed.

Respective responsibilities of Trustees and auditor

As described more fully in the Statement of Trustees' Responsibilities, set out on page 2, the Fund's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Fund's Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

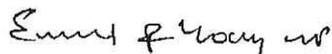
It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported summary of contributions, set out on page 27, have in all material respects been paid at least in accordance with the schedule of contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions.

Statement about contributions

In our opinion, contributions for the Fund year ended 31 March 2014, as reported in the summary of contributions set out on page 21, have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the Fund actuary on 30 April 2010 and 28 June 2013.



Ernst & Young LLP
Statutory Auditor
Manchester

Date: 3 OCTOBER 2014

PORT OF LONDON AUTHORITY PENSION FUND

Summary of Contributions payable for the year ended 31 March 2014

During the year, the contributions payable to the Fund by the employer, in respect of members' and employer's contributions, were as follows:

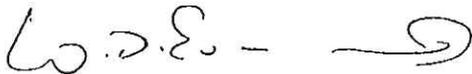
	Member £000	Employer £000
Required by the schedules of contributions		
Normal contributions	973	3,502
Deficit contributions	-	3,700
Total	<u>973</u>	<u>7,202</u>

During the year the employer made a contribution of £3.7m in respect of the past service deficit as required by schedules of contributions.

	Member £000	Employer £000
Other contributions payable		
Other - AVC's	128	-
Contributions as reported in the Fund Account	<u>1,101</u>	<u>7,202</u>

During the year the employer made a prepayment of future deficit contributions of £1.3m.

Signed on behalf of the Trustees:



Date 26 September 2014